

MFCB
MEGA FIRST CORPORATION BERHAD
[Co. No. 6682-V]

Laporan Tahunan / Annual Report

2005



CONTENTS

| | |
|---|---------|
| Corporate Information | 2 |
| Profile Of Directors | 3 - 5 |
| Five-Year Financial Highlights | 6 |
| Corporate Governance Statement | 7 - 9 |
| Additional Compliance Statement | 10 |
| Chairman's Statement | 11 - 13 |
| Group Managing Director's Operation Review | 14 - 17 |
| Audit Committee Report | 18 - 22 |
| Statement On Internal Control | 23 |
| Directors' Report | 26 - 32 |
| Report Of The Auditors | 33 |
| Income Statements | 34 |
| Balance Sheets | 35 |
| Statements Of Changes In Equity | 36 |
| Cash Flow Statements | 37 - 42 |
| Notes To The Financial Statements | 43 - 82 |
| Statement By Directors | 83 |
| Statutory Declaration | 83 |
| List Of Properties Held | 84 - 85 |
| Statistics On Shareholdings | 86 - 88 |
| Notice Of Annual General Meeting | 89 - 90 |
| Statement Accompanying Notice Of Annual General Meeting | 91 |
| Notice Of Dividend Entitlement | 92 |
| Directory | 93 - 94 |
| Proxy Form | |



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

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

Deputy Chairman

* 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.) (Also 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 OF THE BOARD

Goh Nan Kioh (*Chairman*)

Maisuri bin Besri

EMPLOYEE SHARE OPTION COMMITTEE

Lim Thian Soo

* Michael Yee Kim Shing

* Dato' Haji Abu Hanifah bin Noordin

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: mfcfb@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

AmBank Berhad

Bank of Communications

Barclays Bank Plc

Bumiputra-Commerce Bank Berhad

RHB Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad, Main Board

SECTOR

Trading/Services

STOCK CODE

3069

(*) - Independent and Non-Executive Director

PROFILE OF DIRECTORS

GOH NAN KIOH

B.Ec. (Hons.)

Chairman/Non-independent and non-executive Director
Malaysian

Mr Goh Nan Kioh, age 52, 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 all meetings of the Board of Directors held during the financial year ended 30 June 2005. 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 53, was appointed to the Board on 5 December 1990 and is one of the longest serving independent and non-executive member 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 (listed on Bursa Malaysia Securities Berhad) and Pacific & Orient Insurance Co. Berhad. Dato' Hanifah has attended three out of the four meetings of the Board of Directors held during the financial year ended 30 June 2005.

LIM THIAN SOO

MBChB, MBA

Group Managing Director
Malaysian

Mr Lim Thian Soo, age 42, 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 (subsidiary of MFCB) and D&O Ventures Berhad, both of which are listed on Bursa Malaysia Securities Berhad. He has attended all meetings of the Board of Directors held during the financial year ended 30 June 2005. He is the brother-in-law of Mr Goh Nan Kioh.



PROFILE OF DIRECTORS

CHEW WEI KEONG

FCCA, CPA, CA (M)

Group Chief Operating Officer

Malaysian

Mr Chew Wei Keong, age 49, 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. He has attended three out of the four meetings of the Board of Directors held during the financial year ended 30 June 2005.

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 62, 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 2005.

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 67, joined the Board on 5 April 1990 and is the longest serving member of the Board. He graduated from the 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 April 1990 until December 1990 after which, he assumed the position of Director in charge of Finance and Administration until February 1992, and thereafter continued to serve as a non-executive director. He is presently the Chairman of the Audit Committee. 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 has successfully implemented several schemes of corporate reconstruction, restructuring and re-listing of public listed companies and handled all facets of professional services as a practising accountant. Mr Yee is also an independent and non-executive director of Dataprep Holdings Berhad, Pacific & Orient Berhad (both listed on Bursa Malaysia Securities Berhad), Pacific & Orient Insurance Co. Berhad and VXL Capital Limited (a company incorporated and listed on the Hong Kong Stock Exchange). Mr Yee has attended all meetings of the Board of Directors held during the financial year ended 30 June 2005.



LIM BOON SEH

Non-independent and non-executive Director
Malaysian

Mr Lim Boon Seh, age 51, 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 2005.

MAISURI BIN BESRI

B.Ec.(Hons.), MBA

Non-independent and non-executive Director
Malaysian

Encik Maisuri bin Besri, age 48, 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 three out of the four meetings of the Board of Directors held during the financial year ended 30 June 2005.

GOH NAN YANG

B.Sc. (Hons.)

Executive Director and Alternate Director to Goh Nan Kioh
Malaysian

Mr Goh Nan Yang, age 42, was appointed an executive director on 26 November 2004. He is also the alternate director to Mr Goh Nan Kioh, a position held since 13 March 2003. Mr Goh graduated from the University of Toledo with a Bachelor of Science degree majoring in Engineering. Mr Goh 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. Mr Goh is a non-executive director in D&O Ventures Berhad, a company listed on Bursa Malaysia. He is also a Director of Pearl River Tyre (Holdings) Limited (a company listed on the Hong Kong Stock Exchange). He has attended all the Board meetings since his appointment as Director to the Company during the financial year ended 30 June 2005. Mr Goh is the brother of Mr Goh Nan Kioh.

None of the Directors of the Company has been convicted of any offence.

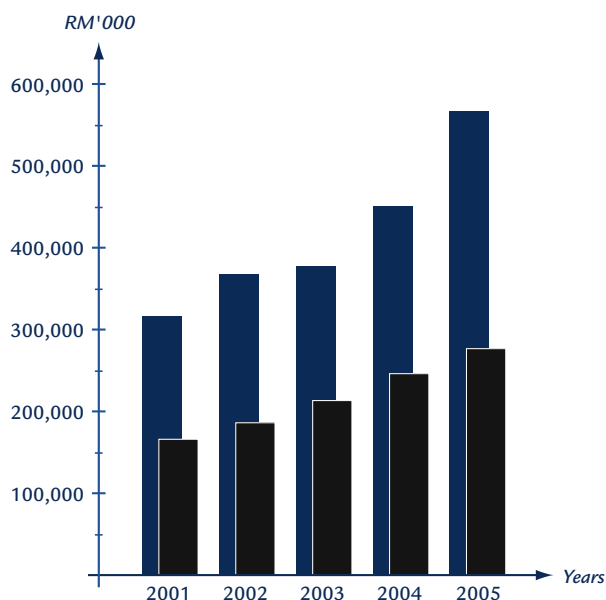


FIVE YEAR FINANCIAL HIGHLIGHTS

| Year Ended 30 June | 2001 RM'000 | 2002 RM'000 | 2003 RM'000 | 2004 RM'000 | 2005 RM'000 |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Results | | | | | |
| Revenue | 315,809 | 366,828 | 376,633 | 450,221 | 566,881 |
| Profit Before Tax | 39,361 | 43,615 | 49,421 | 64,116 | 64,107 |
| As Of 30 June | | | | | |
| Shareholders' Equity | 171,915 | 193,047 | 224,105 | 256,873 | 284,808 |
| Net Tangible Assets | 165,940 | 186,101 | 213,228 | 246,091 | 276,651 |
| Per Ordinary Share | | | | | |
| Earnings (sen) | 9.5 | 10.3 | 11.2 | 12.8 | 13.5 |
| Gross Dividend (sen) | - | 1.0 | 1.0 | 1.5 | 3.0 |
| Net Tangible Assets (sen) | 70.3 | 78.9 | 90.3 | 104.0 | 117.2 |

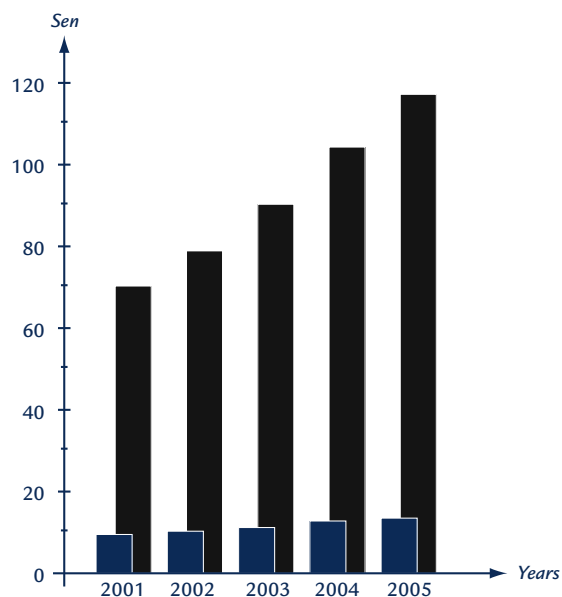
REVENUE AND NET TANGIBLE ASSETS

■ Revenue
■ Net Tangible Assets



EARNINGS PER SHARE (SEN) AND NET TANGIBLE ASSETS PER SHARE (SEN)

■ 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 Malaysia”). This is to ensure that no individual or small groups of individuals dominate the Board’s decision-making process.

Board meetings were held four times in FY 2005. At least four 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 once in 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 Malaysia. As part of the Continuing Education Programme, the Directors will continue to attend relevant training programmes to further enhance their skills and knowledge as well as to keep abreast with new developments for the furtherance of their duties.

In FY 2005, the composition of the Board, together with the attendance of the respective Directors at Board meetings are as follows:-

| <u>Name of Director</u> | <u>Attendance Record</u> |
|------------------------------------|--------------------------|
| Goh Nan Kioh | 4/4 |
| Dato’ Haji Abu Hanifah bin Noordin | 3/4 |
| Lim Thian Soo | 4/4 |
| Chew Wei Keong | 3/4 |
| Yong Fook Shin | 4/4 |
| Michael Yee Kim Shing | 4/4 |
| Lim Boon Seh | 4/4 |
| Maisuri bin Besri | 3/4 |
| Goh Nan Yang | 2/2 |

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.



CORPORATE GOVERNANCE STATEMENT

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 and senior management staff. 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 | Total |
|-------------------------|-----------|-----|-------|
| Executive Directors | 802 | - | 802 |
| Non-Executive Directors | - | 142 | 142 |

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 | - | 7 |
| RM100,000 – RM150,000 | 1 | - |
| RM250,000 – RM300,000 | 1 | - |
| RM350,000 – RM400,000 | 1 | - |

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

(**) - includes a former Director

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 Malaysia Listing Requirements.

SHAREHOLDERS

Shareholders are kept well informed of developments and performances of the Company through disclosures to the Bursa Malaysia 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 Malaysia 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 Malaysia 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 2005, 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 were no material contracts subsisting at the end of the financial year on 30 June 2005 or entered into since the end of the financial year by the Company and its subsidiaries which involve interests of directors and major shareholders except for the following:-

Bloxwich Industries (Proprietary) Limited ("BIL"), a 100% owned subsidiary of Bloxwich International Sdn Bhd which in turn is a 97.2% owned subsidiary of Mega First Corporation Berhad, have entered into two lease agreements with The Trustees of The Rockingham Trust on 26 August 2004 as follows:-

- a) Agreement for the rental of the factory land and buildings situated at No: 1631, 1633, 1635 and 1637, South Coast Road, Durban covering an area measuring approximately 6,548 square meters for the three-years period from 1 October 2004 to 30 September 2007 for the total rent of Rand 3.50 million; and
- b) Lease Agreement for the rental of the land and building situated at No: 245 Chamberlain Road, Durban covering an area measuring approximately 4,027 square meters for the three years period from 1 October 2004 to 30 September 2007 for the total rent of Rand 1.75 million.

Mr Harvey Martin Smith is a director of BIL and a beneficiary of The Rockingham Trust.

- **Sanctions and/or Penalties imposed**

There were no sanctions or material penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year ended 30 June 2005.

- **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 ended 30 June 2005, the Company issued 3,522,000 share options pursuant to the Employee Share Option Scheme. As at 30 June 2005, employees hold 6,537,000 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 ended 30 June 2005.

- **Non-audit fees**

The non-audit fees paid to the external auditors for the financial year ended 30 June 2005 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 ended 30 June 2005. 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 ended 30 June 2005.

- **Revaluation of landed properties**

The Company does not have a revaluation policy on landed properties.



CHAIRMAN'S STATEMENT

PENYATA PENERUS

On behalf of the Board of Directors of MFCB, I have pleasure in presenting the 39th Annual Report incorporating the Financial Statements of the Group and of the Company for the year ended 30 June 2005.

Review of Operations

The Group's pre-tax profit of RM64.1 million for the year is comparable to that of the previous year whereas revenue for the financial year of RM566.8 million represents an increase of 26% over the previous year. The increase in revenue was mainly attributable to the Power and Limestone Divisions which recorded an increase of RM56.8 million and RM22.6 million respectively.

The growth momentum of the Group was sustained by focusing on efficient processes and sound and prudent business practices.

At the Company level, profit before tax of RM7.1 million is about 6% higher than the previous year. The marginally higher profit was mainly due to higher dividends received from its subsidiaries.

Significant Corporate Events

- i) On 10 March 2004, Bloxwich Forgings (Pty) Ltd ("BFPL"), a 96.9% owned subsidiary of the Group, was liquidated pursuant to an Order of the High Court of South Africa. The liquidation of BFPL was completed in July 2005.
- ii) On 26 May 2004, the Company proposed to undertake a private placement of up to 10% of the issued and paid-up ordinary share capital of the Company ("Placement Shares") and this was approved by the Securities Commission ("SC") and Foreign Investment Committee on 26 July 2004.

The SC's approval for the extension of time to complete the private placement of up to 10% of the issued and paid-up ordinary share capital of the Company lapsed on 27 July 2005. No placement was made and the Board of Directors has decided not to seek further extension.

- iii) On 31 July 2004, the Group completed the acquisition of 62,500 ordinary shares of RM1.00 each, representing 50% of the

Bagi pihak Lembaga Pengarah MFCB, saya dengan sukacitanya membentangkan Laporan Tahunan yang ke-39 yang menggabungkan Penyata Kewangan Kumpulan dan Syarikat untuk tahun kewangan berakhir 30 Jun 2005.

Ulasan Operasi

Keuntungan sebelum-cukai Kumpulan sebanyak RM64.1 juta untuk tahun ini boleh dibandingkan dengan tahun sebelumnya manakala perolehan bagi tahun kewangan yang bernilai RM566.8 juta merupakan kenaikan sebanyak 26% berbanding dengan tahun sebelumnya. Peningkatan perolehan adalah disebabkan terutama sekali oleh Bahagian Tenaga dan Batukapur yang telah mencatatkan peningkatan masing-masing sebanyak RM56.8 juta dan RM22.6 juta.

Daya perkembangan Kumpulan dapat dikekalkan dengan menumpukan usahanya kepada proses-proses cekap serta amalan perniagaan yang bijaksana.

Pada tahap syarikat, keuntungan sebelum cukai sebanyak RM7.1 juta adalah lebih kurang 6% lebih tinggi daripada tahun sebelumnya. Peningkatan keuntungan adalah disebabkan oleh dividen-dividen yang lebih tinggi yang diterima daripada anak-anak syarikatnya.

Acara-acara Penting Korporat

- i) Pada 10 Mac 2004, Bloxwich Forgings (Pty) Ltd ("BFPL"), sebuah anak syarikat yang dimiliki 96.9% oleh Kumpulan telah dibubarkan atas perintah Mahkamah Tinggi Afrika Selatan. Pembubaran BFPL telah langsaai pada Julai 2005.
- ii) Pada 26 Mei 2004, Syarikat telah mencadangkan penempatan tertutup sehingga 10% modal terbitan dan berbayar Syarikat ("Saham Penempatan") dan ianya telah diluluskan oleh Suruhanjaya Sekuriti ("SK") dan Jawatankuasa Pelaburan Asing pada 26 Julai 2004.

Kelulusan SK untuk melanjutkan masa bagi melengkapkan Penempatan Tertutup sehingga 10% modal terbitan dan berbayar Syarikat telah tertunggak pada 27 Julai 2005. Tiada penempatan dibuat dan pihak Lembaga Pengarah telah membuat keputusan untuk tidak lagi melanjutkannya.



CHAIRMAN'S STATEMENT

PENYATA PENERUS

issued and paid-up ordinary share capital of Hexachase Corporation Sdn. Bhd. ("HCSB"), for a total cash consideration of RM3.5 million. HCSB is principally involved in the business of desktop publishing and manufacturing of labels and packaging materials. The results of HCSB have been equity accounted for as an associate.

- iv) On 15 September 2004, Rock Chemical Industries (M) Bhd ("RCI"), a 60.52% subsidiary of the Group entered into a Conditional Sale and Purchase Agreement with Wawasan TKH Sdn. Bhd., a related party, to dispose of its entire equity stake in four subsidiaries namely Asia Experience Sdn. Bhd., Xilouette Manufacturer Sdn. Bhd., Xixili Intima Sdn. Bhd. and PST Travel Services Sdn. Bhd. for a total cash consideration of RM1.063 million.

The disposals, which resulted in a gain of RM1.162 million to the Group, were completed on 21 December 2004.

- vi) On 26 January 2005, Gombak Land Sdn. Bhd., a wholly owned subsidiary of the Group, entered into a Sale and Purchase Agreement to acquire 2 fully paid ordinary shares of RM1.00 each in Kinta Ceria Sdn. Bhd. ("KCSB"), representing 100% of the issued and paid-up ordinary share capital of KCSB, for a total cash consideration of RM2.569 million. KCSB has a piece of land held under PN147624, Lot No. 9458N, Bandar Ipoh, Daerah Kinta, Negeri Perak, measuring approximately 8,094 square meters. The acquisition of KCSB has since been completed.
- vii) On 9 May 2005, Hatherton Engineering Limited ("HE"), a 97.2% owned subsidiary of the Group was placed under voluntary administration by the Directors of HE.

HE, which was incorporated in the United Kingdom on 17 January 1958 as a private limited company, was principally involved in the design and manufacture of precision tools and had been incurring losses for several years.

The voluntary administration of HE resulted in a Group loss of approximately RM1.0 million which has been accounted for in the financial year under review.

- iii) Pada 31 Julai 2004, Kumpulan ini telah memperolehi 62,500 syer biasa bernilai RM1.00 sesaham yang mewakili 50% daripada modal terbitan dan berbayar Hexachase Corporation Sdn. Bhd. ("HCSB"), dengan harga tunai berjumlah RM3.5 juta. HCSB secara utamanya terlibat dalam perniagaan pencetakan dan pengeluaran label-label dan bahan-bahan bungkusan. Keputusan HCSB telah dilapurkan sebagai ekuiti bersekutu.

- iv) Pada 15 September 2004, Rock Chemical Industries (M) Bhd ("RCI"), anak syarikat yang dimiliki 60.52% oleh Kumpulan telah memeterai satu Perjanjian Jualbeli Bersyarat dengan Wawasan TKH Sdn. Bhd., sebuah pihak yang berkaitan untuk menjualkan seluruh kepentingan ekuiti dalam keempat-empat anak syarikatnya iaitu Asia Experience Sdn. Bhd., Xilouette Manufacturer Sdn. Bhd., Xixili Intima Sdn. Bhd. dan PST Travel Services Sdn. Bhd. pada harga tunai sebanyak RM1.063 juta.

Penjualan tersebut telah menghasilkan keuntungan sebanyak RM1.162 juta kepada Kumpulan dan diselesaikan pada 21 Disember 2004.

- vi) Pada 26 Januari 2005, Gombak Land Sdn. Bhd., iaitu sebuah anak syarikat milik penuh Kumpulan, telah memeterai satu Perjanjian Jual beli untuk memperolehi 2 syer biasa yang berbayar penuh pada RM1.00 setiap satu dalam Kinta Ceria Sdn. Bhd. ("KCSB") yang mewakili sebanyak 100% modal terbitan dan berbayar KCSB, dengan bayaran tunai sebanyak RM2.569 juta. KCSB memiliki sebuah tanah di bawah PN147624, Lot No. 9458N, Bandar Ipoh, Daerah Kinta, Negeri Perak, berukuran lebih kurang 8,094 meter persegi. Pemerolehan KCSB telah pun diselesaikan.
- vii) Pada 9 Mei 2005, Hatherton Engineering Limited ("HE"), sebuah anak syarikat yang dimiliki 97.2% oleh Kumpulan telah diletakkan di bawah pentadbiran sukarela oleh para Pengarah HE.

HE, yang telah ditubuhkan di United Kingdom pada 17 Januari 1958 sebagai sebuah syarikat persendirian terhad, secara utamanya terlibat dalam perekaan dan pengeluaran alat-alat ketelitian dan telah menanggung kerugian untuk beberapa tahun.



Dividend

The Board has recommended a first and final dividend of 3.0% less income tax of 28% for the financial year ended 30 June 2005 subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Prospect

The Group is constantly reviewing its business operations to maintain its competitive edge and at the same time continuing its search for investment opportunities to enhance its core businesses.

In addition, with the recently completed expansion of its power plant in China and the expected commissioning of a new lime kiln by end of year 2005, the Board is of the view that the results of Group will continue to be satisfactory.

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

3 October 2005

Pentadbiran sukarela HE telah menyebabkan kerugian lebih kurang RM1.0 juta kepada Kumpulan dan ianya telah diambil kira dalam ulasan tahun kewangan.

Dividen

Pihak Lembaga Pengarah telah mengesyorkan dividen pertama dan terakhir sebanyak 3.0% ditolak cukai pendapatan sebanyak 28% bagi tahun kewangan yang berakhir 30 Jun 2005 tertakluk kepada kelulusan para pemegang syer pada Mesyuarat Agung Tahunan yang akan datang.

Prospek

Kumpulan ini sentiasa membuat ulasan dalam operasi perniagaan untuk mengekalkan daya saingannya dan berusaha untuk mencari peluang pelaburan yang boleh meningkatkan perniagaan utamanya.

Disamping itu, bersama dengan perkembangan loji tenaga yang baru diselesaikan di China dan relau kapur yang dijangka beroperasi pada hujung tahun 2005, Lembaga Pengarah berpendapat bahawa keputusan Kumpulan akan terus berkembang maju.

Penghargaan

Lembaga Pengarah ingin mengambil peluang ini untuk meluahkan penghargaan kepada para pelanggan, rakan perniagaan, pihak berkuasa dan pemegang syer ke atas sokongan menerus kepada Kumpulan.

Lembaga Pengarah juga ingin mengucapkan ribuan terima kasih kepada pihak pengurusan dan para kakitangan ke atas komitmen kepada Kumpulan.

Goh Nan Kioh
Pengerusi

3 Oktober 2005



GROUP MANAGING DIRECTOR'S OPERATION REVIEW

For The Financial Year Ended 30 June 2005 ("FY2005")

TINJAUAN OPERASI OLEH PENGARAH URUSAN KUMPULAN

Untuk Tahun Kewangan Berakhir Pada 30 Jun 2005 ("TK2005")

OVERVIEW

For the financial year under review, the Group achieved a pre-tax profit of RM64.1 million which is comparable to that of the previous year and a revenue of RM566.8 million. The higher revenue was principally due to the Power and Limestone Divisions which generated an increase of RM56.8 and RM22.6 million respectively.

The Power Division remains the primary contributor to the pre-tax profits of the Group with RM59.1 million.

POWER DIVISION

The Power Division registered a pre-tax profit of RM59.1 million and a revenue of RM284.4 million in FY2005 compared to RM52.6 million and RM223.6 million respectively in the previous year.

Despite continuing high coal prices, the Group's power plant in Shaoxing China recorded higher revenue and an increase in pre-tax profit over the previous year. The



Power plant in Shaoxing China
Logi tenaga di Shaoxing China

ULASAN

Bagi ulasan tahun kewangan ini, Kumpulan telah mencapai keuntungan sebelum cukai berjumlah RM64.1 juta iaitu satu pencapaian yang sama berbanding dengan tahun yang sebelumnya dan perolehan berjumlah RM566.8 juta. Perolehan yang lebih tinggi ini adalah disebabkan terutamanya oleh Bahagian Tenaga dan Batu Kapur yang masing-masing telah menghasilkan kenaikan berberjumlah RM56.8 juta dan RM22.6 juta.

Bahagian Tenaga kekal sebagai penyumbang utama keuntungan sebelum cukai Kumpulan dengan catatan RM59.1 juta.

BAHAGIAN TENAGA

Bahagian Tenaga telah merekodkan keuntungan sebelum cukai berjumlah RM59.1 juta dan perolehan berjumlah RM284.4 juta dalam TK2005, berbanding dengan RM52.6 juta dan RM223.6 juta masing-masing pada tahun sebelumnya.

Walaupun harga arang batu sering meningkat, loji tenaga Kumpulan di Shaoxing, China telah merekodkan perolehan yang lebih tinggi dan juga peningkatan dalam keuntungan sebelum cukai berbanding dengan tahun sebelumnya. Pencapaian yang meningkat ini adalah disebabkan oleh permintaan stim dan tenaga yang tinggi.

improved results was attributed to the strong demand for steam and energy.

The power plant in Tawau also recorded better results with revenue and pre-tax profits increasing by about 10% compared to the previous year.

With the expansion of the power plant in China now in place, the outlook in the coming year is promising and the performance of Power Division is expected to improve.

PROPERTY DIVISION

The Property Division recorded a revenue of RM24.4 million and a pre-tax profit of RM0.7 million compared to a revenue of RM24.2 million and a pre-tax profit of RM7.1 million in the previous year.

The demand for the Group's development remain strong in Greentown, Ipoh and the recently launched double-storey townhouse in Setapak, Kuala Lumpur has also attracted a lot of interest. However, the persistent overhang of unsold shophouses, shop offices and apartments underlined the continued



Double-storey link house project at Taman Paya Emas Malacca
Projek rumah teres dua tingkat di Taman Paya Emas Melaka

Loji tenaga di Tawau juga merekodkan pencapaian yang baik dengan perolehan dan keuntungan sebelum cukai yang meningkat lebih kurang 10% berbanding dengan tahun sebelumnya.

Dengan perkembangan loji tenaga di China yang kini telah disempurnakan, pandangan pada tahun akan datang agak cerah dan prestasi Bahagian Tenaga dijangka meningkat.

BAHAGIAN HARTANAH

Bahagian Hartanah telah merekodkan pendapatan sebanyak RM24.4 juta dan keuntungan sebelum cukai sebanyak RM0.7 juta berbanding dengan perolehan sebanyak RM24.2 juta dan keuntungan sebelum cukai sebanyak RM7.1 juta pada tahun sebelumnya.

Permintaan bagi pembangunan Kumpulan berdiri kukuh di Greentown, Ipoh dan pelancaran rumahbandar dua tingkat di Setapak, Kuala Lumpur baru-baru ini menarik minat yang banyak. Bagaimana pun, masalah lebihan rumah kedai, pejabat dan pangsapuri telah mempengaruhi secara negatif pada sektor-sektor berkenaan. Usaha yang berterusan kini diambil oleh Kumpulan untuk menyelesaikan masalah-masalah tersebut.

Usahasama Kumpulan dengan IJM Properties Sdn. Bhd. untuk membangunkan sebuah tanah komersial di Jalan Barat, Petaling Jaya kini berjalan lancar mengikut jadual.



GROUP MANAGING DIRECTOR'S OPERATION REVIEW

For The Financial Year Ended 30 June 2005 ("FY2005")

TINJAUAN OPERASI OLEH PENGARAH URUSAN KUMPULAN

Untuk Tahun Kewangan Berakhir Pada 30 Jun 2005 ("TK2005")

sluggishness in these sub-sectors. Continuing efforts are undertaken by the Group to dispose of these units.

The Group's joint venture with IJM Properties Sdn. Bhd. to develop a piece of commercial land at Jalan Barat, Petaling Jaya is progressing according to schedule. This RM250.0 million signature development called *PJ eight* which offers an all-in-one concept of home, office and dining facilities is expected to be completed in 3 years. An invitation to the exclusive soft launch has received overwhelming response.

ENGINEERING DIVISION

The Engineering Division registered a pre-tax profit of RM6.4 million and a revenue of RM180.1 million compared to a loss of RM15.1 million and a revenue of RM187.3 million in previous year.

The improvement was mainly attributable to lower losses from our subsidiary in United Kingdom. In addition both our subsidiaries in Malaysia and South Africa have also performed well.

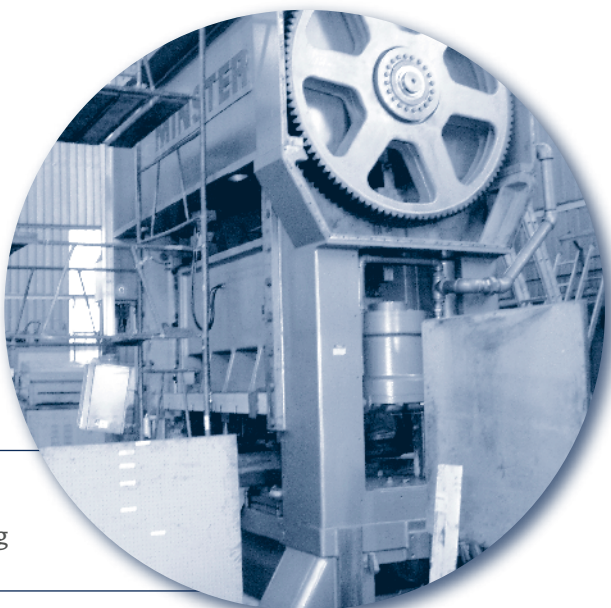
The Engineering Division is currently undergoing an internal restructuring exercise with a view to increase productivity and improve operating efficiencies. Several cost saving measures have also been implemented to maintain its competitiveness and improve profit margins.

Pembangunan terkenal yang bernilai RM250.0 juta ini bernama '*PJ eight*' menawarkan konsep pembangunan "semua dalam satu" iaitu perumahan, pejabat dan kemudahan jamuan dijangka siap dalam masa 3 tahun. Undangan eksklusif untuk pelancaran ini telah menerima sambutan yang hangat.

BAHAGIAN KEJURUTERAAN

Bahagian Kejuruteraan telah merekodkan keuntungan sebelum cukai sebanyak RM6.4 juta dan perolehan sebanyak RM180.1 juta berbanding dengan kerugian sebanyak RM15.1 juta dan perolehan sebanyak RM187.3 juta pada tahun sebelumnya.

Peningkatan ini adalah disebabkan terutamanya oleh kerugian berkurangan daripada anak syarikat kami di United Kingdom. Tambahan lagi, kedua-dua subsidiari kami di Malaysia dan Afrika Selatan telah mencapai prestasi yang baik.



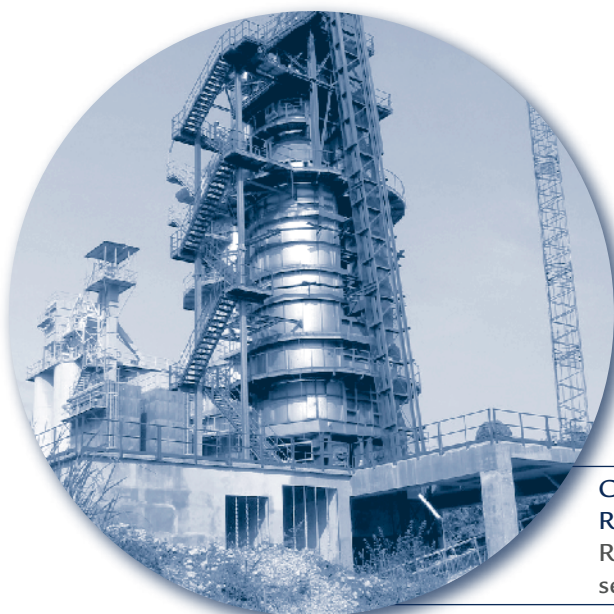
New 600 ton stamping machine in South Africa
Mesin cetakan 600 tan yang baru di Afrika Selatan

LIMESTONE DIVISION

The Limestone Division registered a pre-tax profit of RM3.5 million and a revenue of RM25.8 million compared to a pre-tax profit of RM0.2 million and a revenue of RM3.2 million in the previous year.

The improved earnings was attributed to the newly acquired subsidiary i.e. Rock Chemical Industries (M) Bhd (“RCI”).

RCI is currently embarking on an expansionary programme with the construction of a new lime kiln. The new kiln has a capacity of 300 tonnes/day and is expected be completed and commissioned by end of year 2005. Upon completion it will also boost the company’s edge in cost competitiveness and productivity.



Construction in progress of RCI’s new lime kiln
Relau batu kapur baru RCI yang sedang dalam pembinaan

Bahagian Kejuruteraan kini menjalani amalan pengstrukturian dalaman dengan tujuan untuk meningkatkan produktiviti dan keberkesanan operasi. Beberapa langkah untuk menjimatkan kos telah dilaksanakan untuk mengekalkan daya saingan dan meningkatkan margin keuntungan.

BAHAGIAN BATU KAPUR

Bahagian Batu Kapur telah merekodkan keuntungan sebelum cukai sebanyak RM3.5 juta dan perolehan sebanyak RM25.8 juta berbanding dengan keuntungan sebelum cukai sebanyak RM0.2 juta dan perolehan sebanyak RM3.2 juta pada tahun sebelumnya.

Pendapatan yang meningkat ini adalah disebabkan oleh anak syarikat baru iaitu Rock Chemical Industries (M) Bhd (“RCI”).

RCI kini sedang melancarkan program perkembangannya dengan pembinaan relau kapur yang baru. Relau yang baru ini mempunyai hasil keluaran sebanyak 300 tan/sehari dan dijangka siap pada akhir tahun 2005. Setelah siap, ia akan meningkatkan kelebihan syarikat dalam saingan kos serta produktiviti.



AUDIT COMMITTEE REPORT

For The Financial Year Ended 30 June 2005

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 Requirements of Bursa Malaysia.
- 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 plans 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,



AUDIT COMMITTEE REPORT

For The Financial Year Ended 30 June 2005

- (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 statements 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 Malaysia.
- 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 matters 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 statements,
- (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 Malaysia.

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.

- 2.4.6 To verify the allocation of options pursuant to a share option scheme for employees for compliance with the criteria for allocation of options disclosed to employees, at the end of each financial year.

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 2005 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 Malaysia and year-end statutory financial statements 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 financial statements, 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.



AUDIT COMMITTEE REPORT

For The Financial Year Ended 30 June 2005

- (j) Reviewed the disclosure statements on compliance of the financial statements 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.
- (k) Verified the allocation of options pursuant to the share option scheme for employees for compliance with the criteria for allocation of options disclosed to employees, at the end of the financial year.

4. Attendance of Meetings

During the financial year ended 30 June 2005, four (4) meetings of the Committee were held. The attendance record of the Committee members was as follows: -

| <u>Name of Committee member</u> | <u>Attendance record</u> |
|------------------------------------|--------------------------|
| Michael Yee Kim Shing | 4/4 |
| Dato' Haji Abu Hanifah bin Noordin | 4/4 |
| Chew Wei Keong | 3/4 |

5. Summary of Internal Audit Activities

The main activities of the Internal Audit Department for the year ended 30 June 2005 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 financial statements with management.
- (e) Reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance, Board's responsibility on the annual audited financial statements 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.
- (j) Verified the allocation of options pursuant to the share option scheme for employees for compliance with the criteria for allocation of options disclosed to employees, at the end of the financial year.



STATEMENT ON INTERNAL CONTROL

For The Financial Year Ended 30 June 2005

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 2005 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.

The cover features a large white circle in the center, surrounded by a light blue border. On the left, a dark blue circle contains the text 'FINANCIAL STATEMENTS'. To the right of the white circle, the company logo 'MFCB' is displayed in a large, bold, dark blue font. Below the logo, the full name 'MEGA FIRST CORPORATION BERHAD' is written in a smaller, bold, dark blue font, followed by the company registration number '[Co. No. 6682-V]' in an even smaller font.

**FINANCIAL
STATEMENTS**

MFCB

MEGA FIRST CORPORATION BERHAD

[Co. No. 6682-V]



FINANCIAL STATEMENTS

| CONTENTS | PAGE(S) |
|-----------------------------------|---------|
| Directors' Report | 26 - 32 |
| Report Of The Auditors | 33 |
| Income Statements | 34 |
| Balance Sheets | 35 |
| Statements Of Changes In Equity | 36 |
| Cash Flow Statements | 37 - 42 |
| Notes To The Financial Statements | 43 - 82 |
| Statement By Directors | 83 |
| Statutory Declaration | 83 |



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 2005.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries and associates are set out in Notes 35 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.

SIGNIFICANT CORPORATE EVENTS

- i) On 10 March 2004, Bloxwich Forgings (Pty) Ltd ("BFPL"), a 96.9% owned subsidiary of the Group, was liquidated pursuant to an Order of the High Court of South Africa. The liquidation of BFPL was completed in July 2005.
- ii) On 26 May 2004, the Company proposed to undertake a private placement of up to 10% of the issued and paid-up ordinary share capital of the Company ("Placement Shares") and this was approved by the Securities Commission ("SC") and Foreign Investment Committee on 26 July 2004.

The SC's approval for the extension of time to complete the Private Placement of up to 10% of the issued and paid-up ordinary share capital of the Company lapsed on 27 July 2005. No placement was made and the Board of Directors has decided not to seek further extension.

- iii) On 31 July 2004, the Group completed the acquisition of 62,500 ordinary shares of RM1.00 each, representing 50% of the issued and paid-up ordinary share capital of Hexachase Corporation Sdn. Bhd. ("HCSB"), for a total cash consideration of RM3.5 million. HCSB is principally involved in the business of desktop publishing and manufacturing of labels and packaging materials. The results of HCSB have been equity accounted for as an associate.
- iv) On 15 September 2004, Rock Chemical Industries (M) Bhd ("RCI"), a 60.52% subsidiary of the Group entered into a Conditional Sale and Purchase Agreement with Wawasan TKH Sdn. Bhd., a related party, to dispose of its entire equity stake in four subsidiaries namely Asia Experience Sdn. Bhd., Xilouette Manufacturer Sdn. Bhd., Xixili Intima Sdn. Bhd. and PST Travel Services Sdn. Bhd. for a total cash consideration of RM1.063 million.

The disposals, which resulted in a gain on disposal to the Group of RM1.162 million, were completed on 21 December 2004.

- v) On 26 January 2005, Gombak Land Sdn. Bhd., a wholly owned subsidiary of the Group, entered into a Sale and Purchase Agreement to acquire 2 fully paid ordinary shares of RM1.00 each in Kinta Ceria Sdn. Bhd. ("KCSB"), representing 100% of the issued and paid-up ordinary share capital of KCSB, for a total cash consideration of RM2.569 million. KCSB has a piece of land held under PN147624, Lot No. 9458N, Bandar Ipoh, Daerah Kinta, Negeri Perak, measuring approximately 8,094 square meters. The acquisition of KCSB has since been completed.
- vi) On 9 May 2005, Hatherton Engineering Limited ("HE"), a 97.2% owned subsidiary of the Group was placed under voluntary administration by the Directors of HE.

HE, which was incorporated in the United Kingdom on 17 January 1958 as a private limited company, was principally involved in the design and manufacture of precision tools and had been incurring losses for several years.

The voluntary administration of HE resulted in a Group loss of approximately RM1.0 million which has been accounted for in the financial year under review.



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 | 64,107 | 7,136 |
| Income Tax Expense | (11,684) | (1,020) |
| Profit Before Minority Interests | 52,423 | 6,116 |
| Minority Interests | (20,597) | - |
| Net Profit For The Year | 31,826 | 6,116 |

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 1.5%, less income tax of 28%, proposed in the previous financial year amounting to RM2,548,800 was paid by the Company on 16 December 2004.

The Board is pleased to propose a first and final dividend of 3.0%, less income tax of 28%, for the financial year ended 30 June 2005. 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 but as an appropriation of reserves.

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 subsidiaries 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 ordinary 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 ordinary 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 the 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 1.7.2004 | 1.00 | 3,091,000 |
| Granted on 15.3.2005 | 1.00 | 3,813,000 |
| Exercised | - | - |
| Lapsed | 1.00 | (367,000) |
| Balance as of 30.6.2005 | | <u>6,537,000</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 ordinary shares during the financial year. The options granted to Executive Directors are disclosed under Directors' Interests.

Details of share options granted to employees totalling 150,000 ordinary shares and above are as follows :

| Option holder | Exercise price RM | Number of share options |
|-----------------|----------------------|-------------------------|
| Foo Kah Heng | 1.00 | 210,000 |
| Liew Leong Teng | 1.00 | 210,000 |
| Wong Seow Kwang | 1.00 | 210,000 |
| Chan Hock Huat | 1.00 | 150,000 |
| Chiew Kiam Boo | 1.00 | 150,000 |
| Yong Lai Sim | 1.00 | 150,000 |



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 other than as disclosed in Note 31 to the Financial Statements.

In the opinion of the Directors :

- (a) no contingent or other liability except as disclosed in Note 31 to the Financial Statements 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
- Lim Boon Seh
- Maisuri Bin Besri
- Goh Nan Yang (Appointed on 26.11.2004; Also alternate to Goh Nan Kioh)

Lim Thian Soo, Chew Wei Keong and Lim Boon Seh retire by rotation in accordance with Article 99 of the Company's Articles of Association and, being eligible, offer themselves for re-election. Goh Nan Yang retires in accordance with Article 104 of the Company's Articles of Association and, being eligible, offers himself 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 1.7.2004 | Addition | Balance as of 30.6.2005 |
| SHARES IN THE COMPANY | | | |
| Goh Nan Kioh | | | |
| - Direct | 713,600 | - | 713,600 |
| - Deemed | 60,503,500 | - | 60,503,500 |
| Lim Thian Soo | | | |
| - Direct | 90,000 | - | 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 |
| Goh Nan Yang | | | |
| - Direct | 10,000 | - | 10,000 |

In addition to the above, the following Executive Directors are deemed to have interests in the shares of the Company to the extent of the options granted to them pursuant to the ESOS of the Company as follows :

| | Options over ordinary shares of RM1 each | | |
|----------------|--|-----------|-------------------------------|
| | Balance as of 1.7.2004 | Granted | Balance as of 30.6.2005 |
| Chew Wei Keong | 280,000* | 70,000** | 350,000 |
| Lim Thian Soo | - | 500,000** | 500,000 |
| Goh Nan Yang | - | 350,000** | 350,000 |

* - Granted on 1 November 2001.

** - Granted on 15 March 2005.

Goh Nan Kioh and Lim Thian Soo, by virtue of their interests in 25.94% and 20.59% of the Company respectively, are deemed to have interests in the shares of all the subsidiaries. Other than as disclosed above, the Directors of the Company do not have any other interests 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 other than as disclosed in Note 36 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 Directors 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
12 September 2005



REPORT OF THE AUDITORS TO THE MEMBERS OF

MEGA FIRST CORPORATION BERHAD

(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of 30 June 2005, 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.

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

We conducted our audit in accordance with approved standards on auditing in Malaysia. 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 2005 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 subsidiaries 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 subsidiaries of which we have not acted as auditors, as shown in Note 35 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 subsidiaries that have been consolidated with the Financial Statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the Consolidated Financial Statements, and we have received satisfactory information and explanations as required by us for these purposes.

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

Horwath
AF 1018
Chartered Accountants

Onn Kien Hoe
1772/11/06 (J/PH)
Partner

12 September 2005



INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

| | Note | GROUP | | COMPANY | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2005 RM'000 | 2004 RM'000 | 2005 RM'000 | 2004 RM'000 |
| Revenue | 4 | 566,881 | 450,221 | 12,360 | 12,837 |
| Cost Of Sales | | (481,758) | (347,097) | - | - |
| Gross Profit | | 85,123 | 103,124 | 12,360 | 12,837 |
| Distribution Costs | | (4,227) | (11,475) | - | - |
| Administrative Expenses | | (30,245) | (39,889) | (3,686) | (3,425) |
| Other Operating Expenses | | (9,564) | (12,033) | (19) | - |
| Other Operating Income | | 34,649 | 35,361 | 1,293 | 114 |
| Profit From Operations | 6 | 75,736 | 75,088 | 9,948 | 9,526 |
| Finance Costs | 7 | (12,687) | (11,877) | (2,812) | (2,847) |
| Share Of Profits in : | | | | | |
| - Associates | | 80 | 905 | - | - |
| - Jointly Controlled Entity | | 978 | - | - | - |
| Profit Before Tax | | 64,107 | 64,116 | 7,136 | 6,679 |
| Income Tax Expense | 8 | (11,684) | (12,597) | (1,020) | (1,374) |
| Profit Before Minority Interests | | 52,423 | 51,519 | 6,116 | 5,305 |
| Minority Interests | | (20,597) | (21,259) | - | - |
| Net Profit For The Year | | 31,826 | 30,260 | 6,116 | 5,305 |
| Earnings Per Ordinary Share (sen) | 10 | 13.5 | 12.8 | | |

The accompanying Notes on pages 43 to 82 form an integral part of the Financial Statements.



BALANCE SHEETS

AS OF 30 JUNE 2005

| | | GROUP | | COMPANY | |
|--|------|----------------|----------------|----------------|----------------|
| | Note | 2005 RM'000 | 2004 RM'000 | 2005 RM'000 | 2004 RM'000 |
| EMPLOYMENT OF CAPITAL | | | | | |
| Property, Plant And Equipment | 11 | 282,513 | 272,985 | 483 | 654 |
| Subsidiaries | 12 | - | - | 159,864 | 158,260 |
| Associates | 13 | 6,697 | 3,124 | 3,500 | - |
| Jointly Controlled Entity | 14 | 3,617 | - | - | - |
| Investments | 15 | 904 | 154 | 598 | - |
| Investment Properties | 16 | 24,332 | 18,775 | - | - |
| Land Held For Property Development | 17 | 87,092 | 85,705 | - | - |
| Goodwill On Consolidation | 19 | 8,157 | 10,782 | - | - |
| CURRENT ASSETS | | | | | |
| Inventories | 20 | 48,744 | 50,276 | - | - |
| Property Development | 18 | 3,187 | 12,879 | - | - |
| Receivables | 21 | 140,948 | 145,534 | 104,256 | 89,731 |
| Bank Balances And Deposits | 22 | 89,054 | 101,025 | 21 | 153 |
| | | 281,933 | 309,714 | 104,277 | 89,884 |
| CURRENT LIABILITIES | | | | | |
| Payables | 23 | 103,360 | 128,958 | 56,176 | 30,146 |
| Short Term Borrowings | 24 | 110,010 | 110,949 | 35,270 | 44,988 |
| Taxation | | 6,312 | 3,778 | - | - |
| | | 219,682 | 243,685 | 91,446 | 75,134 |
| NET CURRENT ASSETS | | | | | |
| | | 62,251 | 66,029 | 12,831 | 14,750 |
| | | 475,563 | 457,554 | 177,276 | 173,664 |
| SOURCES OF CAPITAL | | | | | |
| Share Capital | 25 | 236,000 | 236,000 | 236,000 | 236,000 |
| Reserves | 26 | 48,808 | 20,873 | (58,850) | (62,417) |
| Shareholders' Equity | | 284,808 | 256,873 | 177,150 | 173,583 |
| Minority Interests | | 101,093 | 95,548 | - | - |
| | | 385,901 | 352,421 | 177,150 | 173,583 |
| LONG TERM AND DEFERRED LIABILITIES | | | | | |
| Long Term Borrowings | 27 | 60,021 | 71,300 | - | - |
| Hire Purchase Payables | 28 | 963 | 4,179 | 126 | 81 |
| Deferred Taxation | 29 | 28,678 | 29,654 | - | - |
| | | 89,662 | 105,133 | 126 | 81 |
| | | 475,563 | 457,554 | 177,276 | 173,664 |
| Net Tangible Assets Per Ordinary Share (sen) | | | | | |
| | | 117 | 104 | | |

The accompanying Notes on pages 43 to 82 form an integral part of the Financial Statements.



STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

| GROUP | Note | ◀ Non-Distributable Reserves* ▶ | | | | | Total RM'000 |
|----------------------------------|------|---------------------------------|----------------------------|------------------------------|----------------------------------|---------------------------------|-----------------|
| | | Share Capital RM'000 | Share Premium RM'000 | Capital Reserve RM'000 | Translation Reserve RM'000 | Accumulated Losses RM'000 | |
| Balance as of 1 July 2003 | | 236,000 | 33,380 | 2,369 | 29,763 | (77,407) | 224,105 |
| Currency translation differences | | - | - | - | 4,207 | - | 4,207 |
| Dividend | | - | - | - | - | (1,699) | (1,699) |
| Net profit for the year | | - | - | - | - | 30,260 | 30,260 |
| | | 236,000 | 33,380 | 2,369 | 33,970 | (48,846) | 256,873 |
| Balance as of 30 June 2004 | | | | | | | |
| Currency translation differences | | - | - | - | (1,342) | - | (1,342) |
| Dividend | 9 | - | - | - | - | (2,549) | (2,549) |
| Net profit for the year | | - | - | - | - | 31,826 | 31,826 |
| Balance as of 30 June 2005 | | 236,000 | 33,380 | 2,369 | 32,628 | (19,569) | 284,808 |

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

| COMPANY | Note | Share Capital RM'000 | Share Premium* RM'000 | Accumulated Losses RM'000 | Total RM'000 |
|----------------------------|------|----------------------------|-----------------------------|---------------------------------|-----------------|
| | | | | | |
| Balance as of 1 July 2003 | | 236,000 | 33,380 | (99,403) | 169,977 |
| Dividend | | - | - | (1,699) | (1,699) |
| Net profit for the year | | - | - | 5,305 | 5,305 |
| | | 236,000 | 33,380 | (95,797) | 173,583 |
| Balance as of 30 June 2004 | | | | | |
| Dividend | 9 | - | - | (2,549) | (2,549) |
| Net profit for the year | | - | - | 6,116 | 6,116 |
| Balance as of 30 June 2005 | | 236,000 | 33,380 | (92,230) | 177,150 |

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

The accompanying Notes on pages 43 to 82 form an integral part of the Financial Statements.



CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

| GROUP | 2005 RM'000 | 2004 RM'000 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 64,107 | 64,116 |
| Adjustments for : | | |
| Bad debts written off | 1,617 | - |
| Depreciation of property, plant and equipment | 30,353 | 24,900 |
| Finance costs | 12,687 | 11,877 |
| Provision for : | | |
| Shortfall in funded pension scheme of a foreign subsidiary no longer required | (16,042) | - |
| Loss on liquidation of a subsidiary | 1,000 | - |
| Cost of completion no longer required | (260) | (775) |
| Allowance for : | | |
| Doubtful debts | 3,683 | 41 |
| Foreseeable loss on property development | - | 1,225 |
| Write-back of allowance for doubtful debts | (780) | - |
| Amortisation of goodwill | 733 | 1,360 |
| Loss on liquidation of a subsidiary ^(a) | - | 4,071 |
| Write-back of loss on sale of property | - | (1,583) |
| Write-off of : | | |
| Property, plant and equipment | 41 | 69 |
| Inventories | 2,196 | 2,918 |
| Rental guarantee | 1,285 | - |
| Goodwill | 524 | - |
| Gain on disposal of : | | |
| Property, plant and equipment | (1,609) | (270) |
| Investments | - | (24,463) |
| Subsidiaries | (1,162) | - |
| Share of profits : | | |
| Associates | (80) | (905) |
| Jointly controlled entity | (978) | - |
| Interest income | (2,223) | (1,420) |
| Operating Profit Before Working Capital Changes | 95,092 | 81,161 |
| (Increase)/Decrease in : | | |
| Inventories | (8,123) | (2,254) |
| Property development costs | 8,788 | (8,219) |
| Receivables | (15,880) | 645 |
| Increase/(Decrease) in payables | 7,962 | (5,679) |
| Cash Generated From Operations | 87,839 | 65,654 |
| Income tax paid | (8,193) | (14,333) |
| Net Cash From Operating Activities | 79,646 | 51,321 |
| CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES | | |
| Interest received | 2,223 | 1,420 |
| (Increase)/Decrease in : | | |
| Fixed deposits pledged to a financial institution | - | 11,109 |
| Investment properties | (5,557) | (18,775) |
| Land held for property development | (1,387) | (14,664) |
| Acquisition of subsidiaries ^(b) | (7,082) | 22,512 |
| Acquisition of an associate | (3,500) | - |
| Purchase of investment | (750) | (154) |
| Proceeds from disposal of : | | |
| Investment | - | 44,269 |
| Subsidiaries ^(c) | (873) | - |
| Property, plant and equipment | 5,651 | 2,705 |
| Net cash flow from deconsolidation of subsidiaries ^(d) | (1,952) | - |
| Purchase of property, plant and equipment ^(e) | (56,429) | (20,350) |
| Net Cash (For)/From Investing Activities | (69,656) | 28,072 |
| (Forward) | | |



| GROUP | Note | 2005 RM'000 | 2004 RM'000 |
|---|-------------|------------------------|------------------------|
| CASH FLOWS FOR FINANCING ACTIVITIES | | | |
| Finance costs paid | | (13,069) | (11,877) |
| Proceeds from issue of shares to minority shareholders | | 7,711 | - |
| Dividends paid to minority shareholders | | (2,064) | (2,829) |
| Repayment of : | | | |
| Term loans | | (3,401) | (3,727) |
| Bonds | | (8,000) | (9,000) |
| Dividend paid | | (2,549) | (1,699) |
| Proceeds from term loans | | 3,364 | - |
| Increase/(Decrease) in : | | | |
| Short term borrowings, excluding bank overdrafts and long term borrowings due within 12 months | | 8,701 | (4,580) |
| Hire purchase payables | | (2,489) | 2,426 |
| Net Cash For Financing Activities | | (11,796) | (31,286) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (1,806) | 48,107 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 71,792 | 26,432 |
| EFFECT OF EXCHANGE DIFFERENCES | | (418) | (2,747) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 32 | 69,568 | 71,792 |
| ^(a) Analysis of loss on liquidation of a subsidiary | | | |
| 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) |
| Loss on liquidation | | - | 4,071 |

(Forward)



| GROUP | 2005 RM'000 | 2004 RM'000 |
|---|------------------------|------------------------|
| (b) Analysis of subsidiaries acquired | | |
| Net assets acquired : | | |
| Property, plant and equipment | - | 44,784 |
| Investment in associate | - | 3,108 |
| Goodwill | - | 3,096 |
| Inventories | - | 6,037 |
| Receivables | 688 | 19,764 |
| Cash and bank balances | 12 | 39,755 |
| Payables | (704) | (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) |
| | (4) | 80,199 |
| Minority interest | 4,525 | (35,360) |
| | 4,521 | 44,839 |
| Less : Share of net assets previously equity accounted for | - | (35,206) |
| | 4,521 | 9,633 |
| Goodwill on acquisition | 2,573 | 5,414 |
| | 7,094 | 15,047 |
| Less : Cash and cash equivalents of subsidiaries acquired | (12) | (37,559) |
| Cash outflow/(inflow) on acquisition, net of cash and cash equivalents acquired | 7,082 | (22,512) |
| (c) Analysis of subsidiaries disposed of | | |
| Net assets disposed of: | | |
| Property, plant and equipment | 7,016 | - |
| Unquoted investment | 1 | - |
| Goodwill on consolidation | 3,031 | - |
| Inventories | 3,152 | - |
| Amount owing by related company | 2,076 | - |
| Amount owing to related company | (2,076) | - |
| Amount owing to holding company | (4,355) | - |
| Amount owing to directors | (2,811) | - |
| Amount owing to related parties | (3,860) | - |
| Receivables | 12,188 | - |
| Deposits | 1,128 | - |
| Cash and bank balances | 808 | - |
| Payables | (14,170) | - |
| Hire purchase payables | (2,243) | - |
| Provision for taxation | 16 | - |
| | (99) | - |
| Net liabilities | 1,162 | - |
| Gain on disposal | | - |
| Proceeds from disposal | 1,063 | - |
| Less : Cash and bank balances of subsidiaries disposed of | (1,936) | - |
| Cash outflow on disposal of subsidiaries | (873) | - |

(Forward)



| GROUP | 2005 RM'000 | 2004 RM'000 |
|--|------------------------|------------------------|
| (d) Analysis of deconsolidation of a subsidiary | | |
| Net assets deconsolidated : | | |
| Property, plant and equipment | 5,277 | - |
| Inventories | 4,308 | - |
| Receivables | 4,319 | - |
| Cash and bank balances | 1,428 | - |
| Payables | (4,509) | - |
| Long term borrowings | (1,460) | - |
| Short term borrowings | (1,674) | - |
| Provision for taxation | (592) | - |
| Deferred taxation | (245) | - |
| | <hr/> | |
| Net assets | 6,852 | - |
| Minority interests | (4,227) | - |
| Transferred to jointly controlled entity | (3,149) | - |
| | <hr/> | |
| | (524) | - |
| Less : Cash and bank balances of a subsidiary deconsolidated | (1,428) | - |
| | <hr/> | |
| Cash outflow from deconsolidation | (1,952) | - |
| | <hr/> | |
| (e) Cost of property, plant and equipment purchased | 56,624 | 20,350 |
| Amount financed through hire purchase | (195) | - |
| | <hr/> | |
| | 56,429 | 20,350 |
| | <hr/> | |

(Forward)



| COMPANY | 2005 RM'000 | 2004 RM'000 |
|---|----------------|----------------|
| CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES | | |
| Profit before tax | 7,136 | 6,679 |
| Adjustments for : | | |
| Finance costs | 2,812 | 2,847 |
| Depreciation of property, plant and equipment | 391 | 358 |
| Write-off of property, plant and equipment | 1 | - |
| Dividend income | (11,480) | (11,890) |
| Interest income | (20) | (79) |
| Gain on disposal of property, plant and equipment | (1,235) | - |
| Operating Loss Before Working Capital Changes | (2,395) | (2,085) |
| Decrease/(Increase) in receivables | 2,068 | (14,110) |
| Increase/(Decrease) in payables | 27 | (208) |
| Cash Used in Operations | (300) | (16,403) |
| Income tax refunded/(paid) | 2,150 | (2,587) |
| Net Cash From/(For) Operating Activities | 1,850 | (18,990) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividends received | 9,432 | 11,890 |
| Interest received | 20 | 79 |
| Proceeds from disposal of property, plant and equipment | 1,456 | - |
| Decrease in fixed deposits pledged to a financial institution | - | 11,109 |
| Increase in investment of subsidiary | (1,600) | - |
| Investment in an associate | (3,500) | - |
| Purchase of investment | (598) | - |
| Purchase of property, plant and equipment ^(a) | (149) | (11) |
| Net Cash From Investing Activities | 5,061 | 23,067 |

(Forward)



| COMPANY | Note | 2005 RM'000 | 2004 RM'000 |
|--|-----------|------------------------|------------------------|
| CASH FLOWS FOR FINANCING ACTIVITIES | | | |
| Decrease in : | | | |
| Short term borrowings, excluding bank overdrafts and long term borrowings due within 12 months | | (2,646) | (600) |
| Hire purchase payables | | (191) | (234) |
| Finance costs paid | | (2,812) | (2,847) |
| Dividend paid | | (2,549) | (1,699) |
| Repayment of : | | | |
| Term loans | | (2,000) | (1,250) |
| Loans to/(from) subsidiaries | | 8,227 | (15) |
| Net Cash For Financing Activities | | <u>(1,971)</u> | <u>(6,645)</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 4,940 | (2,568) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | <u>(13,675)</u> | <u>(11,107)</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 32 | <u>(8,735)</u> | <u>(13,675)</u> |
| ^(a) Cost of property, plant and equipment purchased | | 344 | 11 |
| Amount financed through hire purchase | | <u>(195)</u> | <u>-</u> |
| | | 149 | 11 |

The accompanying Notes on pages 43 to 82 form an integral part of the Financial Statements.



NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries and associates are set out in Notes 35 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.

2. BASIS OF PREPARATION

The Financial Statements of the Group and of the Company have been approved by the Board of Directors on 12 September 2005.

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 31 | : | Accounting for Government Grants and Disclosure of Government Assistance |
| MASB 32 | : | Property Development Activities |

The adoption of the abovementioned standards 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 other than changes in the format of disclosure.

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 subsidiaries are stated in the Group Financial Statements at values reflecting approximately the effective acquisition costs of these assets to the Group.

Basis of Consolidation

The Group Financial Statements include the Financial Statements of the Company and of all its subsidiaries made up to the end of the financial year. Subsidiaries are consolidated using the acquisition method of accounting. The results of the subsidiaries 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 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.



3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 subsidiaries and associates 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 subsidiaries and associates 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 based on prevailing rates.

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

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

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 reserve on consolidation 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign Currencies

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

Income statements of subsidiaries and associates in other reporting currencies are translated into Ringgit Malaysia at average rates for the financial year and the balance sheets are translated at rates 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 subsidiaries and associates are taken to the translation reserve.

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

| | 2005 RM | 2004 RM |
|-----------------------|------------|------------|
| 1United States Dollar | 3.800 | 3.800 |
| 1Great Britain Pound | 6.863 | 6.869 |
| 1Chinese Renminbi | 0.459 | 0.459 |
| 1South African Rand | 0.570 | 0.608 |

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.

Impairment of Assets

The carrying amounts of property, plant and equipment, property development, investment in subsidiaries and associates, 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 treated as a revaluation deficit to the extent of the previously recognised revaluation surplus for the same asset.

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 estimates 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 been determined, net of depreciation or amortisation, had no impairment loss had been recognised. All reversals are recognised in the income statements, unless the asset is carried at its revalued amount, in which case, the reversal is credited directly to the revaluation surplus for the same asset.



3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, as applicable. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

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.

(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.



3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsidiaries

Subsidiaries are those companies in which the Group has a long term equity interest and/or power to exercise control over the financial and operating policies.

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

The Group's share of results and reserves of subsidiaries acquired or disposed of is included in the Group Financial Statements from the effective date of acquisition or to the effective date of disposal.

Unrealised gains or losses on intra-group transactions are eliminated. Where necessary, adjustments are made to the Financial Statements of the subsidiaries to ensure consistency of accounting policies with the Group.

Associates

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

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

The Group's share of results and reserves of associates acquired or disposed of is included in the Group Financial Statements from the effective date of acquisition or to the effective date of disposal.

Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where necessary, in applying the equity method, adjustments are made to the Financial Statements of associates to ensure consistency of accounting policies with the Group.

Jointly Controlled Entities

Investments in jointly controlled entities are stated at cost less goodwill amortised and impairment losses, as applicable.

The Group's interest in jointly controlled entities is accounted for in the Group Financial Statements by the equity method. Jointly controlled entities are corporations, partnerships or other entities where there are contractual agreements in sharing of control by the Group with one or more parties.

The Group's share of results and reserves of jointly controlled entities acquired or disposed of is included in the Group Financial Statements from the effective date of acquisition or to the effective date of disposal.

Unrealised gains or losses on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Where necessary, in applying the equity method, adjustments are made to the Financial Statements of jointly controlled entities to ensure consistency of accounting policies with the Group.



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 expenses incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour and an appropriate proportion of overheads.

Land Held For Property Development And Property Development

(i) Land held for property development

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

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

(ii) Property development

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

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

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

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

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



3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment Properties

Investment properties consist of investments in land and buildings that are not substantially occupied for use by, or in the operations, of the Group. Investment properties are stated at cost, which include cost of land, all direct building costs and other related construction costs including borrowing costs incurred during the period of construction less impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

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

Receivables

Receivables are stated at anticipated realisable value. Bad debts are written off while allowance for doubtful debts is based on estimates of possible losses from non-collection.

Payables

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

Provisions

Provisions are made when the Group and the Company have a present legal or constructive obligation which will result in a 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.

Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution and 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 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. 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.



3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee Benefits (cont'd)

In addition, the Scheme assets of the foreign subsidiary are also valued yearly by a professionally qualified independent Actuary. Any shortfall in the Scheme assets is taken up in the Group income statement. However, when it is no longer probable that there will be an outflow of resources from the Group, such provision will be written back and recognised in the 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.

Government Grants

Government grants are recognised initially at their fair value in the balance sheet as deferred income where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants that compensate the Group for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants that compensate the Group for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.

4. REVENUE

Revenue of the Group represents the gross invoiced value of sale of electricity and steam and goods outside of the Group net of returns and discounts.

Revenue from the sale of properties is accounted for using the stage of completion method. Sale of completed property units is recognised when the risks and rewards associated with ownership transfers to the property purchasers.

Revenue of the Company mainly represents dividends and management fees received and receivable from subsidiaries and associates, and interest income.

5. OPERATING EXPENSES

| | GROUP | | COMPANY | |
|--|----------------|----------------|--------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Raw materials and consumables | 293,320 | 247,731 | - | - |
| Net change in inventories of finished goods and work-in-progress | (1,138) | (9,017) | - | - |
| Staff costs | 69,510 | 91,081 | 1,859 | 1,642 |
| Property development expenditure | 19,575 | 15,023 | - | - |
| Depreciation of property, plant and equipment | 30,353 | 24,900 | 391 | 358 |
| Amortisation of goodwill | 733 | 1,360 | - | - |
| Goodwill written off | 524 | - | - | - |
| Other administrative and operating expenses | 112,917 | 39,416 | 1,455 | 1,425 |
| | 525,794 | 410,494 | 3,705 | 3,425 |



6. PROFIT FROM OPERATIONS

This is arrived at :

| | GROUP | | COMPANY | |
|---|--------|--------|---------|--------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| After crediting : | | | | |
| Gain on disposal of property, plant and equipment | 1,609 | 270 | 1,235 | - |
| Interest income | 2,223 | 1,420 | 20 | 79 |
| Dividends (gross) from subsidiaries | - | - | 11,480 | 11,890 |
| Management fees from subsidiaries | - | - | 859 | 858 |
| Provision for cost of completion no longer required | 260 | 775 | - | - |
| Write-back of : | | | | |
| Loss on sale of property | - | 1,583 | - | - |
| Allowance for doubtful debts | 780 | - | - | - |
| Exceptional Items : | | | | |
| Gain on disposal : | | | | |
| Investment | - | 24,463 | - | - |
| Subsidiaries | 1,162 | - | - | - |
| Write-back of provision for shortfall in funded pension scheme of a foreign subsidiary no longer required | 16,042 | - | - | - |
| And charging : | | | | |
| Allowance for : | | | | |
| Doubtful debts | 3,683 | 41 | - | - |
| Foreseeable loss on property development | - | 1,225 | - | - |
| Provision for loss on liquidation of a subsidiary | 1,000 | - | - | - |
| Rental of : | | | | |
| Land and buildings | 1,634 | 1,615 | 241 | 266 |
| Plant and machinery | 677 | 1,070 | - | - |
| Directors' remuneration : | | | | |
| Other emoluments | 793 | 741 | 664 | 636 |
| Fees | 124 | 146 | 109 | 131 |
| Auditors' remuneration : | | | | |
| Statutory | 511 | 585 | 20 | 20 |
| Others | 55 | 21 | 16 | 16 |
| Write-off of : | | | | |
| Property, plant and equipment | 41 | 69 | 1 | - |
| Rental guarantee | 1,285 | - | - | - |
| Bad debts written off | 1,617 | - | - | - |
| Exceptional Items : | | | | |
| Loss on liquidation of a subsidiary | - | 4,071 | - | - |
| Write-off of inventories | 2,196 | 2,918 | - | - |
| Redundancy costs | - | 1,660 | - | - |

The estimated monetary value of benefits-in-kind received by certain Directors amounted to RM26,400 (2004 : RM28,775) for the Group and for the Company.



7. FINANCE COSTS

| | GROUP | | COMPANY | |
|-------------------|---------------|---------------|--------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest on : | | | | |
| Bonds | 3,682 | 4,291 | - | - |
| Term loans | 4,979 | 2,094 | (53) | 186 |
| Bank overdrafts | 1,398 | 2,947 | 728 | 608 |
| Revolving credits | 1,931 | 1,993 | 1,931 | 1,993 |
| Others | 697 | 552 | 206 | 60 |
| | 12,687 | 11,877 | 2,812 | 2,847 |

8. INCOME TAX EXPENSE

| | GROUP | | COMPANY | |
|---|---------------|---------------|--------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax | | | | |
| Based on results for the financial year : | | | | |
| Malaysian taxation | 6,951 | 6,053 | 930 | 1,374 |
| Foreign taxation | 5,021 | 4,513 | - | - |
| Associates | 7 | 459 | - | - |
| Jointly controlled entities | 513 | - | - | - |
| (Over)/Underprovision in prior years | (90) | 220 | 90 | - |
| | 12,402 | 11,245 | 1,020 | 1,374 |
| Deferred taxation (Note 29) | | | | |
| For the financial year | (783) | 1,352 | - | - |
| Underprovision in prior years | 65 | - | - | - |
| | 11,684 | 12,597 | 1,020 | 1,374 |

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 | |
|---|---------------|---------------|--------------|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before tax | 64,107 | 64,116 | 7,136 | 6,679 |
| Tax at Malaysian statutory rate of 28% (2004 : 28%) | 17,950 | 17,952 | 1,998 | 1,870 |
| Tax effects of : | | | | |
| Different tax rates in other countries | (4,943) | (4,820) | - | - |
| Different tax rate for first RM500,000 of chargeable income | (15) | - | - | - |
| Income not subject to tax | (3,323) | (9,024) | (1,529) | (757) |
| Expenses not deductible | 1,245 | 2,365 | 461 | 261 |
| Losses extinguished on liquidation of business | - | 1,717 | - | - |
| Tax losses not provided for | 795 | 4,174 | - | - |
| (Over)/Underprovision in prior years | (25) | 233 | 90 | - |
| Income tax expense | 11,684 | 12,597 | 1,020 | 1,374 |



9. DIVIDEND

A first and final dividend of 1.5%, less income tax of 28%, proposed in the previous financial year amounting to RM2,548,800 was paid by the Company on 16 December 2004.

The Board is pleased to propose a first and final dividend of 3.0%, less income tax of 28%, for the year ended 30 June 2005. 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 but as an appropriation of reserves.

10. EARNINGS PER ORDINARY SHARE

Basic

Earnings per ordinary share has been calculated based on the Group's profit of RM31,826,000 (2004 : RM30,260,000) 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 6,537,000 (2004 : 3,091,000) 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 2005 | COST | | | | | | | End of year RM'000 |
|--|--------------------------------|---------------------|--|---------------------------------------|-----------------------------------|-----------------------------|---|--------------------------|
| | Beginning of year RM'000 | Additions RM'000 | Deconsolidation of subsidiaries RM'000 | Disposal of subsidiaries RM'000 | Disposals/ Write-off RM'000 | Reclassifications RM'000 | Exchange fluctuation adjustment RM'000 | |
| Freehold land | 24,519 | - | (934) | - | - | - | (20) | 23,565 |
| Long leasehold land | 1,130 | - | - | - | - | - | - | 1,130 |
| Short leasehold land | 14,247 | - | - | - | - | (1,114) | - | 13,133 |
| Buildings | 42,853 | 928 | (744) | - | (175) | 8,119 | (7) | 50,974 |
| Plant and machinery, equipment, vehicles and construction in progress | | | | | | | | |
| | 430,399 | 55,696 | (7,090) | (8,621) | (12,194) | (7,005) | (897) | 450,288 |
| Total | 513,148 | 56,624 | (8,768) | (8,621) | (12,369) | - | (924) | 539,090 |

| GROUP 2005 | ACCUMULATED DEPRECIATION | | | | | | | NET BOOK VALUE | |
|--|--------------------------------|-------------------------------------|--|---------------------------------------|-----------------------------------|----------------------------|--------------------------|--------------------------|--------------------------------|
| | Beginning of year RM'000 | Charge for the year RM'000 | Deconsolidation of subsidiaries RM'000 | Disposal of subsidiaries RM'000 | Disposals/ Write-off RM'000 | Reclassification RM'000 | End of year RM'000 | End of year RM'000 | Beginning of year RM'000 |
| Freehold land | - | - | - | - | - | - | - | 23,565 | 24,519 |
| Long leasehold land | 79 | 11 | - | - | - | - | 90 | 1,040 | 1,051 |
| Short leasehold land | 3,012 | 443 | - | - | - | - | 3,455 | 9,678 | 11,235 |
| Buildings | 8,157 | 1,618 | (98) | - | (28) | 29 | 9,678 | 41,296 | 34,696 |
| Plant and machinery, equipment, vehicles and construction in progress | | | | | | | | | |
| | 228,915 | 28,281 | (3,393) | (1,605) | (8,258) | (29) | 243,354 | 206,934 | 201,484 |
| Total | 240,163 | 30,353 | (3,491) | (1,605) | (8,286) | - | 256,577 | 282,513 | 272,985 |

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

| GROUP 2004 | COST | | | | | | | NET BOOK VALUE | | | |
|---|--------------------------------|---------------------|--|-----------------------------------|----------------------------|---|--------------------------|--------------------------------|-------------------------------------|---------------------------------------|--------------------------|
| | Beginning of year RM'000 | Additions RM'000 | Acquisition of subsidiaries RM'000 | Disposals/ Write-off RM'000 | Reclassification RM'000 | Exchange fluctuation adjustment RM'000 | End of year RM'000 | Beginning of year RM'000 | Charge for the year RM'000 | Accumulated Depreciation RM'000 | End of year RM'000 |
| Freehold land | 22,729 | - | 642 | - | (642) | 1,790 | 24,519 | 22,729 | - | - | 24,519 |
| Long leasehold land | 1,130 | - | - | - | - | - | 1,130 | 1,062 | 11 | - | 1,073 |
| Short leasehold land | 8,742 | - | 5,505 | - | - | - | 14,247 | 7,161 | 250 | - | 7,411 |
| Buildings | 37,928 | 558 | 2,847 | - | 937 | 583 | 42,853 | 31,519 | 1,433 | - | 32,952 |
| Plant and machinery, equipment, vehicles and construction in progress | 360,939 | 19,792 | 45,120 | (10,178) | (295) | 15,021 | 430,399 | 170,070 | 23,206 | (5,134) | 170,070 |
| Total | 431,468 | 20,350 | 54,114 | (10,178) | - | 17,394 | 513,148 | 232,541 | 24,900 | (5,134) | 232,541 |



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

| COMPANY 2005 | ← COST → | | | End of year RM'000 |
|---|--------------------------------|---------------------|---------------------|--------------------------|
| | Beginning of year RM'000 | Additions RM'000 | Disposals RM'000 | |
| Plant and machinery, equipment and vehicles | 2,029 | 344 | (248) | 2,125 |

| | ← ACCUMULATED DEPRECIATION → | | | End of year RM'000 |
|---|--------------------------------|----------------------------------|---------------------|--------------------------|
| | Beginning of year RM'000 | Charge for the year RM'000 | Disposals RM'000 | |
| Plant and machinery, equipment and vehicles | 1,375 | 391 | (124) | 1,642 |

| | ← NET BOOK VALUE → | |
|---|-----------------------|--------------------------------|
| | End of year RM'000 | Beginning of year RM'000 |
| Plant and machinery, equipment and vehicles | 483 | 654 |

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

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

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

Plant and machinery, equipment and vehicles of the Group include power plants with a carrying value of RM115,155,000 (2004 : RM120,139,000).

Property, plant and equipment of certain subsidiaries with a carrying value of RM153,804,000 (2004 : RM162,846,000) have been charged as security for banking facilities granted to those subsidiaries.

Plant and machinery, equipment and vehicles of the Group and of the Company with carrying values of RM2,716,000 (2004 : RM3,292,000) and RM300,000 (2004 : RM439,000), respectively were acquired under hire purchase arrangements.

Included in property, plant and equipment of the Group and of the Company are fully depreciated assets costing RM109,736,000 (2004 : RM123,846,000) and RM242,000 (2004 : RM248,000), respectively, which are still in use.



12. SUBSIDIARIES

| | COMPANY | |
|-------------------------------------|----------------|----------------|
| | 2005 RM'000 | 2004 RM'000 |
| Unquoted shares at cost : | | |
| At beginning of financial year | 368,145 | 368,145 |
| Additions during the financial year | 1,600 | - |
| At end of financial year | 369,745 | 368,145 |
| Less : Impairment loss | (206,663) | (206,663) |
| | 163,082 | 161,482 |
| Quoted shares at cost : | | |
| At beginning of financial year | 25,243 | - |
| Transfer from associates (Note 13) | - | 25,243 |
| At end of financial year | 25,243 | 25,243 |
| Loans from subsidiaries | (55,936) | (55,940) |
| Loan to a subsidiary | 27,475 | 27,475 |
| | 159,864 | 158,260 |
| Market value of quoted shares | 32,116 | 34,398 |

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

Investment in quoted shares of a subsidiary of the Group and Company with carrying values of RM18,470,000 (2004 : RM18,470,000) is pledged to local financial institutions as collateral for credit facilities extended to the Company.

The subsidiaries are listed in Note 35 to the Financial Statements.

13. ASSOCIATES

| | GROUP | | COMPANY | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2005 RM'000 | 2004 RM'000 | 2005 RM'000 | 2004 RM'000 |
| Unquoted in Malaysia at cost : | | | | |
| At beginning of financial year | 3,108 | 3,108 | - | - |
| Additions during the financial year | 3,500 | - | 3,500 | - |
| Share of post-acquisition reserves | 89 | 16 | - | - |
| At end of financial year | 6,697 | 3,124 | 3,500 | - |



14. JOINTLY CONTROLLED ENTITY (cont'd)

Details of the jointly controlled entity are as follows :

| Name of Jointly Controlled Entity | Principal Activities | Country of Incorporation | Effective Group Interest | |
|-------------------------------------|---|--------------------------|--------------------------|--------|
| | | | 2005 % | 2004 % |
| Mega Fortris (Malaysia) Sdn. Bhd. * | Manufacturing and trading of security seals | Malaysia | 51.0 | 51.0 |

- * This company has now been treated as a Jointly Controlled Entity pursuant to MASB 11 and MASB 16 in view of the fact that the Group does not have effective control. Consequently, the Group has deconsolidated the financial statements of this company.

15. INVESTMENTS

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2005 RM'000 | 2004 RM'000 | 2005 RM'000 | 2004 RM'000 |
| Quoted shares in Malaysia at cost : | | | | |
| At beginning of financial year | 154 | - | - | - |
| Additions during the financial year | 750 | 154 | 598 | - |
| At end of financial year | 904 | 154 | 598 | - |
| Quoted shares outside Malaysia at cost : | | | | |
| At beginning of financial year | - | 29,277 | - | - |
| Allowance for diminution | - | (9,471) | - | - |
| | - | 19,806 | - | - |
| Less : Disposal during the financial year | - | (19,806) | - | - |
| At end of financial year | - | - | - | - |
| Investments at end of financial year | 904 | 154 | 598 | - |
| Market value of quoted shares in Malaysia | 812 | 99 | 566 | - |

16. INVESTMENT PROPERTIES

| | GROUP | |
|---------------------------------|----------------|----------------|
| | 2005 RM'000 | 2004 RM'000 |
| Leasehold land at cost | | |
| At beginning of financial year | 18,775 | - |
| Additions during financial year | 5,557 | 18,775 |
| At end of financial year | 24,332 | 18,775 |



17. LAND HELD FOR PROPERTY DEVELOPMENT

| | GROUP | |
|--|----------------|----------------|
| | 2005 | 2004 |
| | RM'000 | RM'000 |
| At cost : | | |
| At beginning of financial year : | | |
| Freehold land | 4,709 | 4,709 |
| Leasehold land | 12,636 | 13,533 |
| Development expenditure | 68,360 | 36,618 |
| | 85,705 | 54,860 |
| Additions during the financial year: | | |
| Leasehold land | - | 947 |
| Development expenditure | 2,670 | 32,598 |
| | 2,670 | 33,545 |
| Transfer to property development costs : | | |
| Freehold land | (265) | - |
| Leasehold land | - | (1,844) |
| Development expenditure | (1,018) | (856) |
| | (1,283) | (2,700) |
| At end of financial year : | | |
| Freehold land | 4,444 | 4,709 |
| Leasehold land | 12,636 | 12,636 |
| Development expenditure | 70,012 | 68,360 |
| | 87,092 | 85,705 |



18. PROPERTY DEVELOPMENT

| | GROUP | |
|--|-----------------|-----------------|
| | 2005 RM'000 | 2004 RM'000 |
| At cost : | | |
| At beginning of financial year : | | |
| Freehold land | 2,286 | 2,286 |
| Leasehold land | 2,678 | 1,831 |
| Development costs | 84,729 | 67,998 |
| | <u>89,693</u> | <u>72,115</u> |
| Costs incurred during the financial year : | | |
| Freehold land | 265 | - |
| Leasehold land | 35 | 847 |
| Development costs | 17,176 | 16,731 |
| | <u>17,476</u> | <u>17,578</u> |
| Costs recognised in income statement : | | |
| Previous year | (78,671) | (63,752) |
| Current year | (21,024) | (14,919) |
| | <u>(99,695)</u> | <u>(78,671)</u> |
| At end of financial year | 7,474 | 11,022 |
| Allowance for foreseeable loss | (711) | (2,397) |
| | <u>6,763</u> | <u>8,625</u> |
| Cumulative revenue recognised in : | | |
| Income statement | 121,202 | 97,703 |
| Cumulative billings to purchasers | (124,778) | (93,449) |
| | <u>(3,576)</u> | <u>4,254</u> |
| Net Balance | <u>3,187</u> | <u>12,879</u> |

Certain subsidiaries 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.

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

| | GROUP | |
|-------------------|----------------|----------------|
| | 2005 RM'000 | 2004 RM'000 |
| Interest on : | | |
| Term loans | 149 | 230 |
| Revolving credits | 90 | 140 |
| Bank overdrafts | 143 | 15 |



19. GOODWILL ON CONSOLIDATION

| | GROUP | |
|-----------------------------------|----------------|----------------|
| | 2005 RM'000 | 2004 RM'000 |
| At beginning of financial year | 10,782 | 2,398 |
| Goodwill of subsidiaries acquired | 2,573 | 8,510 |
| Amortisation of goodwill | (733) | (565) |
| Goodwill of subsidiaries | | |
| - disposed of | (3,031) | - |
| - deconsolidated and written off | (524) | - |
| Exchange fluctuation | (910) | 439 |
| At end of financial year | 8,157 | 10,782 |

20. INVENTORIES

| | GROUP | |
|-------------------------------------|----------------|----------------|
| | 2005 RM'000 | 2004 RM'000 |
| At cost : | | |
| Finished goods and work-in-progress | 15,810 | 19,278 |
| Raw materials and consumables | 21,437 | 19,124 |
| Completed houses for sale | 8,497 | 8,874 |
| | 45,744 | 47,276 |
| At net realisable value : | | |
| Completed houses for sale | 3,640 | 3,640 |
| Less : Allowance for write-down | (640) | (640) |
| | 3,000 | 3,000 |
| | 48,744 | 50,276 |

Inventories amounting to RM5,192,000 (2004 : RM5,026,000) of certain subsidiaries have been pledged to financial institutions for credit facilities granted to those subsidiaries.



21. RECEIVABLES

| | GROUP | | COMPANY | |
|-------------------------------------|----------|----------|---------|--------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade receivables | 115,599 | 109,853 | - | - |
| Less : Allowance for doubtful debts | (14,306) | (16,279) | - | - |
| | 101,293 | 93,574 | - | - |
| Other receivables | | | | |
| Sundries | 22,104 | 24,415 | 623 | 2,773 |
| Less : Allowance for doubtful debts | (4,418) | (735) | (100) | (100) |
| | 17,686 | 23,680 | 523 | 2,673 |
| Refundable deposits | 4,180 | 1,833 | 98 | 98 |
| Prepaid expenses | 7,008 | 6,649 | 42 | 58 |
| Tax recoverable | 7,924 | 8,046 | 3,558 | 4,680 |
| Progress payments to contractors | 2,857 | 11,752 | - | - |
| Amount owing by subsidiaries | - | - | 100,035 | 82,222 |
| | 39,655 | 51,960 | 104,256 | 89,731 |
| | 140,948 | 145,534 | 104,256 | 89,731 |

Trade receivables of the Group represent amounts receivable for the sale 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 (2004 : 21 days to 90 days).

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

The currency profile of the receivables of the Group is as follows :

| | GROUP | |
|---------------------------|---------|--------|
| | 2005 | 2004 |
| | RM'000 | RM'000 |
| Trade receivables | | |
| Ringgit Malaysia | 40,447 | 40,272 |
| Great Britain Pound | 19,717 | 21,912 |
| Chinese Renminbi | 34,611 | 22,308 |
| United States Dollar | 47 | 1,774 |
| South African Rand | 6,471 | 4,795 |
| Euro | - | 507 |
| Danish Krone | - | 1,762 |
| Others | - | 244 |
| | 101,293 | 93,574 |
| Sundry receivables | | |
| Ringgit Malaysia | 5,489 | 11,138 |
| Great Britain Pound | 1,875 | 1,201 |
| Chinese Renminbi | 700 | 442 |
| United States Dollar | 9,294 | 9,699 |
| South African Rand | 328 | 1,152 |
| Others | - | 48 |
| | 17,686 | 23,680 |



22. BANK BALANCES AND DEPOSITS

| | GROUP | | COMPANY | |
|---|---------------|----------------|-----------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits with licensed financial institutions | 53,129 | 80,355 | - | - |
| Cash and bank balances | 32,094 | 19,592 | 21 | 153 |
| Housing Development Accounts | 3,831 | 1,078 | - | - |
| | 89,054 | 101,025 | 21 | 153 |

The fixed deposits with licensed financial institutions of the Group and of the Company earn interest at rates ranging from 0.89% to 3.00% (2004 : 2.60% to 3.20%) per annum and have maturity periods ranging from 1 month to 3 months (2004 : 1 month to 3 months).

The Housing Development Accounts are maintained by certain subsidiaries 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 subsidiaries upon the completion of the property development projects.

The currency profile of the bank balances and deposits of the Group is as follows :

| | GROUP | |
|----------------------|---------------|----------------|
| | 2005 | 2004 |
| | RM'000 | RM'000 |
| Ringgit Malaysia | 65,457 | 87,547 |
| Great Britain Pound | - | 347 |
| Chinese Renminbi | 21,617 | 11,630 |
| United States Dollar | 1,978 | 1,147 |
| Others | 2 | 354 |
| | 89,054 | 101,025 |



23. PAYABLES

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2005 RM'000 | 2004 RM'000 | 2005 RM'000 | 2004 RM'000 |
| Trade payables | 49,363 | 46,849 | - | - |
| Other payables | | | | |
| Accrued expenses | 16,063 | 16,716 | 287 | 331 |
| Provision | 1,000 | 16,042 | - | - |
| Dividend payable to minority shareholders | 12,064 | 12,316 | - | - |
| Amount due to contractors for capital expansion | 4,881 | 5,677 | - | - |
| Hire purchase payables (Note 28) | 1,208 | 2,530 | 71 | 115 |
| Sundries | 18,781 | 28,828 | 1,103 | 1,032 |
| Amount owing to subsidiaries | - | - | 54,715 | 28,668 |
| | 53,997 | 82,109 | 56,176 | 30,146 |
| | 103,360 | 128,958 | 56,176 | 30,146 |

Provision comprises the following :

| | | | | |
|--|----------|--------|---|---|
| Provision for loss on liquidation of a subsidiary | 1,000 | - | - | - |
| Provision for shortfall in a funded pension scheme of a foreign subsidiary : | | | | |
| At beginning of financial year | 16,042 | 16,042 | - | - |
| Write-back of provision no longer required # | (16,042) | - | - | - |
| At end of financial year | - | 16,042 | - | - |
| Total | 1,000 | 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 (2004 : 30 days to 90 days).

Included in the amount owing to subsidiaries is an amount of RM8,991,000 (2004 : Nil) which bears interest of 4.0% per annum.

The provision of RM16,042,000 for the shortfall in a funded pension scheme of a foreign subsidiary was written back as it is no longer probable that there will be an outflow of resources from the Group in view of the precarious financial position faced by that subsidiary.

The currency profile of the payables of the Group is as follows :

| | GROUP | |
|------------------------|----------------|----------------|
| | 2005 RM'000 | 2004 RM'000 |
| Trade payables | | |
| Ringgit Malaysia | 18,690 | 22,275 |
| Great Britain Pound | 17,276 | 15,742 |
| Chinese Renminbi | 4,073 | 3,074 |
| South African Rand | 9,324 | 4,978 |
| Others | - | 780 |
| | 49,363 | 46,849 |
| Sundry payables | | |
| Ringgit Malaysia | 32,414 | 26,573 |
| Great Britain Pound | 532 | 1,679 |
| Chinese Renminbi | 2,780 | 18,569 |
| | 35,726 | 46,821 |



24. SHORT TERM BORROWINGS

| | GROUP | | COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2005 RM'000 | 2004 RM'000 | 2005 RM'000 | 2004 RM'000 |
| Bank overdrafts - secured | 10,984 | 15,405 | 254 | - |
| - unsecured | 8,502 | 13,828 | 8,502 | 13,828 |
| Revolving credits - secured | 8,740 | 11,740 | 8,740 | 8,740 |
| - unsecured | 17,774 | 20,420 | 17,774 | 20,420 |
| Bankers' acceptances - secured | - | 497 | - | - |
| Factoring - secured | 13,472 | 11,771 | - | - |
| Short term loans - secured | 36,304 | 24,117 | - | - |
| Long term borrowings due within 12 months (Note 27) | 14,234 | 13,171 | - | 2,000 |
| | 110,010 | 110,949 | 35,270 | 44,988 |

The currency profile of the short term borrowings of the Group is as follows :

| | GROUP | |
|---------------------|----------------|----------------|
| | 2005 RM'000 | 2004 RM'000 |
| Ringgit Malaysia | 46,693 | 66,333 |
| Great Britain Pound | 21,093 | 19,423 |
| Chinese Renminbi | 35,572 | 21,986 |
| South African Rand | 6,652 | 3,207 |
| | 110,010 | 110,949 |

The bank overdrafts, revolving credits and bankers' acceptances of the Group and of the Company bear interest at rates ranging from 1.25% to 2.50% (2004 : 0.75% to 2.50%) per annum above the base lending rate and/or cost of funds.

Short term loans of the Group amounting to RM732,000 (2004 : RM1,672,000) bear interest at a rate of 2.00% (2004 : 2.00%) per annum above the base lending rate whilst the remaining balance bears interest at a rate of 5.22% (2004 : 5.04%) per annum.

The interest rates implicit in the factoring facility of the Group range from 5.50% to 6.50% (2004 : 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 12);
- (2) Charges on land under property development with a total carrying value of RM24,365,000 (2004 : RM33,777,000) of certain subsidiaries;
- (3) Charges on certain property, plant and equipment with a total carrying value of RM5,469,000 (2004 : RM11,955,000) and floating assets of a subsidiary; and
- (4) Charges on certain property, plant and machinery with a carrying value of RM37,006,000 (2004 : RM29,249,000) of a foreign subsidiary.



25. SHARE CAPITAL

| | GROUP/COMPANY | |
|----------------------------------|---------------|---------|
| | 2005 | 2004 |
| | RM'000 | RM'000 |
| Ordinary shares of RM1.00 each : | | |
| Authorised | | |
| 500,000,000 shares of RM1 each | 500,000 | 500,000 |
| Issued and fully paid | | |
| 236,000,000 shares of RM1 each | 236,000 | 236,000 |

26. RESERVES

| | GROUP | | COMPANY | |
|-------------------------------------|----------|----------|----------|----------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Non-distributable reserves * | | | | |
| Share premium | 33,380 | 33,380 | 33,380 | 33,380 |
| Capital reserve | 2,369 | 2,369 | - | - |
| Translation reserve | 32,628 | 33,970 | - | - |
| | 68,377 | 69,719 | 33,380 | 33,380 |
| Accumulated losses | (19,569) | (48,846) | (92,230) | (95,797) |
| | 48,808 | 20,873 | (58,850) | (62,417) |

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

27. LONG TERM BORROWINGS

| | GROUP | | COMPANY | |
|---|----------|----------|---------|---------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Unsecured : | | | | |
| Term loan | - | 2,000 | - | 2,000 |
| Secured : | | | | |
| Bonds | 41,000 | 49,000 | - | - |
| Term loans | 33,255 | 33,471 | - | - |
| | 74,255 | 84,471 | - | 2,000 |
| Less : Portion payable within 12 months (Note 24) | | | | |
| Secured | (14,234) | (11,171) | - | - |
| Unsecured | - | (2,000) | - | (2,000) |
| | (14,234) | (13,171) | - | (2,000) |
| Non-current | 60,021 | 71,300 | - | - |



27. LONG TERM BORROWINGS (cont'd)

The non-current portion is repayable as follows :

| | GROUP | | COMPANY | |
|---------------------|---------------|---------------|----------|----------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Between 1 - 2 years | 23,097 | 26,254 | - | - |
| Between 2 - 5 years | 30,537 | 38,852 | - | - |
| After 5 years | 6,387 | 6,194 | - | - |
| | 60,021 | 71,300 | - | - |

The currency profile of long term borrowings of the Group is as follows :

| | GROUP | |
|---------------------|---------------|---------------|
| | 2005 | 2004 |
| | RM'000 | RM'000 |
| Ringgit Malaysia | 45,253 | 55,003 |
| Great Britain Pound | 14,768 | 16,297 |
| | 60,021 | 71,300 |

Bonds

On 11 September 2000, a subsidiary 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's rights under various agreements pertaining to the operation of a power plant.

Term Loans

The term loan of a foreign subsidiary is secured by a charge over its freehold properties and plant and machinery with a total carrying value of RM41,357,000 (2004 : RM46,836,000) and bears interest at a rate of 2.50% (2004 : 1.75%) per annum above the cost of funds.

The term loans of certain subsidiaries are secured by charges over their property, plant and equipment with a carrying value of RM75,441,000 (2004 : RM86,761,000), floating assets and certain land held under property development with a carrying value of RM24,365,000 (2004 : RM33,777,000). These loans bear interest at 2.00% (2004 : 1.00% to 1.50%) per annum above the base lending rate.

In the previous financial year, the unsecured term loan bore interest at a rate of 2.00% above the base lending rate.



28. HIRE PURCHASE PAYABLES

| | GROUP | | COMPANY | |
|--|---------|---------|---------|--------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Hire purchase payables | 2,171 | 6,709 | 197 | 196 |
| Less : Portion payable within 12 months (Note 23) | (1,208) | (2,530) | (71) | (115) |
| Non-current portion | 963 | 4,179 | 126 | 81 |

The non-current portion is payable as follows :

| | GROUP | | COMPANY | |
|---------------------|--------|--------|---------|--------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Between 1 - 2 years | 844 | 2,276 | 71 | 52 |
| Between 2 - 5 years | 119 | 1,903 | 55 | 29 |
| | 963 | 4,179 | 126 | 81 |

The hire purchase payables bear interest at rates ranging from 3.20% to 11.20% (2004 : 3.20% to 5.90%) per annum.

29. DEFERRED TAXATION

| | GROUP | |
|---|--------|---------|
| | 2005 | 2004 |
| | RM'000 | RM'000 |
| At beginning of financial year | 29,654 | 26,486 |
| Transfer (to)/from income statements (Note 8) | (718) | 1,352 |
| Acquisition of subsidiary | - | 2,953 |
| Deconsolidation of subsidiaries | (245) | - |
| Translation reserve | (13) | (1,137) |
| At end of financial year | 28,678 | 29,654 |

| | GROUP | |
|---|--------|--------|
| | 2005 | 2004 |
| | RM'000 | RM'000 |
| The deferred taxation represents the tax effects of : | | |
| - Temporary differences of capital allowances and depreciation | 22,602 | 23,912 |
| - Group cost from acquisition of land based companies | 4,226 | 4,363 |
| - Others | 1,850 | 1,379 |
| | 28,678 | 29,654 |



29. DEFERRED TAXATION (cont'd)

As of 30 June 2005, the amount of net deferred tax asset, calculated at the current tax rate, is as follows :

| | GROUP | | COMPANY | |
|--|--------|--------|---------|--------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Differences of capital allowances and depreciation | (12) | (54) | (6) | (43) |
| Unabsorbed capital allowances | 302 | 281 | 288 | 267 |
| Unutilised tax losses | 30,727 | 29,949 | - | - |
| Others | (656) | (150) | - | - |
| Net deferred tax asset | 30,361 | 30,026 | 282 | 224 |

Deferred tax assets have not been recognised in respect of the unabsorbed capital allowances and unutilised tax losses as they have arisen in subsidiaries that have a history of losses and it is not probable that there will be future profits available for offset. In addition, these losses may not be used to offset taxable profits of other subsidiaries in the Group.

30. COMMITMENTS

As of 30 June 2005, the Group and the Company have the following commitments :

| | GROUP | | COMPANY | |
|-----------------------------------|--------|--------|---------|--------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Capital commitments : | | | | |
| Property, plant and equipment | | | | |
| Authorised but not provided for : | | | | |
| Contracted | 7,143 | 5,823 | - | 18 |
| Not contracted | 15,754 | 14,468 | - | 4 |
| | 22,897 | 20,291 | - | 22 |
| Investment : | | | | |
| Contracted but not provided for | - | 1,500 | - | 1,500 |
| | 22,897 | 21,791 | - | 1,522 |

31. CONTINGENT LIABILITIES

| | COMPANY | |
|--|---------|--------|
| | 2005 | 2004 |
| | RM'000 | RM'000 |
| Unsecured : | | |
| Guarantees given to financial institutions for facilities extended to subsidiaries | - | 2,500 |

On 29 July 2005, a corporate guarantee of RM27.0 million was given by the Company to a financial institution for facilities extended to a subsidiary.

32. CASH AND CASH EQUIVALENTS

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

| | GROUP | | COMPANY | |
|----------------------------|---------------|---------------|----------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Bank balances and deposits | 89,054 | 101,025 | 21 | 153 |
| Bank overdrafts (Note 24) | (19,486) | (29,233) | (8,756) | (13,828) |
| | <u>69,568</u> | <u>71,792</u> | <u>(8,735)</u> | <u>(13,675)</u> |

33. 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 subsidiaries 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.

(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 24 and 27 to the Financial Statements and the interest rates of the Group's fixed deposits are disclosed in Note 22 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 requirements for working capital.

(v) Cash Flow Risk

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



33. FINANCIAL INSTRUMENTS (cont'd)

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 subsidiaries.

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 net of transaction costs and finance charges and 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 2005 are as follows :

| 2005 | Note | GROUP | | COMPANY | |
|------------------------------|------|--------------------------|----------------------|--------------------------|----------------------|
| | | Carrying Value RM'000 | Fair Value RM'000 | Carrying Value RM'000 | Fair Value RM'000 |
| Financial liabilities | | | | | |
| Term loans | 27 | 33,255 | 33,255 | - | - |
| Bonds | 27 | 41,000 | 41,000 | - | - |
| Hire purchase payables | 28 | 2,171 | 2,171 | 197 | 196 |

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.



34. 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 |
| Travel and lingerie | Ticketing and tour services and manufacturing and trading of ladies' undergarment |

34. SEGMENT INFORMATION (cont'd)

| | Continuing Operations | | | | Discontinued Operations | |
|---|--------------------------|-----------------------------|------------------------------|--------------------------------|---|-------------------------------|
| | Power Division RM'000 | Property Division RM'000 | Limestone Division RM'000 | Engineering Division RM'000 | Investment Holding & Other Division RM'000 | Travel And Lingerie RM'000 |
| GROUP 2005 | | | | | | Consolidated RM'000 |
| Revenue | | | | | | |
| External sales | 280,368 | 24,413 | 25,815 | 180,125 | 328 | 55,832 |
| | | | | | | 566,881 |
| Results | | | | | | |
| Profit/(Loss) from operations | 64,148 | 756 | 4,565 | 10,216 | (3,123) | (826) |
| | | | | | | 75,736 |
| Finance costs | | | | | | (12,687) |
| Share of results in associates | | | | | | 80 |
| Share of results in jointly controlled entity | | | | | | 978 |
| Income tax expense | | | | | | (11,684) |
| | | | | | | 52,423 |
| Profit after tax | | | | | | (20,597) |
| Minority interests | | | | | | |
| | | | | | | 31,826 |
| Net profit for the year | | | | | | |
| Other information | | | | | | |
| Capital expenditure | 41,467 | 28 | 10,886 | 3,898 | 345 | - |
| Depreciation and amortisation | 14,632 | 509 | 6,148 | 8,857 | 940 | - |
| | | | | | | 56,624 |
| | | | | | | 31,086 |
| Assets | | | | | | |
| Segment assets | 303,914 | 147,030 | 91,870 | 116,078 | 26,039 | - |
| Investment in associates | - | - | 3,026 | - | 3,671 | - |
| Investment in jointly controlled entity | - | - | - | - | 3,617 | - |
| | | | | | | 684,931 |
| | | | | | | 6,697 |
| | | | | | | 3,617 |
| Consolidated total assets | | | | | | 695,245 |
| Liabilities | | | | | | |
| Segment liabilities | 132,373 | 32,766 | 19,521 | 85,481 | 39,203 | - |
| | | | | | | 309,344 |
| (Forward) | | | | | | |



34. SEGMENT INFORMATION (cont'd)

| GROUP 2004 | 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 |
|--------------------------------|-----------------------------|--------------------------------|---------------------------------|-----------------------------------|------------------------------|---|------------------------|
| 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 associates | | | | | | | 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 associates | - | - | - | - | 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)



34. SEGMENT INFORMATION (cont'd)

Geographical segments

Analysis by geographical segments :

| | Revenue | | Carrying value of segment assets | | Capital additions | |
|-------------------------------|----------------|----------------|-------------------------------------|----------------|-------------------|----------------|
| | 2005 RM'000 | 2004 RM'000 | 2005 RM'000 | 2004 RM'000 | 2005 RM'000 | 2004 RM'000 |
| Malaysia | 204,981 | 151,271 | 411,569 | 454,401 | 11,842 | 2,253 |
| United Kingdom | 115,349 | 108,659 | 81,352 | 83,035 | 2,456 | 1,808 |
| People's Republic of China | 189,779 | 141,623 | 183,378 | 141,322 | 41,144 | 14,129 |
| South Africa | 56,772 | 48,668 | 18,946 | 22,481 | 1,182 | 2,160 |
| | 566,881 | 450,221 | 695,245 | 701,239 | 56,624 | 20,350 |

35. SUBSIDIARIES

Details of the subsidiaries as of 30 June 2005 are as follows :

| Company | Principal Activities | Country of Incorporation | Effective Group Interest | |
|---|--|-----------------------------|--------------------------------|-----------|
| | | | 2005 % | 2004 % |
| Mega First Mining Sdn. Bhd. | Investment holding | Malaysia | 100 | 100 |
| Equity Group Investments Ltd | Investment holding | British Virgin Islands | 100 | 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. | 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 |
| Mega First Development Sdn. Bhd. | Dormant | Malaysia | 100 | 100 |



35. SUBSIDIARIES (cont'd)

| Company | Principal Activities | Country of Incorporation | Effective Group Interest | |
|---|--|----------------------------|--------------------------|--------|
| | | | 2005 % | 2004 % |
| Mega First Ventures Sdn. Bhd. | Investment holding | Malaysia | 100 | 100 |
| Mega Fortris Trading Sdn. Bhd.*** | Trading of security seals | Malaysia | - | 26.3 |
| Mega Fortris (Malaysia) Sdn.Bhd.*** | Manufacturing and trading of security seals | Malaysia | - | 51.0 |
| Mega Fortris (Europe) ApS Limited *** | Trading of security seals | Denmark | - | 33.2 |
| Mega Fortris (USA) Inc. *** | Trading of security seals | United States | - | 33.2 |
| Mega Fortris Asiatic Co. Limited *** | Trading of security seals | Thailand | - | 26.0 |
| Mega Fortris (UK) Limited *** | Trading of security seals | United Kingdom | - | 21.5 |
| Shaoxing Mega Fortris Seals Co., Limited *** | Manufacturing and trading of security seals | People's Republic of China | - | 30.6 |
| Mega Fortris Phils., Inc *** | Trading of security seals | Philippines | - | 34.0 |
| Bloxwich International Sdn. Bhd. | Investment holding | Malaysia | 97.2 | 96.9 |
| Bloxwich (Malaysia) Sdn. Bhd. | Engineering, designing and manufacturing of automotive and transportation components | Malaysia | 92.3 | 92.1 |
| Bloxwich Engineering Limited ** | Engineering, design and manufacture of automotive and transportation components | United Kingdom | 97.2 | 96.9 |
| Bloxwich Automotive Limited ** | Engineering, design and manufacture of components for automotive and building industries | United Kingdom | 97.2 | 96.9 |
| Bloxwich Transportation Products Limited ** | Engineering, design and manufacture of components for transportation and security industries | United Kingdom | 97.2 | 96.9 |
| Hatherton Engineering Limited ** | In voluntary administration | United Kingdom | 97.2 | 96.9 |
| Bloxwich Security Products Limited ** | Manufacturing and trading of security seals | United Kingdom | 97.2 | 96.9 |
| APM (Advanced Presswork Manufacturers) Limited ** | Dormant | United Kingdom | 97.2 | 96.9 |



35. SUBSIDIARIES (cont'd)

| Company | Principal Activities | Country of Incorporation | Effective Group Interest | |
|--|--|--------------------------|--------------------------|--------|
| | | | 2005 % | 2004 % |
| Bloxwich Group Pensions Limited ** | Pension Fund Trustee | United Kingdom | 97.2 | 96.9 |
| Bloxwich South Africa (Pty) Limited* | Dormant | Republic of South Africa | 97.2 | 96.9 |
| Bloxwich Forgings (Pty) Limited* | In liquidation | Republic of South Africa | 97.2 | 96.9 |
| Bloxwich Fabrications Limited** | Manufacturing of fabricated metal products | United Kingdom | 97.2 | 96.9 |
| Bloxwich Industries (Pty) Limited* | Manufacturing of automotive components | Republic of South Africa | 97.2 | 96.9 |
| Bloxwich Tool & Die (Pty) Limited * | Manufacturing of tools & dies | Republic of South Africa | 97.2 | 96.9 |
| Brycol Engineering (Pty) Limited * | Dormant | Republic of South Africa | 97.2 | 96.9 |
| 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. | Property development | Malaysia | 100 | 100 |
| Paya Emas Sdn. Bhd. | Property development | Malaysia | 60.0 | 60.0 |
| Idaman Harmoni Sdn. Bhd. | Property investment | Malaysia | 65.0 | 55.0 |
| Kinta Ceria Sdn. Bhd. | Property investment | Malaysia | 100 | - |
| Serudong Power Sdn. Bhd. | Build, own and operate a power plant | Malaysia | 51.0 | 51.0 |
| 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 |



35. SUBSIDIARIES (cont'd)

| Company | Principal Activities | Country of Incorporation | Effective Group Interest | |
|---|--|----------------------------|--------------------------|--------|
| | | | 2005 % | 2004 % |
| Shaoxing Mega Heat And Power Co. Limited ** | Own and operate a power plant | People's Republic of China | 60.0 | 60.0 |
| Rock Chemical Industries (Malaysia) Berhad | Investment holding and provision of management consultancy services | Malaysia | 60.5 | 55.8 |
| RCI Concrete Products Sdn. Bhd. | Sale of terrazzo tiles and concrete paves | Malaysia | 60.5 | 55.8 |
| RCI Lime Sdn. Bhd. | Manufacture and sale of lime products and as limestone quarry operator | Malaysia | 60.5 | 55.8 |
| RCI Minerals Sdn. Bhd. | Pre-operating | Malaysia | 60.5 | 55.8 |
| RCI Marketing Sdn. Bhd. | Trading of building and construction materials | Malaysia | 60.5 | 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 | 100 |
| Geo-Mobile Asia Sdn. Bhd. | Investment holding | Malaysia | 100 | 100 |
| 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.

*** These companies have been now been treated as an investment in Jointly Controlled Entities pursuant to MASB 11 and MASB 16 in view of the fact that the Group does not have effective control.



36. SIGNIFICANT RELATED PARTY TRANSACTIONS

| | GROUP | |
|--|--------|--------|
| | 2005 | 2004 |
| | RM'000 | RM'000 |
| Rental of premises from : | | |
| The Trustee For The Time Being of the Rockingham Trust No. 6660/87, a Trust in which a director of a foreign subsidiary company is a beneficiary | 1,229 | 888 |
| Disposal of four subsidiaries to Wawasan TKH Sdn. Bhd., a company in which a director of a subsidiary is a major shareholder (Note 38 (iv)) | 1,063 | - |

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

37. GENERAL INFORMATION

The total number of employees, including Directors, of the Group and of the Company at the end of the financial year was 829 (2004 : 1,305) and 19 (2004 : 19), respectively.

The Company is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad.

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

38. SIGNIFICANT CORPORATE EVENTS

- i) On 10 March 2004, Bloxwich Forgings (Pty) Ltd ("BFPL"), a 96.9% owned subsidiary of the Group, was liquidated pursuant to an Order of the High Court of South Africa. The liquidation of BFPL was completed in July 2005.
- ii) On 26 May 2004, the Company proposed to undertake a private placement of up to 10% of the issued and paid-up ordinary share capital of the Company ("Placement Shares") and this was approved by the Securities Commission ("SC") and Foreign Investment Committee on 26 July 2004.

The SC's approval for the extension of time to complete the Private Placement of up to 10% of the issued and paid-up ordinary share capital of the Company lapsed on 27 July 2005. No placement was made and the Board of Directors has decided not to seek further extension.

- iii) On 31 July 2004, the Group completed the acquisition of 62,500 ordinary shares of RM1.00 each, representing 50% of the issued and paid-up ordinary share capital of Hexachase Corporation Sdn. Bhd. ("HCSB"), for a total cash consideration of RM3.5 million. HCSB is principally involved in the business of desktop publishing and manufacturing of labels and packaging materials. The results of HCSB have been equity accounted for as an associate.



38. SIGNIFICANT CORPORATE EVENTS (cont'd)

- iv) On 15 September 2004, Rock Chemical Industries (M) Bhd (“RCI”), a 60.52% subsidiary of the Group entered into a Conditional Sale and Purchase Agreement with Wawasan TKH Sdn. Bhd., a related party, to dispose of its entire equity stake in four subsidiaries namely Asia Experience Sdn. Bhd., Xilouette Manufacturer Sdn. Bhd., Xixili Intima Sdn. Bhd. and PST Travel Services Sdn. Bhd. for a total cash consideration of RM1.063 million.

The disposals, which resulted in a gain on disposal to the Group of RM1.162 million, were completed on 21 December 2004.

- v) On 26 January 2005, Gombak Land Sdn. Bhd., a wholly owned subsidiary of the Group, entered into a Sale and Purchase Agreement to acquire 2 fully paid ordinary shares of RM1.00 each in Kinta Ceria Sdn. Bhd. (“KCSB”), representing 100% of the issued and paid-up ordinary share capital of KCSB, for a total cash consideration of RM2.569 million. KCSB has a piece of land held under PN147624, Lot No. 9458N, Bandar Ipoh, Daerah Kinta, Negeri Perak, measuring approximately 8,094 square meters. The acquisition of KCSB has since been completed.

- vi) On 9 May 2005, Hatherton Engineering Limited (“HE”), a 97.2% owned subsidiary of the Group was placed under voluntary administration by the Directors of HE.

HE, which was incorporated in United Kingdom on 17 January 1958 as a private limited company, was principally involved in the design and manufacture of precision tools and had been incurring losses for several years.

The voluntary administration of HE resulted in a Group loss of approximately RM1.0 million which has been accounted for in the financial year under review.



39. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with their presentation in the current financial year :

| | GROUP | | COMPANY | |
|--|-----------------------|--------------------------------|-----------------------|--------------------------------|
| | As Restated RM'000 | As Previously Stated RM'000 | As Restated RM'000 | As Previously Stated RM'000 |
| Balance Sheet (Extract) : | | | | |
| Land held for property development | 85,705 | 104,480 | - | - |
| Investment properties | 18,775 | - | - | - |
| Investments | 154 | - | - | - |
| Receivables | 145,534 | 145,688 | 89,731 | 61,063 |
| Payables | 128,958 | 128,958 | 30,146 | 1,478 |
| Cash Flow Statement (Extract) : | | | | |
| Cash Flows From Operating Activities : | | | | |
| Decrease in receivables | 645 | 491 | (14,110) | (14,110) |
| Cash Flows From Investing Activities | | | | |
| Increase in : | | | | |
| Investment properties | (18,775) | - | - | - |
| Land held for property development | (14,664) | (33,439) | - | - |
| Investments | (154) | - | - | - |



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 2005 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
12 September 2005

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
12th day of September 2005.

Before me,

DATO' NG MANN CHEONG
COMMISSIONER FOR OATHS



LIST OF PROPERTIES HELD

AS OF 30 JUNE 2005

| 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 | 18 | 28,850 | Leasehold 60 years (Expires on 2047) | 18 Dec 87 | n/a | 1,403 |
| Quarrying limestone hill | Lot PT 132 Mukim of Sg. Raia Kinta District, Perak | n/a | 36,367 | Leasehold 30 years (Expires on 2011) | 28 Jul 81 | n/a | 2,860 |
| 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 92 | n/a | 4 |
| Factory land and building | PT2620 & PT2621 Seri Iskandar Technology Park, Mukim Bota Daerah Perak Tengah 32600 Bota, Perak | 8 | 12,565 | Leasehold 99 years (Expires on 2095) | 22 Nov 96 | n/a | 1,039 |
| Factory land and building | Bell Lane, Bloxwich, Walsall England | 91 | 11,900 | Freehold | 1915 | 1993* | 16,844 |
| Factory land and building | Fryers Road / Commercial Road, Bloxwich, Walsall, England | 43 | 3,120 | Freehold | 1970 | 1993* | 6,389 |
| Factory land and building | Ring Road, Burntwood Staffs, England | 30 | 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 | 11 | 61,960 | Leasehold 22 years (Expires on 2019) | 1997 | n/a | 24,483 |
| 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 96 | n/a | 3,900 |
| Vacant land held for development | P.T. Nos. 2388, 2397 2398, 2401 Mukim Setapak | n/a | 5,322 | Leasehold 99 years (Expires on 2086) | 21 Sep 87 | n/a | 483 |
| 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 95 | n/a | 8,497 |
| 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 93 | n/a | 1,010 |



| 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. 277 to 279 Mukim of Paya Rumpit Daerah Melaka Tengah, Melaka | n/a | 203,510 | Freehold | 31 May 93 | n/a | 8,733 |
| Vacant land held for development | Lot 2134 Mukim Bukit Rambai Daerah Melaka Tengah Melaka | n/a | 22,611 | Leasehold 99 years (Expires on 2101) | 01 Dec 97 | n/a | 1,200 |
| Vacant land held for development | P. T. No. 134909 Greentown, Ipoh | n/a | 8,094 | Leasehold 99 years (Expires on 2094) | 26 Jan 05 | n/a | 5,510 |
| Vacant land held for development | P.T. No. 668 Mukim Dengkil | n/a | 20,305 | Leasehold 99 years (Expires on 2101) | 23 Nov 92 | n/a | 3,367 |
| Vacant land held for development | P.T. Nos. 1076 to 1389 1391, 1393, 1395 to 1418 1421 to 1492 Mukim Dengkil | n/a | 345,622 | Leasehold 99 years (Expires on 2097) | 20 Jun 96 | n/a | 36,636 |
| 2 lots of 1 1/2 storey semi-detached factory | No. 6 & 8, Jalan Angklung 33/2 Shah Alam Technology Park 40400 Shah Alam | 5 | 1,637 | Freehold | 19 Jan 01 | n/a | 1,580 |
| Quarry and limestone hill | HS(D) KA46712, P.T.3997 Gunung Panjang, Gopeng Perak Darul Ridzuan | n/a | 193,300 | Leasehold 30 years (Expires on 2025) | 1996 | 1996 | 4,096 |
| Office and warehouse | Lot 45158 Gunung Panjang, Gopeng Perak Darul Ridzuan | 2.5 | 22,600 | Freehold | 1997* | 1997* | 1,277 |
| Integrated lime kiln 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 | 5.5 | 892 | Freehold | 2000* | 2000* | 1,355 |

* Subsidiary was acquired after the valuation date.

n/a Not applicable



STATISTICS ON SHAREHOLDINGS

As at 6 September 2005

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.

| <u>Size of Holdings</u> | <u>No. of Holders</u> | <u>Total Holdings</u> | <u>%</u> |
|--|-----------------------|-----------------------|---------------|
| Less than 100 | 802 | 46,136 | 0.02 |
| 100 to 1,000 | 7,283 | 6,895,730 | 2.92 |
| 1,001 to 10,000 | 11,352 | 43,327,863 | 18.36 |
| 10,001 to 100,000 | 1,281 | 31,428,636 | 13.32 |
| 100,001 to less than 5% of issued shares | 110 | 91,609,155 | 38.82 |
| 5% and above of issued shares | 2 | 62,692,480 | 26.56 |
| Total | 20,830 | 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 2005

| 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 Bhd</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> | 6,394,000 | 2.71 |
| 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> | 4,299,100 | 1.82 |
| 10) | Omega Semiconductor Sdn Bhd | 3,642,300 | 1.54 |
| 11) | HLB Nominees (Asing) Sdn Bhd <i>A/C for Central Allied Investments Limited</i> | 3,435,200 | 1.46 |
| 12) | HSBC Nominees (Asing) Sdn Bhd <i>A/C for Dynamic Growth Equity Limited</i> | 2,218,800 | 0.94 |
| 13) | JF Apex Nominees (Tempatan) Sdn Bhd <i>A/C for Lim Gaik Bway@ Lim Chiew Ah</i> | 2,162,400 | 0.92 |
| 14) | Grand Terrace Sdn Bhd | 2,001,800 | 0.85 |
| 15) | DB (Malaysia) Nominee (Asing) Sdn Bhd <i>A/C for Silverbell Group Limited</i> | 1,750,000 | 0.74 |
| 16) | Shoptra Jaya (M) Sdn Bhd | 1,676,000 | 0.71 |
| 17) | Kumpulan YR Sdn Bhd | 1,544,000 | 0.65 |
| 18) | Zulkifli bin Hussain | 1,515,000 | 0.64 |
| 19) | Koay Keng Ling | 1,457,100 | 0.62 |
| 20) | Zulkifli bin Hussain | 1,410,000 | 0.60 |
| 21) | Shoptra Jaya (M) Sdn Bhd | 1,397,300 | 0.59 |
| 22) | Koay Keng Teik @ Koay Chia Wah | 1,273,000 | 0.54 |
| 23) | Koay Keng Huat | 1,258,000 | 0.53 |
| 24) | Lim Seng Chee | 1,090,300 | 0.46 |
| 25) | Alliance Group Nominees (Tempatan) Sdn Bhd <i>A/C for Employees Provident Fund</i> | 1,047,600 | 0.44 |
| 26) | Kah Hin Loong Sdn Bhd | 1,019,600 | 0.43 |
| 27) | Lee Leh Choo | 1,011,000 | 0.43 |
| 28) | Citicorp Nominees (Tempatan) Sdn Bhd <i>A/C for Sanjeev a/l Sivalingam</i> | 1,000,000 | 0.42 |
| 29) | Juwitawan Sdn Bhd | 974,000 | 0.41 |
| 30) | Bonanza Resources Sdn Bhd | 930,000 | 0.39 |
| | Total | 132,443,180 | 56.12 |



SUBSTANTIAL SHAREHOLDERS AS AT 6 SEPTEMBER 2005

| Name of Substantial Shareholder | Direct Interest | | Deemed Interest | |
|--|-----------------|-------|---------------------------|-------|
| | Shares | % | Shares | % |
| Goh Nan Kioh | 713,600 | 0.30 | 60,503,500 ^(a) | 25.64 |
| Rubber Thread Industries (M) Sdn Bhd | 47,905,000 | 20.30 | 595,000 ^(b) | 0.25 |
| Perbadanan Pembangunan Ekonomi Sabah (SEDCO) | 14,787,480 | 6.26 | - | - |
| Laju Riang Sdn Bhd | - | - | 48,500,000 ^(c) | 20.55 |
| Kema Development Sdn Bhd | - | - | 48,500,000 ^(c) | 20.55 |
| Cambrew (Malaysia) Sdn Bhd | - | - | 48,500,000 ^(c) | 20.55 |
| Lim Thian Soo | 90,000 | 0.04 | 48,500,000 ^(c) | 20.55 |
| Lim Thiam Cheok | 10,000 | 0.004 | 48,500,000 ^(c) | 20.55 |
| Lim Yam Poh | - | - | 48,500,000 ^(c) | 20.55 |

DIRECTORS' INTEREST AS AT 6 SEPTEMBER 2005

Shares in the Company

| Name of Director | Direct Interest | | Deemed Interest | |
|------------------------------------|-----------------|-------|---------------------------|-------|
| | Shares | % | Shares | % |
| Goh Nan Kioh | 713,600 | 0.30 | 60,503,500 ^(a) | 25.64 |
| Dato' Haji Abu Hanifah bin Noordin | - | - | - | - |
| Lim Thian Soo | 90,000 | 0.04 | 48,500,000 ^(c) | 20.55 |
| Chew Wei Keong | 5,000 | 0.002 | - | - |
| Yong Fook Shin | 60,000 | 0.03 | - | - |
| Michael Yee Kim Shing | 50,000 | 0.02 | - | - |
| Lim Boon Seh | - | - | - | - |
| Maisuri bin Besri | - | - | - | - |
| Goh Nan Yang | 10,000 | 0.004 | - | - |

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 | 500,000 | RM1.00 | - | 500,000 |
| Chew Wei Keong | 350,000 | RM1.00 | - | 350,000 |
| Yong Fook Shin | - | - | - | - |
| Michael Yee Kim Shing | - | - | - | - |
| Lim Boon Seh | - | - | - | - |
| Maisuri bin Besri | - | - | - | - |
| Goh Nan Yang | 350,000 | RM1.00 | - | 350,000 |

Notes:

- (a) Deemed interest by virtue of interest in Rubber Thread Industries (M) Sdn Bhd, 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 Bhd



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Ninth 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, 27 October 2005 at 3:00 p.m. for the following purposes:-

AGENDA

- 1) To receive and consider the Directors' Report and Audited Financial Statements for the year ended 30 June 2005. *(Resolution 1)*
- 2) To declare a first and final dividend of 3% less income tax, in respect of the year ended 30 June 2005. *(Resolution 2)*
- 3) To approve the payment of Directors' fees amounting to RM109,000 (2004: RM130,700) in respect of the year ended 30 June 2005. *(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 Lim Thian Soo *(Resolution 4)*
 - 4.2 Mr Chew Wei Keong *(Resolution 5)*
 - 4.3 Mr Lim Boon Seh *(Resolution 6)*
- 5) To re-elect Mr Goh Nan Yang, who was appointed since the last Annual General Meeting, and is retiring pursuant to Article 104 of the Company's Articles of Association, and being eligible, offers himself for re-election. *(Resolution 7)*
- 6) To appoint auditors and to authorise the Board of Directors to fix their remuneration. *(Resolution 8)*
- 7) By way of special business, to consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:-
 - 7.1 **Ordinary Resolution**
Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 *(Resolution 9)*

 "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."
 - 7.2 **Ordinary Resolution**
Authority to allot shares pursuant to the Employee Share Option Scheme *(Resolution 10)*

 "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."
- 8) 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

3 October 2005
 KUALA LUMPUR



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: 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 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: 10 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.



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-Ninth Annual General Meeting of the Company are as follows:-

| | | |
|-----|-------------------|----------------|
| 1.1 | Mr Lim Thian Soo | (Resolution 4) |
| 1.2 | Mr Chew Wei Keong | (Resolution 5) |
| 1.3 | Mr Lim Boon Seh | (Resolution 6) |
| 1.4 | Mr Goh Nan Yang | (Resolution 7) |

Mr Lim Thian Soo is the Group Managing Director. Mr Chew Wei Keong is the Group Chief Operating Officer. Mr Lim Boon Seh is a Non-Independent and Non-Executive Director. Mr Goh Nan Yang is an Executive Director. The profile and interests in shares of the respective gentlemen 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 four meetings of the Board of Directors were held during the financial year ended 30 June 2005 and the details of Directors' attendance at the meetings are set out in the Corporate Governance Statement section of the Annual Report.



NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a first and final dividend of 3% less income tax, in respect of the year ended 30 June 2005, if approved by the shareholders at the Thirty-Ninth Annual General Meeting, will be payable on 16 December 2005 to the Depositors whose names appear in the Record of Depositors of the Company at the close of business on 25 November 2005.

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 25 November 2005 in respect of ordinary transfer;
- b) Shares deposited into the Depositor's securities account before 12:30 p.m. on 25 November 2005 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

3 October 2005
KUALA LUMPUR



DIRECTORY

| No. | Company name & E_mail address | Address | Telephone no. | Facsimile no. | Person-to-contact |
|-----|---|--|------------------|------------------|----------------------|
| 1. | Gombak Land Sdn. Bhd. <i>mfcfb.property@mega-first.com</i> | No. 1, Jalan PE 7, Taman Paya Emas, 76450 Melaka. | 06-3122288 | 06-3124288 | Mr. Steven Chu |
| 2. | Gombak Land Sdn. Bhd. <i>mfcfb.property@mega-first.com</i> | 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. <i>mfcfb.property@mega-first.com</i> | 8-05, Level 8, Menara Milenium, 8 Jalan Damanela, Bukit Damansara, 50490 Kuala Lumpur. | 03-20938818 | 03-20937818/5818 | Mr. Foo Kah Heng |
| 4. | Gombak Land Sdn. Bhd. <i>mfcfb.property@mega-first.com</i> | 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. <i>mfcfb.property@mega-first.com</i> | 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. <i>mfcfb.property@mega-first.com</i> | No. 1, Jalan PE 7, Taman Paya Emas, 76450 Melaka. | 06-3122288 | 06-3124288 | Mr. Steven Chu |
| 7. | Community Consortium Sdn. Bhd. <i>mfcfb.property@mega-first.com</i> | No. , Jalan PE 7, Taman Paya Emas, 76450 Melaka. | 06-3122288 | 06-3124288 | Mr. Steven Chu |
| 8. | Bloxwich Engineering Limited <i>bloxwich@bloxwich.co.uk</i> <i>www.bloxwich.co.uk</i> | P O Box 4, Bell Lane, Bloxwich, Walsall, WS3 2JR, England. | 00441922710510 | 00441922475830 | Mr. Mike Hadden |
| 9. | Bloxwich Automotive Limited <i>automotive@bloxwich.co.uk</i> <i>www.bloxwich.co.uk</i> | P O Box 4, Bell Lane, Bloxwich, Walsall, WS3 2JR, England. | 00441922710510 | 00441922495508 | Mr. Mike Hadden |
| 10. | Bloxwich Transportation Products Limited Truck & Container Products Division <i>container@bloxwich.co.uk</i> <i>www.bloxwich.co.uk</i> | Chase Part Industrial Estate, Ring Road, Burntwood, Staffs WS7 8JQ, England. | 00441543673111 | 00441543676450 | Mr. Mike Hadden |
| 11. | Bloxwich Transportation Products Limited Forged Products Division <i>forge@bloxwich.co.uk</i> <i>www.bloxwich.co.uk</i> | P O Box 4, Bell Lane, Bloxwich, Walsall, WS3 2JR, England. | 00441922710510 | 00441922495508 | Mr. Mike Hadden |



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



MEGA FIRST CORPORATION BERHAD
(CO. NO. 6682-V)
(Incorporated in Malaysia)

Proxy form

| No. of Shares | CDS Account No. |
|---------------|-----------------|
| | |

*I/*We, _____
of _____
being a member of MEGA FIRST CORPORATION BERHAD, hereby appoint _____
_____ NRIC No: _____
of _____
or failing whom _____ NRIC No: _____
of _____

as *my/*our proxies to attend and, on a poll, to vote for *me/*us on *my/*our behalf at the Thirty-Ninth Annual General Meeting of the Company, to be held on 27 October 2005 and at any adjournment thereof.

The proportion of *my/*our holding to be represented by First Proxy: _____ %
*my/*our proxies are as follows :- Second Proxy: _____ %
*My/*Our proxy/proxies is/are to vote as indicated hereunder.

| Resolution | | For | Against |
|------------|---|-----|---------|
| 1) | Receive the Directors' Report and Audited Financial Statements for the year ended 30 June 2005. | | |
| 2) | Declare a first and final dividend of 3% less income tax. | | |
| 3) | Approve Directors' fees. | | |
| 4) | Re-elect Mr Lim Thian Soo as Director. | | |
| 5) | Re-elect Mr Chew Wei Keong as Director. | | |
| 6) | Re-elect Mr Lim Boon Seh as Director. | | |
| 7) | Re-elect Mr Goh Nan Yang as Director. | | |
| 8) | Appoint auditors and authorise the Board of Directors to fix their remuneration. | | |
| 9) | Grant authority to issue shares pursuant to Section 132D of the Companies Act, 1965. | | |
| 10) | Grant authority to issue shares pursuant to the Employee Share Option Scheme. | | |

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 2005.

Contact Number: _____

[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 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.

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

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