

APPENDIX III

**PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MAY 2004 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**

*(Prepared for the inclusion in this Abridged Prospectus)*



**BDO Binder** (AF 0206)  
Chartered Accountants

12th Floor Menara Uni.Asia  
1008 Jalan Sultan Ismail  
50250 Kuala Lumpur Malaysia  
Telephone : (603) 2616 2888  
Telefax : (603) 2616 3190, 2616 3191  
Website : www.bdo-malaysia.com

Our Ref : BDOB/DS/LCM/SH

29 April 2005

The Board of Directors  
Ancom Berhad  
Level 14, Uptown 1  
No.1, Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan

**For the attention of Y Bhg Dato' Johari Razak**

Dear Sirs

**ANCOM BERHAD ("Ancom" or "the Company")  
RENOUNCEABLE RIGHTS ISSUE OF 97,771,983 THREE (3) YEAR WARRANTS  
2005/2008  
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MAY 2004**

We have reviewed the presentation of the proforma consolidated balance sheets of Ancom as at 31 May 2004 together with the notes and assumptions thereto, for which the Directors of Ancom are solely responsible, as set out in the accompanying statement (stamped by us for identification with this letter), prepared for inclusion in the Abridged Prospectus of Ancom to be dated 19 May 2005 in connection with the renounceable rights issue of 97,771,983 three (3)-year warrants 2005/2008 ("Warrants") at an issue price of RM0.02 per warrant payable in full upon acceptance on the basis of one (1) Warrant for every two (2) existing ordinary shares of RM1.00 each held by the shareholders at 5.00 p.m. on 12 May 2005 ("Rights Issue of Warrants").

In our opinion:

- (a) the proforma consolidated balance sheets of Ancom as at 31 May 2004, which are provided for illustrative purposes only, have been properly compiled on the basis set out in the notes to the proforma consolidated balance sheets and such bases are consistent with the accounting policies adopted and disclosed by the Company in its audited financial statements for the financial year ended 31 May 2004; and
- (b) the adjustments as explained in the notes to the proforma consolidated balance sheets are appropriate for the purposes of the proforma consolidated balance sheets.

Yours faithfully

**BDO Binder**  
AF : 0206  
Chartered Accountants

**Siew Kah Toong**  
1045/03/06(J)  
Partner

## APPENDIX III

**ANCOM BERHAD**  
**PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 MAY 2004**

		←-----PROFORMA-----→		
		I	II	III
	Audited Consolidated Balance Sheet as at 31.5.2004 RM'000	After the Final Dividend RM'000	After Proforma I and the Rights Issue of Warrants RM'000	After Proforma II and Assuming Full Exercise of Warrants RM'000
PROPERTY, PLANT AND EQUIPMENT	272,124	272,124	272,124	272,124
INVESTMENT PROPERTY	2,100	2,100	2,100	2,100
INVESTMENT IN ASSOCIATED COMPANIES	12,902	12,902	12,902	12,902
OTHER INVESTMENTS	15,935	15,935	15,935	15,935
INTANGIBLE ASSETS	11,341	11,341	11,341	11,341
DEFERRED TAX ASSETS	9,776	9,776	9,776	9,776
GOODWILL ON CONSOLIDATION	44,905	44,905	44,905	44,905
<b>CURRENT ASSETS</b>				
Inventories	142,767	142,767	142,767	142,767
Receivables	338,367	338,367	338,367	338,367
Amounts owing by associated companies	248	248	248	248
Tax recoverable	16,857	16,857	16,857	16,857
Short term deposits	30,596	30,596	30,596	30,596
Cash and bank balances	39,251	35,006	32,920	130,692
	568,086	563,841	561,755	659,527
<b>LESS : CURRENT LIABILITIES</b>				
Payables	169,575	169,575	169,575	169,575
Amounts owing to associated companies	16,482	16,482	16,482	16,482
Borrowings	206,676	206,676	206,676	206,676
Tax liabilities	1,151	1,151	1,151	1,151
	393,884	393,884	393,884	393,884
<b>NET CURRENT ASSETS</b>	174,202	169,957	167,871	265,643
	543,285	539,040	536,954	634,726
<b>REPRESENTED BY:-</b>				
SHARE CAPITAL	201,857	201,857	201,857	299,629
SHARE PREMIUM	9,116	9,116	9,116	9,116
RETAINED EARNINGS	34,856	30,611	30,611	30,611
OTHER RESERVES	21,881	21,881	23,376	23,376
LESS: COST OF TREASURY SHARES	(1,473)	(1,473)	(5,054)	(5,054)
SHAREHOLDERS' FUNDS	266,237	261,992	259,906	357,678
MINORITY INTERESTS	148,797	148,797	148,797	148,797
DEFERRED AND LONG TERM LIABILITIES	128,251	128,251	128,251	128,251
	543,285	539,040	536,954	634,726
<b>NET TANGIBLE ASSETS PER SHARE (RM)</b>	1.05	1.03	1.04	1.03

Stamped for  
the purpose of  
identification only.

29 APR 2005

BDO Binder (AF0206)  
Chartered Accountants  
Kuala Lumpur

## NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS OF ANCOM BERHAD

The proforma consolidated balance sheets of Ancom Berhad ("Ancom" or "the Company") have been prepared for illustrative purpose only and are based on accounting principles and bases consistent with those normally adopted in the preparation of the statutory financial statements of Ancom and its subsidiary companies ("Ancom Group" or "the Group"). The proforma consolidated balance sheets are prepared based on the audited consolidated balance sheet of Ancom as at 31 May 2004.

The proforma consolidated balance sheets of Ancom incorporate the effect of the payment of final dividend for the financial year ended 31 May 2004 and the Rights Issue of Warrants as if they had been effected on 31 May 2004.

### (I) PROFORMA I INCORPORATES THE PAYMENT OF FINAL DIVIDEND

The Company had, on 30 December 2004, paid a final dividend of 3 sen, less tax, amounting to RM4,244,607 for the financial year ended 31 May 2004.

### (II) PROFORMA II INCORPORATES THE TRANSACTIONS IN PROFORMA I AND THE RIGHTS ISSUE OF WARRANTS

Subsequent to its announcement on 29 April 2004 regarding the Rights Issue of Warrants, the Company purchased from the open market, between 10 May 2004 and 5 April 2005, a total of 6,312,800 Ancom Shares pursuant to the share buy-back by the Company, which are retained as treasury shares ("Treasury Shares") by the Company, at total cost of RM5,054,000. The Treasury Shares will not be entitled to the Warrants pursuant to the Rights Issue of Warrants, so long as they are retained by the Company and not disposed of in the market prior to the entitlement date for the Rights Issue of Warrants and the rights attached to the Treasury Shares as to voting, dividends and participation in other distribution are, meanwhile, suspended.

The Rights Issue of Warrants shall involve a renounceable rights issue of 97,771,983 Warrants at an issue price of RM0.02 per Warrant, payable in full upon acceptance on the basis of one (1) Warrant for every two (2) existing Ancom shares to be held by the shareholders at 5.00p.m. on 12 May 2005.

The Warrants shall be issued in registered form and will be constituted by a Deed Poll executed by Ancom on 1 December 2004. Each Warrant carries the right to subscribe for one (1) new Ancom Share at anytime over an exercise period of three (3) years from the date of issuance, after which the Warrants will lapse and cease to be valid.

The Rights Issue of Warrants will enable Ancom to raise gross proceeds of RM1,955,440, which will be utilised for the working capital requirements of Ancom and payment for expenses estimated at RM460,000 to be incurred for the Rights Issue of Warrants.



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**(III) PROFORMA III INCORPORATES THE TRANSACTIONS IN PROFORMA II AND FULL EXERCISE OF WARRANTS**

It is assumed that the holders of all the 97,771,983 Warrants will exercise their rights in subscribing for the new Ancom Share on the basis of one (1) Ancom Share for one (1) Warrant held at an exercise price of RM1.00 per share.

**(IV) SHARE CAPITAL AND SHARE PREMIUM**

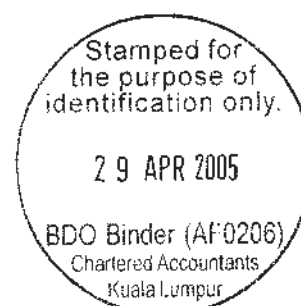
The movements of the share capital and share premium of Ancom are as follows:

	Share Capital RM'000	Share Premium RM'000
As at 31 May 2004 and <b>Proforma I and II</b>	201,857	9,116
Exercise of Warrants	<u>97,772</u>	<u>-</u>
<b>Proforma III</b>	<u>299,629</u>	<u>9,116</u>

**(V) RETAINED EARNINGS**

The movement in the reserves of the Ancom Group are as follows:

	Retained earnings RM'000	Other Reserves RM'000
As at 31 May 2004	34,856	21,881
Less : Final dividend	<u>(4,245)</u>	<u>-</u>
<b>Proforma I</b>	30,611	21,881
Add: Rights Issue of Warrants	<u>-</u>	<u>1,495</u>
<b>Proforma II and III</b>	<u>30,611</u>	<u>23,376</u>



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2004 TOGETHER WITH AUDITORS' REPORT THEREON**

*(Prepared for the inclusion in this Abridged Prospectus)*



**BDO Binder** (AF 0206)  
Chartered Accountants

12th Floor Menara Uni.Asia  
1008 Jalan Sultan Ismail  
50250 Kuala Lumpur, Malaysia  
Telephone : (603) 2616 2888  
Telefax : (603) 2616 3190, 2616 3191  
Website : www.bdo-malaysia.com

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**REPORT OF THE AUDITORS  
TO THE MEMBERS OF ANCOM BERHAD**

We have audited the financial statements set out on pages 12 to 96. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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


In our opinion:

- (a) the financial statements have been properly drawn up in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
  - (ii) the state of affairs of the Group and of the Company as at 31 May 2004 and of their results and cash flows for the financial year then ended; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 50 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

  
**BDO Binder**  
AF : 0206  
Chartered Accountants

  
**Siew Kah Toong**  
1045/03/06 (J)  
Partner

Kuala Lumpur  
28 September 2004



**ANCOM BERHAD (8440 - M)**

(Incorporated in Malaysia)

**BALANCE SHEETS  
AS AT 31 MAY 2004**

	NOTE	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>ASSETS EMPLOYED</b>					
PROPERTY, PLANT AND EQUIPMENT	6	272,124	289,204	28,997	28,528
DEVELOPMENT PROPERTY	7	-	20,516	-	-
INVESTMENT PROPERTY	8	2,100	969	-	-
INVESTMENT IN SUBSIDIARY COMPANIES	9	-	-	259,562	262,234
AMOUNTS OWING BY SUBSIDIARY COMPANIES	10	-	-	28,272	23,616
INVESTMENT IN ASSOCIATED COMPANIES	11	12,902	14,808	3,193	5,570
OTHER INVESTMENTS	12	15,935	44,279	12,214	40,699
INTANGIBLE ASSETS	13	11,341	9,126	-	-
DEFERRED TAX ASSETS	26	9,776	13,421	-	-
GOODWILL ON CONSOLIDATION	14	44,905	57,549	-	-
<b>CURRENT ASSETS</b>					
Development property	7	-	5,754	-	-
Inventories	15	142,767	121,967	-	-
Receivables	16	338,367	287,366	1,021	330
Amounts owing by subsidiary companies	17	-	-	4,137	12,942
Amounts owing by associated companies	18	248	948	4	426
Tax recoverable		16,857	9,173	5,153	3,576
Short term deposits	19	30,596	20,172	-	-
Cash and bank balances		39,251	50,478	25	82
		568,086	495,858	10,340	17,356
<b>LESS: CURRENT LIABILITIES</b>					
Payables	20	169,575	178,470	1,282	2,381
Amounts owing to subsidiary companies	17	-	-	49,685	56,851
Amounts owing to associated companies	18	16,482	19,692	-	-
Borrowings	21	206,676	273,363	18,257	58,715
Tax liabilities		1,151	1,452	-	-
		393,884	472,977	69,224	117,947
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>		174,202	22,881	(58,884)	(100,591)
		543,285	472,753	273,354	260,056

*The attached notes form an integral part of the financial statements.*

**ANCOM BERHAD (8440 - M)**

(Incorporated in Malaysia)

**BALANCE SHEETS****AS AT 31 MAY 2004 (continued)**

		<b>Group</b>		<b>Company</b>	
	<b>NOTE</b>	<b>2004 RM'000</b>	<b>2003 RM'000</b>	<b>2004 RM'000</b>	<b>2003 RM'000</b>
<b>FINANCED BY</b>					
SHARE CAPITAL	24	201,857	120,507	201,857	120,507
RESERVES	25	65,853	133,856	69,166	134,914
LESS: TREASURY SHARES, AT COST		(1,473)	(4,142)	(1,473)	(4,142)
SHAREHOLDERS' EQUITY		266,237	250,221	269,550	251,279
MINORITY INTERESTS		148,797	141,984	-	-
<b>DEFERRED AND LONG TERM LIABILITIES</b>					
Borrowings	21	97,960	50,078	246	5,339
Deferred tax liabilities	26	24,121	23,585	3,558	3,438
Provision for retirement benefits	27	3,854	3,716	-	-
Advances from director of a subsidiary company	28	2,316	3,169	-	-
		<u>543,285</u>	<u>472,753</u>	<u>273,354</u>	<u>260,056</u>

*The attached notes form an integral part of the financial statements.*

**ANCOM BERHAD (8440 - M)**

(Incorporated in Malaysia)

**INCOME STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2004**

		<b>Group</b>		<b>Company</b>	
	<b>NOTE</b>	<b>2004 RM'000</b>	<b>2003 RM'000</b>	<b>2004 RM'000</b>	<b>2003 RM'000</b>
<b>Continuing operations</b>					
Operating revenue	29	972,903	912,703	28,757	31,945
Cost of sales		(828,948)	(758,734)	-	-
Gross profit		143,955	153,969	28,757	31,945
Other operating income	30	32,499	14,558	12,604	4
Selling and distribution costs		(46,550)	(48,106)	-	-
Administration expenses		(66,277)	(64,384)	(9,350)	(8,644)
Other operating expenses	30	(27,672)	(20,872)	(5,352)	(4,603)
Profit from operations		35,955	35,165	26,659	18,702
Finance cost		(16,243)	(17,468)	(5,987)	(6,986)
Share of results in associated companies		1,149	(304)	-	-
Profit before tax		20,861	17,393	20,672	11,716
<b>Discontinuing operation</b>	31				
Operating revenue	29	5,778	22,890	-	-
Cost of sales		(3,385)	(14,120)	-	-
Gross profit		2,393	8,770	-	-
Gain on disposal of a subsidiary company		15,020	-	-	-
Other operating income	30	103	2,339	-	-
Selling and distribution costs		(212)	(638)	-	-
Administrative expenses		(6)	(630)	-	-
Other operating expenses	30	(259)	-	-	-
Profit from operations		17,039	9,841	-	-
Finance cost		-	(64)	-	-
Profit before tax		17,039	9,777	-	-

*The attached notes form an integral part of the financial statements.*



**ANCOM BERHAD (8440 - M)****(Incorporated in Malaysia)****INCOME STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 MAY 2004 (continued)**

		<b>Group</b>		<b>Company</b>	
	<b>NOTE</b>	<b>2004 RM'000</b>	<b>2003 RM'000</b>	<b>2004 RM'000</b>	<b>2003 RM'000</b>
<b>Total operations</b>					
Profit before tax	32	37,900	27,170	20,672	11,716
Tax expense	33				
Company and subsidiary companies					
- Continuing operations		12,055	14,408	3,288	4,947
- Discontinuing operations		570	2,250	-	-
Share of tax expense in associated companies		108	435	-	-
		(12,733)	(17,093)	(3,288)	(4,947)
Profit after tax		25,167	10,077	17,384	6,769
Minority interests		(9,338)	(7,238)	-	-
Net profit for the financial year		15,829	2,839	17,384	6,769
Earnings per ordinary share (sen)	34	8.06	1.53		
Gross dividend per ordinary share (sen)	36	13	4	13	4

*The attached notes form an integral part of the financial statements.*

**ANCOM BERHAD (8440 - M)**

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2004**

GROUP	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Foreign exchange reserve RM'000	Treasury shares RM'000	Capital redemption reserve RM'000	Retained profits RM'000	Total RM'000
Balance as at 31 May 2002, as previously stated	120,503	75,051	1,282	20,442	2,349	(2,133)	(4,142)	4,919	37,885	256,156
Prior year adjustments (Note 35)	-	-	-	(4,143)	-	-	-	-	(235)	(4,378)
Balance as at 31 May 2002, as restated	120,503	75,051	1,282	16,299	2,349	(2,133)	(4,142)	4,919	37,650	251,778
Currency translation differences	-	-	-	-	-	(1,012)	-	-	-	(1,012)
Net losses not recognised in the consolidated income statement	-	-	-	-	-	(1,012)	-	-	-	(1,012)
Issue of shares under ESOS	4	1	-	-	-	-	-	-	-	5
Bonus issue of a subsidiary company capitalised from retained profit	-	-	-	-	51	-	-	-	(51)	-
Redemption of redeemable preference shares by a subsidiary company	-	-	-	-	-	-	-	11	(11)	-
Net profit for the financial year	-	-	-	-	-	-	-	-	2,839	2,839
Dividends (Note 36)	-	-	-	-	-	-	-	-	(3,389)	(3,389)
Balance as at 31 May 2003	120,507	75,052	1,282	16,299	2,400	(3,145)	(4,142)	4,930	37,038	250,221

*The attached notes form an integral part of the financial statements.*

**ANCOM BERHAD (8440 - M)**

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2004 (continued)**

<b>GROUP</b>	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Merger reserve RM'000</b>	<b>Revaluation reserve RM'000</b>	<b>Capital reserve RM'000</b>	<b>Foreign exchange reserve RM'000</b>	<b>Treasury shares RM'000</b>	<b>Capital redemption reserve RM'000</b>	<b>Retained profits RM'000</b>	<b>Total RM'000</b>
Balance as at 31 May 2003, as previously stated	120,507	75,052	1,282	20,442	2,400	(3,145)	(4,142)	4,930	36,707	254,033
Prior year adjustments (Note 35)	-	-	-	(4,143)	-	-	-	-	331	(3,812)
Balance as at 31 May 2003, as restated	120,507	75,052	1,282	16,299	2,400	(3,145)	(4,142)	4,930	37,038	250,221
Issue of shares under ESOS	2,364	649	-	-	-	-	-	-	-	3,013
Private placement	11,700	-	-	-	-	-	-	-	-	11,700
Currency translation differences	-	-	-	-	-	664	-	-	-	664
Excess on disposal of treasury shares	-	701	-	-	-	-	-	-	-	701
Realisation of revaluation reserve upon disposal of a subsidiary company	-	-	-	(381)	-	-	-	-	381	-
Realisation of revaluation reserve upon partial disposal of shares in subsidiary companies	-	-	-	(171)	-	-	-	-	171	-
Dilution of interest in subsidiary companies	-	-	-	-	-	-	-	-	(1,364)	(1,364)
Net gain/(loss) not recognised in the consolidated income statements	-	701	-	(552)	-	664	-	-	(812)	1
Balance carried forward	134,571	76,402	1,282	15,747	2,400	(2,481)	(4,142)	4,930	36,226	264,935

*The attached notes form an integral part of the financial statements.*

## ANCOM BERHAD (8440 - M)

(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MAY 2004 (continued)

GROUP	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Revaluation reserve RM'000	Capital reserve RM'000	Foreign exchange reserve RM'000	Treasury shares RM'000	Capital redemption reserve RM'000	Retained profits RM'000	Total RM'000
Balance brought forward	134,571	76,402	1,282	15,747	2,400	(2,481)	(4,142)	4,930	36,226	264,935
Bonus issue	67,286	(67,286)	-	-	-	-	-	-	-	-
Repurchase of shares	-	-	-	-	-	-	(1,473)	-	-	(1,473)
Disposal of treasury shares	-	-	-	-	-	-	4,142	-	-	4,142
Redemption of redeemable preference shares by a subsidiary company	-	-	-	-	-	-	-	3	(3)	-
Net profit for the financial year	-	-	-	-	-	-	-	-	15,829	15,829
Dividends (Note 36)	-	-	-	-	-	-	-	-	(17,196)	(17,196)
Balance as at 31 May 2004	201,857	9,116	1,282	15,747	2,400	(2,481)	(1,473)	4,933	34,856	266,237

*The attached notes form an integral part of the financial statements.*

**ANCOM BERHAD (8440 - M)**

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY****FOR THE FINANCIAL YEAR ENDED 31 MAY 2004 (continued)**

COMPANY	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Revaluation reserve RM'000	Capital redemption reserve RM'000	Treasury shares RM'000	Retained profits RM'000	Total RM'000
Balance as at 31 May 2002, as previously stated	120,503	75,051	32,495	14,753	4,917	(4,142)	7,452	251,029
Prior year adjustments (Note 35)	-	-	-	(3,200)	-	-	65	(3,135)
Balance as at 31 May 2002, as restated	120,503	75,051	32,495	11,553	4,917	(4,142)	7,517	247,894
Issue of shares under ESOS	4	1	-	-	-	-	-	5
Net profit for the financial year	-	-	-	-	-	-	6,769	6,769
Dividends (Note 36)	-	-	-	-	-	-	(3,389)	(3,389)
Balance as at 31 May 2003	120,507	75,052	32,495	11,553	4,917	(4,142)	10,897	251,279
Balance as at 31 May 2003, as previously stated	120,507	75,052	32,495	14,753	4,917	(4,142)	10,802	254,384
Prior year adjustments (Note 35)	-	-	-	(3,200)	-	-	95	(3,105)
Balance as at 31 May 2003, as restated	120,507	75,052	32,495	11,553	4,917	(4,142)	10,897	251,279
Issue of shares under ESOS	2,364	649	-	-	-	-	-	3,013
Private placement	11,700	-	-	-	-	-	-	11,700
Bonus issue	67,286	(67,286)	-	-	-	-	-	-
Repurchase of shares	-	-	-	-	-	(1,473)	-	(1,473)
Disposal of treasury shares	-	-	-	-	-	4,142	-	4,142
Excess on disposal of treasury shares	-	701	-	-	-	-	-	701
Net gain not recognised in the income statement	-	701	-	-	-	-	-	701
Net profit for the financial year	-	-	-	-	-	-	17,384	17,384
Dividends (Note 36)	-	-	-	-	-	-	(17,196)	(17,196)
Balance as at 31 May 2004	201,857	9,116	32,495	11,553	4,917	(1,473)	11,085	269,550

*The attached notes form an integral part of the financial statements.*

**ANCOM BERHAD (8440 - M)**

(Incorporated in Malaysia)

**CASH FLOW STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 MAY 2004**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	37,900	27,170	20,672	11,716
Adjustments for:				
Allowance for doubtful debts	1,462	5,777	-	-
Allowance for doubtful debts no longer required	(1,315)	(28)	-	-
Amortisation of intangible assets	4,179	4,767	-	-
Bad debts written off	6,203	548	51	128
Depreciation of property, plant and equipment	25,918	24,949	1,095	822
Development cost written off	11	-	-	-
Dilution of interest in a subsidiary company	-	186	-	-
Dividend income (gross)	(4,978)	(7,278)	(19,287)	(24,829)
Gain on disposal of subsidiary companies	(15,310)	-	-	-
Gain on disposal of investments	(12,492)	-	(12,492)	-
Gain on disposal of land	-	(1,001)	-	-
Impairment loss on investment in subsidiary companies	-	-	2,892	4,603
Investment in associated companies written off	49	-	-	-
Impairment loss on other investment	2,460	-	2,460	-
Impairment loss on property, plant and equipment	-	3,293	-	-
Impairment of goodwill in subsidiary companies	8,059	5,015	-	-
Intangible assets written off	-	1,303	-	-
Interest expense	16,168	17,666	5,930	6,964
Interest income	(714)	(706)	(90)	(161)
Inventories written off	1,776	90	-	-
Long term investment written-down	-	30	-	-
(Gain)/Loss on disposal of property, plant and equipment	(1,630)	2,848	(112)	14
Loss on disposal of associated companies	1,399	-	-	-
Loss on partial disposal of shares in subsidiary companies	2,727	188	-	-
Property, plant and equipment written off	486	197	332	6
Provision for inventories obsolescence	-	357	-	-
Provision for retirement benefits	843	789	-	-
Share of results of associated companies	(1,149)	304	-	-
Translation adjustment	(4,413)	(943)	-	-
Unrealised loss/(gain) on foreign exchange	1,080	(10)	-	-
Surplus on non-consolidation of subsidiary companies	(549)	-	-	-
Operating profit/(loss) before working capital changes	68,170	85,511	1,451	(737)
Decrease/(Increase) in development properties expenditure	524	(2,256)	-	-
(Increase)/Decrease in inventories	(26,238)	3,314	-	-
(Increase)/Decrease in receivables	(64,609)	(37,844)	(742)	1,438
Increase/(Decrease) in payables	46,898	(6,912)	(1,099)	426
Decrease in amount owing by associated companies	260	13,018	422	-
Cash generated from operations	25,005	54,831	32	1,127

*The attached notes form an integral part of the financial statements.*



**ANCOM BERHAD (8440 - M)**

(Incorporated in Malaysia)

**CASH FLOW STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 MAY 2004 (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM'000</b>	<b>RM'000</b>
Retirement benefits paid	(730)	(1,022)	-	-
Interest received	714	706	90	31
Dividend received	4,978	7,171	14,542	19,046
Tax paid	(16,548)	(18,965)	-	(29)
Proceed from disposal of land	-	2,754	-	-
<b>Net cash from operating activities</b>	<b>13,419</b>	<b>45,475</b>	<b>14,664</b>	<b>20,175</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment property	(1,131)	-	-	-
Proceeds from partial disposal of shares in subsidiary companies	264	50	-	-
Dividends received from associated companies	450	382	-	-
Net advances to associated companies	(3,210)	(103)	-	(426)
Acquisition of subsidiary companies (Note 37)	-	(13,858)	-	-
Disposal of subsidiary companies (Note 38)	(3,414)	-	-	-
Withdrawal/(Placement) of short term deposits pledged to licensed banks	344	(1,155)	-	-
Proceeds from disposal of investments	59,393	-	59,393	-
Proceeds from disposal of property, plant and equipment	12,471	2,548	320	25
Purchase of additional shares in existing subsidiary companies	(252)	-	(1,883)	-
Purchase of intangible assets	(6,456)	(2,599)	-	-
Purchase of other investments	(16,849)	-	(16,709)	-
Purchase of property, plant and equipment (Note 40)	(17,406)	(13,807)	(1,853)	(395)
Purchase of shares in associated companies	(3,143)	(790)	(428)	(1,500)
Interest received from subsidiary and associated companies	-	-	-	130
Net repayment from/(advances to) subsidiary companies	-	-	4,149	(24,073)
Proceeds from disposal of shares in associated company	1,387	-	-	-
Redemption of preference shares in subsidiary company	-	-	300	1,100
Subsidiary companies under winding-up not consolidated (Note 39)	229	-	-	-
<b>Net cash from/(used in) investing activities</b>	<b>22,677</b>	<b>(29,332)</b>	<b>43,289</b>	<b>(25,139)</b>

*The attached notes form an integral part of the financial statements.*

**ANCOM BERHAD (8440 - M)**

(Incorporated in Malaysia)

**CASH FLOW STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 MAY 2004 (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
(Repayment to)/Advances from director of a subsidiary company	(853)	3,169	-	-
Dividend paid	(17,196)	(3,389)	(17,196)	(3,389)
Dividends paid to minority interests	(2,213)	(9,005)	-	-
Interest paid	(16,168)	(17,666)	(5,930)	(6,964)
Issue of shares under private placement	11,700	-	11,700	-
Net (repayment to)/advances from subsidiary companies	-	-	(7,166)	(541)
Proceeds from sale of treasury shares	4,843	-	4,843	-
Proceeds from issue of shares to minority interests	1,890	50	-	-
Proceeds from shares issued under the ESOS	3,013	5	3,013	5
Purchase of Company's own shares	(1,473)	-	(1,473)	-
Repayment of hire-purchase creditors	(3,014)	(2,607)	(488)	(456)
Net (repayment)/drawdown of borrowings	(14,005)	20,133	(45,000)	18,000
Net cash (used in)/from financing activities	(33,476)	(9,310)	(57,697)	6,655
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,620</b>	<b>6,833</b>	<b>256</b>	<b>1,691</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<b>49,338</b>	<b>41,938</b>	<b>(1,765)</b>	<b>(3,456)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>830</b>	<b>567</b>	<b>-</b>	<b>-</b>
	<b>50,168</b>	<b>42,505</b>	<b>(1,765)</b>	<b>(3,456)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 41)</b>	<b>52,788</b>	<b>49,338</b>	<b>(1,509)</b>	<b>(1,765)</b>

*The attached notes form an integral part of the financial statements.*

**ANCOM BERHAD (8440 - M)**

(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MAY 2004**

**1. GENERAL INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at Level 14, Uptown 1, No. 1, Jalan SS 21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The principal place of business of the Company is located at 102-1002, Block A, Pusat Dagangan Phileo Damansara I, No. 9, Jalan 16/11, Off Jalan Damansara, 46350 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The financial statements are presented in Ringgit Malaysia (RM).

**2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's activities expose it to a variety of financial risks, including foreign currency risk, liquidity risk, interest rate risk and credit risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to the Group's financial risk management policies.

It is, and has been throughout the financial year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Group's financial instruments are foreign currency risk, liquidity risk, interest rate risk and credit risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

**Foreign currency risk**

The Group is exposed to foreign currency risk as a result of its net investments in overseas subsidiary companies and normal trading activities, both external and intra-Group, where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Group's policy is to minimise the exposure of overseas operating subsidiary companies to transaction risk by matching local currency income against local currency costs.

## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk

It is the Group's policy to ensure continuity in servicing its cash obligations in the future by way of measuring and forecasting its cash commitments, monitoring and maintaining a level of cash and cash equivalents deemed adequate to the Group's operations.

### Interest rate risk

The Group's exposure to interest rate risk arises mainly from the Group's borrowings and deposits, and is managed through the use of fixed and floating rate debts, and term and call deposits.

### Credit risk

Cash deposits and receivables may give rise to credit risk which require the loss to be recognised if a counter party failed to perform as contracted. It is the Group's policy to monitor the financial standing of these counter-parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

## 3. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiary companies.

The principal activities of the subsidiary companies are disclosed in Note 50 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year except that the Group has ceased its business operation in property development as a consequence of the disposal of subsidiary companies as disclosed in Note 46(a) to the financial statements.

## 4. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

During the financial year, the Group and the Company have adopted MASB 25 - Income Taxes issued by the Malaysian Accounting Standard Board ("MASB") which are applicable to the Group and the Company for the first time.

The effects of adopting this MASB are disclosed in Note 35 to the financial statements.

## 5. SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention (as modified by the revaluation of certain land and buildings) unless otherwise indicated in the significant accounting policies.

The preparation of financial statements in conformity with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 5.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. The Company adopts both the acquisition and merger method of consolidation.

Under the acquisition method, the difference between the purchase price and the fair value of the attributable net assets of the subsidiary companies at the date of acquisition is treated as goodwill or reserve arising on consolidation. Goodwill on consolidation is stated at cost less impairment losses, if any. Reserve arising on consolidation is not recognised as income and is presented as separate item in the balance sheet. The results of the subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal.

Under the merger method of accounting, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the excess of the normal value of the shares acquired over the cost of investment is treated as a merger reserve arising on consolidation. The results of subsidiary companies acquired are accounted for on a full year basis.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill on acquisition and exchange differences which were not previously recognised in the consolidated income statements.

Inter-company transactions and balances are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

Minority interest is measured at the minorities' share of net results and of net assets of subsidiary companies attributable to interests which are not owned directly by the Company or indirectly through the subsidiary companies.



### 5.3 Development properties

Development properties comprising land and development costs are stated at cost plus attributable profit less foreseeable losses and net of progress billings. Development costs includes capitalised interest expense on loans and advances utilised to finance ongoing development, if any.

The portion of development properties in respect of which significant development work has been undertaken and which is expected to be completed within the normal operating cycle of between two to three years is considered as a current asset.

### 5.4 Investments

#### (a) Subsidiary companies

A subsidiary company is a company in which the Group and the Company have power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies which are eliminated on consolidation are stated at cost less impairment losses, if any.

#### (b) Associated companies

An associated company is a company in which the Group and the Company have a long term equity interest of between 20% to 50% and where the Group and the Company are in a position to exercise significant influence over the financial and operating policies of the investee company.

Investment in associated companies are stated at cost less impairment losses, if any.

Investment in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. The Group's interests in associated companies are stated at costs plus adjustments to reflect changes in the Group's share of profits and losses in the associated companies.

Goodwill or reserve arising on acquisition represents the difference between the costs of investment and the Group's share of the value of net assets of the associated companies at the date of acquisition.

Goodwill on acquisition is stated at cost less impairment losses, if any. Reserve arising on acquisition is not recognised as income.

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

#### (c) Other investments

Investments in shares held as long term investments are stated at cost unless there is a permanent diminution in value of such investments. Such diminution in value is recognised as an expense in the period in which the diminution in value is identified.



## 5.5 Property, plant and equipment and depreciation

The gross carrying amounts of property, plant and equipment are initially measured at cost. Land and buildings, which have been subsequently revalued, are stated at valuation less accumulated depreciation and impairment losses, if any. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Land and buildings are revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued land and buildings differ materially from the market values.

The surplus arising from such valuation is credited to shareholders' equity as a revaluation reserve and any subsequent deficit is charged against such surplus to the extent that the decrease offsets any increase. In all other cases, the deficit will be charged to the income statements.

For a revaluation increase subsequent to a revaluation deficit of the same asset, the surplus should be recognised as income to the extent that it reverses the deficit previously recognised as an expense with the balance of increase credited to shareholders' equity.

Upon disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the revaluation reserve related to those assets, if any, is transferred directly to retained profits.

Long term leasehold land and improvements to long term leasehold land are amortised over the lease period of 53-99 years. Ships are depreciated over 17-19 years after taking into account their estimated residual values. Building and plant and machinery under construction and freehold land are not depreciated. Depreciation on other property, plant and equipment is calculated to write off the costs of the assets on a straight line basis over their estimated useful lives at the following principal annual depreciation rates:

Buildings	2% - 10%
Plant, machinery and equipment	7% - 33%
Motor vehicles	10% - 20%
Office equipment, fixtures and fittings	5% - 33%
Renovation	2% - 10%

## 5.6 Investment property

Investment property are investments in freehold land and buildings that are not substantially occupied for use by, or in the operations of the Group and are held for investment potential and rental income. They are accounted for as long term investments and are stated at cost less impairment losses, if any, and are not depreciated.

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

## 5.7 Impairment of assets

The carrying amount of the Group's and Company's assets other than inventories, deferred tax assets, and financial assets, but including investments in subsidiary and associated companies, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset. The impairment loss is recognised in the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation reserve account to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to the income statement. All reversals of an impairment loss are recognised as income immediately in the income statement except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation reserve account of the same asset.

The impairment loss in respect of goodwill is not reversed unless the loss was 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 specific event. In respect of other assets, an impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 5.8 Inventories

Inventories are valued at the lower of cost (determined on weighted average method) and net realisable value. Cost of raw materials, packing materials and consumables comprise the original cost of purchase plus the cost incurred in bringing the inventories to their present condition and location. Cost of finished goods and work-in-progress comprise the cost of raw materials, direct labour and an appropriate portion of manufacturing overheads.

## 5.9 Receivables

Receivables are carried at anticipated realisable value.

Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection. In addition, a general allowance based on a percentage of receivables is made to cover possible losses which are not specifically identified.

## 5.10 Payables

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

### 5.11 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### 5.12 Intangible assets

Technical know-how obtained for the manufacture of certain products of a subsidiary company is amortised over a period of twenty years commencing from the financial year when commercial production and operating revenue commences.

Trademarks and patents are amortised over ten years.

Registration fees for the right to trade certain products of certain subsidiary companies overseas are stated at cost less impairment losses, if any.

Ship maintenance expenses incurred by the subsidiary companies are amortised over the period of the ship's next drydocking cycle ranging from one to five years.

Research and development expenditure are written off to the income statement as and when incurred except that development expenditure relating to specific projects with commercial viability and for which there is a clear indication of the marketability of the products being developed, is carried forward. Such expenditure is amortised over the period in which the benefits are expected to be derived commencing in the period in which the related sales are first made.

### 5.13 Employee benefits

#### (a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Company.

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

Bonuses are recognised as an expense when there is a present, legal or constructive, obligation to make such payments as a result of past events and when a reliable estimate can be made of the amount of the obligation.

#### (b) Defined contribution plans

The Company and subsidiary companies incorporated in Malaysia make contributions to a statutory provident fund and recognise the contribution payable:

- (i) after deducting contributions already paid as a liability; and
- (ii) as an expense in the financial year in which the employees render their services.

### 5.13 Employee benefits (continued)

#### (c) Provision for retirement benefits

Certain subsidiary companies are obliged under non-contributory retirement benefit schemes and collective bargaining agreements to pay retirement benefits to certain employees who retire or leave the companies' employ after fulfilling certain conditions. Provision for retirement benefits is computed based on the length of service and a proportion of the basis salary earnings of the employees in each particular year of service.

#### (d) Equity compensation benefits

Under the Company's Employees' Share Options Scheme ("ESOS"), eligible employees are entitled to subscribe for new ordinary shares in the Company pursuant to the options granted by the Company and accepted by the eligible employees. No compensation cost or obligation is recognised in the income statement when the options are granted. Share capital and share premium accounts are increased when the proceeds are received from the options exercised by the employees in that financial year.

### 5.14 Income tax

Income tax in the financial statements for the financial year comprises current tax expense and deferred tax.

#### (a) Current tax expense

Current tax expense includes all domestic and foreign taxes which are based on taxable profits. Current tax expense also includes other taxes, such as withholding taxes, which are payable by a foreign subsidiary company or associated company on distributions to the Group and Company, and real property gains taxes payable on disposal of properties.

#### (b) Deferred tax

Deferred tax, which includes deferred tax liabilities and assets, is provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities relate to the same taxation authority.



#### 5.14 Income tax (continued)

##### (b) Deferred tax (continued)

In prior years, deferred tax was provided for at the applicable current tax rates for all material timing differences except where it was reasonably probable that such timing differences will not crystallise in the foreseeable future. In addition, deferred tax benefits were recognised only when there was reasonable assurance of their realisation.

This change in accounting policy has been accounted for retrospectively and the effects are dealt with as prior year adjustments as stated in Note 35 to the financial statements.

#### 5.15 Voyage accounting

The results of all voyages, completed and uncompleted, up to the balance sheet date are included in the operating profit for the financial year. For voyages which remained uncompleted as at the balance sheet date, the freight receivable for cargoes loaded onto the ship up to the balance sheet date and their corresponding discharging costs are accrued in the income statement.

#### 5.16 Foreign currency transactions and translations

##### (a) Transactions and balances in foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia (RM) at the rates of exchange ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ringgit Malaysia (RM) at the approximate rates of exchange at the balance sheet date except where there are related or matching forward contracts in respect of trading transactions, in which case, the rates of exchange specified in those contracts are used.

All gains or losses arising from the settlement of foreign currency transactions and from translating foreign monetary assets and liabilities are taken up in the income statement.

##### (b) Translation of foreign currency financial statements

For consolidation purposes, the assets and liabilities of foreign entities are translated into Ringgit Malaysia (RM) at the rates ruling at the balance sheet date. Income statement items are translated at exchange rates at the dates of transactions. The translation differences arising therefrom are taken up and reflected in the foreign exchange reserve.

Goodwill arising on the acquisition of a foreign entity and fair value adjustments to the carrying amounts of assets and liabilities acquired are translated at the exchange rate at the date of transaction.

## 5.16 Foreign currency transactions and translations (continued)

## (c) Principal closing rates

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

	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
1 US Dollar	3.79	3.75
1 Singapore Dollar	2.23	2.19
1 Australian Dollar	2.70	2.47
1 Chinese Renminbi	0.46	0.46
1 Hong Kong Dollar	0.49	0.48
1,000 Indonesia Rupiah	0.40	0.45
1 Euro	4.66	4.45
1 Sterling Pound	6.94	6.25
100 Japanese Yen	3.48	3.24

## 5.17 Assets acquired under hire-purchase and lease agreements

Assets acquired under hire-purchase and lease arrangements which transfer substantially all the risks and rewards of ownership to the Group and the Company are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

Finance charges are allocated to the income statement over the period of the agreements to give a constant periodic rate of charge on the remaining hire-purchase and lease liabilities.

## 5.18 Revenue recognition

Revenue from sale of goods and rendering of services are recognised in the income statement upon delivery of goods and customers' acceptance, and performance of services.

Revenue relating to property development are accounted for under the percentage of completion method. The stage of completion is determined based on the proportion of actual costs incurred to-date to the estimated total costs for each contract.

Interest income and rental income are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend income is recognised when the Group's or the Company's right to receive payment is established.

Freight receivable is recognised for cargoes loaded onto vessels up to the balance sheet date.



## 5.19 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, bank overdrafts, deposits and other short-term, highly liquid investments which are readily convertible to cash and which are subject to insignificant risk of changes in value.

## 5.20 Segment information

Segment information is presented in respect of the Group's business and geographical segments. The primary reporting segment information is in respect of business segments as the Group's risk and return are affected predominantly by differences in the products it produces, while the secondary information is reported geographically.

A segment with a majority of operating income earned from providing products or services to external clients and whose operating income results or assets are 10 percent or more of all the segments is reported separately.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise finance cost and corporate administration expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that is expected to be used for more than one period.

## 5.21 Financial instruments

### 5.21.1 Financial instruments recognised on the balance sheets

#### (a) Share capital

##### (i) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

##### (ii) Share issue costs

External costs directly attributable to the issue of new shares are shown as an expense in the income statement.

##### (iii) Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

**5.21.1 Financial instruments recognised on the balance sheets (continued)****(a) Share capital (continued)****(iv) Purchase of own shares**

Where the Company purchases its equity shares and the equity shares so purchased are retained as treasury shares, the consideration paid, including any attributable transaction costs, is deducted from total shareholders' equity until they are cancelled. Where the treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is shown as a movement in equity.

**(b) Borrowings**

Interest bearing borrowings are recorded at the gross amount of proceeds received.

**(c) Other financial instruments**

The accounting policies for other financial instruments recognised on the balance sheet are disclosed in the individual policy associated with each item.

**5.21.2 Financial instruments not recognised on the balance sheets****(a) Foreign currency forward contracts**

Foreign currency forward contracts are used to hedge foreign exposures as a result of receipts and payments in foreign currency. Any gains or losses arising from contracts entered into as hedges of anticipated future transactions are deferred until the dates of such transactions at which time they are included in the measurement of such transactions.

All other gains or losses relating to hedged instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items.

## 6. PROPERTY, PLANT AND EQUIPMENT

Group	Balance at 1.6.2003 RM'000	Additions RM'000	Disposals RM'000	Subsidiary companies disposed of RM'000	Exchange fluctuation RM'000	Written off RM'000	Reclassi- fication RM'000	Balance at 31.5.2004 RM'000	Net book value at 31.5.2004 RM'000	Net book value at 31.5.2003 RM'000
<b>2004</b>										
<b>Cost/Valuation</b>										
Freehold land and buildings										
- at 2000 valuation	8,262	-	-	(2,500)	-	-	-	5,762	5,639	8,116
Freehold land, at cost	8,398	-	(2,450)	-	73	-	-	6,021	5,604	8,398
Long leasehold land and buildings										
- at 1985 valuation	8,241	147	-	-	-	-	-	8,388	8,067	7,920
- at 2000 valuation	33,230	-	-	-	-	-	-	33,230	30,485	30,983
- at cost	45,581	-	(387)	-	629	-	(39)	45,784	40,611	41,311
Buildings										
- at 1985 valuation	3,301	-	-	-	-	-	-	3,301	2,488	2,488
- at cost	42,850	488	(8,896)	(256)	484	-	80	34,750	31,888	38,687
Leasehold improvements	452	41	-	-	-	-	-	493	141	107
Plant, machinery and equipment	173,537	7,144	(2,009)	(1,279)	(68)	(3,955)	3,802	177,172	92,130	96,496
under lease and hire-purchase										
Motor vehicles	3,361	-	-	-	-	-	(3,361)	-	-	1,764
Motor vehicles under hire-purchase	24,763	7,046	(1,629)	(90)	(605)	-	1,226	30,711	17,244	14,517
Office equipment, fixtures and fittings	4,455	849	(931)	(269)	-	-	(1,214)	2,890	2,907	3,173
Office equipment, fixtures and fittings under lease and hire-purchase	22,689	3,109	(942)	(589)	239	(237)	494	24,763	11,962	11,502
Building, plant and machinery under construction	1,141	-	-	-	-	-	-	1,141	988	1,097
Mining lease	2,904	2,107	-	-	-	-	(988)	4,023	4,023	2,904
Ships	2,326	-	-	(2,326)	-	-	-	-	-	-
Ships	28,097	-	(6,973)	-	-	-	-	21,124	13,708	16,540
Renovation	3,990	1,364	-	(70)	603	(442)	-	5,445	4,239	3,201
	417,578	22,295	(24,217)	(7,379)	1,355	(4,634)	-	404,998	272,124	289,204

## 6. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance at 1.6.2003 RM'000	Charge for the financial year RM'000	Disposals RM'000	Subsidiary companies disposed of RM'000	Exchange fluctuation RM'000	Written off RM'000	Reclassi- fication RM'000	Balance at 31.5.2004 RM'000
<b>2004</b>								
<b>Accumulated depreciation</b>								
Freehold land and buildings								
- at 2000 valuation	146	40	-	(75)	-	-	12	123
Freehold land, at cost	-	417	-	-	-	-	-	417
Long leasehold land and buildings								
- at 1985 valuation	321	-	-	-	-	-	-	321
- at 2000 valuation	1,577	498	-	-	-	-	-	2,075
- at cost	4,270	1,020	-	-	81	-	(198)	5,173
Buildings								
- at 1985 valuation	813	-	-	-	-	-	-	813
- at cost	4,163	1,383	(2,708)	(256)	94	-	186	2,862
Leasehold improvements	345	7	-	-	-	-	-	352
Plant, machinery and equipment	75,475	13,852	(1,701)	(894)	(107)	(3,838)	1,918	84,705
Plant, machinery and equipment under lease and hire-purchase	1,597	327	-	-	-	-	(1,924)	-
Motor vehicles	10,246	3,549	(1,213)	(56)	(52)	-	993	13,467
Motor vehicles under hire-purchase	1,282	533	(698)	(141)	-	-	(993)	(17)
Office equipment, fixtures and fittings	10,130	2,803	(851)	(360)	212	(196)	6	11,744
Office equipment, fixtures and fittings under lease and hire-purchase	44	109	-	-	-	-	-	153
Building, plant and machinery under construction	-	-	-	-	-	-	-	-
Mining lease	2,326	-	-	(2,326)	-	-	-	-
Ships	11,557	835	(4,976)	-	-	-	-	7,416
Renovation	789	545	-	(34)	20	(114)	-	1,206
	125,081	25,918	(12,147)	(4,142)	248	(4,148)	-	130,810

## 6. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance at 1.6.2003 RM'000	Disposal RM'000	Balance at 31.5.2004 RM'000
<b>2004</b>			
<b>Impairment Losses</b>			
Long leasehold land and buildings			
- at 2000 valuation	670	-	670
Plant, machinery and equipment	1,566	(1,229)	337
Office equipment, fixtures and fittings	1,057	-	1,057
	<u>3,293</u>	<u>(1,229)</u>	<u>2,064</u>

Company	Balance at 1.6.2003 RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Reclassi- fication RM'000	Balance at 31.5.2004 RM'000	Net book value at 31.5.2004 RM'000	Net book value at 31.5.2003 RM'000
<b>2004</b>								
<b>Cost/Valuation</b>								
Long leasehold land and buildings								
- at 2000 valuation	26,800	-	-	-	-	26,800	25,218	25,598
Motor vehicles	59	445	-	-	928	1,432	585	37
Motor vehicles under hire-purchase	1,584	372	(656)	-	(928)	372	327	587
Office equipment, fixtures and fittings	847	28	-	(4)	-	871	353	425
Office equipment, fixtures and fittings under hire-purchase	989	-	-	-	-	989	880	989
Renovation	993	1,259	-	(438)	-	1,814	1,634	892
	<u>31,272</u>	<u>2,104</u>	<u>(656)</u>	<u>(442)</u>	<u>-</u>	<u>32,278</u>	<u>28,997</u>	<u>28,528</u>

	Balance at 1.6.2003 RM'000	Charge for the financial year RM'000	Disposals RM'000	Written off RM'000	Reclassi- fication RM'000	Balance at 31.5.2004 RM'000
<b>Accumulated depreciation</b>						
Long leasehold land and buildings						
- at 2000 valuation	1,202	380	-	-	-	1,582
Motor vehicles	22	56	-	-	769	847
Motor vehicles under hire-purchase	997	265	(448)	-	(769)	45
Office equipment, fixtures and fittings	422	96	-	-	-	518
Office equipment, fixtures and fittings under hire-purchase	-	109	-	-	-	109
Renovation	101	189	-	(110)	-	180
	<u>2,744</u>	<u>1,095</u>	<u>(448)</u>	<u>(110)</u>	<u>-</u>	<u>3,281</u>

**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

Certain property, plant and equipment of the Group costing RM79,937,000 (2003: RM110,006,000) have been charged as securities for banking facilities granted to the Group as disclosed in Notes 21 and 23 to the financial statements.

The long leasehold land and buildings of the Company with net book value of RM25,218,000 (2003: RM25,598,000) have been charged as securities for the long term loan granted to the Company as disclosed in Notes 21 and 23 to the financial statements.

Certain land and buildings of the Group and of the Company were revalued by the Directors based on a valuation carried out in 2000 by an independent firm of professional valuers using the open market value method.

The carrying amount of the revalued assets of the Company and certain subsidiary companies that would have been carried at cost less accumulated depreciation cannot be determined from available records. Hence, the carrying amounts of the Group's and of the Company's property, plant and equipment, had the revalued assets been carried at cost less accumulated depreciation, are not disclosed.

**7. DEVELOPMENT PROPERTY**

	<b>Group</b>	
	<b>2004 RM'000</b>	<b>2003 RM'000</b>
Freehold land - at cost	-	3,727
Development expenditure	-	36,454
	-	40,181
Less: Long term portion	-	(20,516)
	-	19,665
Add: Attributable profit recognised	-	8,954
	-	28,619
Less: Progress billings	-	(22,865)
Short term portion included under current assets	-	5,754

In 2003, a development property costing RM1,919,000 was charged to a licensed bank as security for a bank overdraft facility granted to a subsidiary company.

**8. INVESTMENT PROPERTY**

	<b>Group</b>	
	<b>2004 RM'000</b>	<b>2003 RM'000</b>
Freehold land and buildings	2,100	969



## 9. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2004 RM'000	2003 RM'000
Unquoted shares - at cost	265,727	266,837
Less: Impairment loss	(6,165)	(4,603)
	<u>259,562</u>	<u>262,234</u>

The subsidiary companies are listed in Note 50 to the financial statements.

## 9.1 Additional investments in/Acquisition of subsidiary companies

During the financial year, the Group acquired the following:

- (a) additional 1,152,000 ordinary shares of HKD10 each representing 29.8% equity interest in ChemResources China (Agencies) Ltd ("CRC") for cash consideration of HK\$6,125,000 (RM3,005,000 equivalent). Consequently, the Group's equity interest in CRC increased from 54.8% to 84.6%.
- (b) additional 1,006,008 new ordinary shares of RM1 each in HSO Business Systems Sdn. Bhd. ("HSO") at par for cash pursuant to an offer by the directors of HSO to take up the rights issue shares renounced by its shareholders. Consequently, the Group's equity interest in HSO increased from 25.1% to 47.8%.

In the previous financial year, the Group acquired the following subsidiary companies:

- (a) 50.96% equity interest in SM Integrated Transware Pte. Ltd. ("SMIT") for cash consideration of S\$6,000,000 (RM13,304,000 equivalent). Goodwill arising on this acquisition amounting to RM4,217,000 has been accounted for using the acquisition method of accounting effective from September 2002.
- (b) 100% equity interest in MSB Solutions Sdn. Bhd. for cash consideration of RM2. Goodwill arising on this acquisition amounting to RM109,000 has been accounted for using the acquisition method of accounting effective from February 2003.

The effects of the acquisitions in the previous financial year on the financial results of the Group for the financial year ended 31 May 2003 were as follows:

	RM'000
Revenue	18,266
Operating costs	<u>(17,712)</u>
Profit before tax	554
Tax expense	<u>(181)</u>
Profit after tax	373
Minority interests	<u>(245)</u>
Increase in Group net profit	<u>128</u>

## 9. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

### 9.1 Acquisition of subsidiary companies (continued)

The effects of these acquisitions on the financial position of the Group at the end of the financial year ended 31 May 2003 were as follows:

	<b>RM'000</b>
Property, plant and equipment	44,465
Trade receivables	5,790
Other receivables, deposits and prepayments	1,385
Short term deposits	36
Cash and bank balances	926
Trade payables	(2,171)
Other payables and accruals	(1,376)
Borrowings	(23,067)
Tax liabilities	(317)
Deferred tax liabilities	(1,861)
Amount owing to directors	(3,169)
Minority interests	(2,256)
	<hr/>
Increase in Group net assets	<u>18,385</u>

### 9.2 Disposal of subsidiary companies

During the financial year, the Group disposed of the following:

- (a) 90% equity interest and 13,310 8% non-convertible cumulative redeemable preference shares in Material Performance Engineering Sdn. Bhd. ("MPE") for cash considerations of RM3,500,000 and RM1 respectively.
- (b) 70% equity interest in Wandeerfull Property and Development Sdn. Bhd. ("WPDSB") for cash consideration of RM4,791,000.
- (c) 50.1% equity interest in MSB Solutions Sdn. Bhd. ("MSB") for cash consideration of RM62,500.
- (d) 25.1% equity interest in HSO Business Solutions Sdn. Bhd. ("HSOB") for cash consideration of RM10.

## 9. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

## 9.2 Disposal of subsidiary companies (continued)

The effects of the disposal of MPE, WPDSB, MSB and HSOB on the financial results of the Group are as follows:

	Up to the date of disposal 2004 RM'000	*2003 RM'000
Operating revenue	11,559	38,758
Cost of sales	(7,536)	(25,709)
Operating costs	(1,786)	(1,193)
Gain on disposal of subsidiary companies	15,310	-
Profit from operations	17,547	11,856
Finance costs	(95)	(307)
	17,452	11,549
Tax expense	(570)	(2,323)
Increase in Group net profit	16,882	9,226

The effects of the disposal of MPE, WPDSB, MSB and HSOB on the financial position of the Group are as follows:

	At the date of disposal 2004 RM'000	*2003 RM'000
Fair value of assets and liabilities disposed of:		
Property, plant and equipment	3,237	3,321
Intangible assets	62	69
Goodwill on consolidation	5	5
Development properties	25,735	26,070
Inventories	3,662	3,196
Receivables	5,402	8,332
Tax recoverable	292	-
Short term deposits	358	621
Cash and bank balances	11,499	7,848
Payables	(56,036)	(54,494)
Bank overdrafts	(89)	-
Short term bank borrowings	(2,661)	(4,454)
Hire-purchase creditors	(107)	-
8% non-cumulative redeemable preference shares	-	(27)
Tax liabilities	-	(298)
Increase in Group net assets	(8,641)	(9,811)

The effects of the disposal of MPE, WPDSB, MSB and HSOB on the cash flows of the Group are disclosed in Note 38 to the financial statements.

\* The comparative figures represent financial results and financial positions of MPE, WPDSB, MSB and HSOB which had been consolidated in the financial statements of the Group in the previous financial year.

## 9. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

### 9.3 Non-consolidation of subsidiary companies

The consolidated financial statements of the Group do not deal with the following subsidiary companies which are in the process of winding-up:

- (i) Sun Chemicals Sdn. Bhd.
- (ii) Consolidated Specialties Sdn. Bhd.
- (iii) ChemSing Chemicals Distribution (China) Limited

The effects of the non-consolidation of these companies on the financial results of the Group are as follows:

	<b>Up to the date of non- consolidation 2004 RM'000</b>	<b>*2003 RM'000</b>
Operating revenue	-	1,824
Cost of sales	-	(1,652)
Operating costs	(1)	(71)
Surplus arising from subsidiary companies not consolidated	549	-
	<hr/>	<hr/>
Profit from operations	548	101
Tax expense	-	(17)
	<hr/>	<hr/>
Increase in Group net profit	<u>548</u>	<u>84</u>

The effects of the non-consolidation of these companies on the financial position of the Group are as follows:

	<b>At the date of non- consolidation 2004 RM'000</b>	<b>*2003 RM'000</b>
Goodwill on consolidation	112	112
Tax recoverable	119	126
Receivables	1,086	1,118
Cash and bank balances	51	43
Payables	(1,637)	(1,667)
	<hr/>	<hr/>
Increase in Group net assets	<u>(269)</u>	<u>(268)</u>

The effects of the non-consolidation of these companies on the cash flows of the Group are disclosed in Note 39 to the financial statements.

\* The comparative figures represent financial results and financial positions of the above subsidiary companies that had been consolidated in the financial statements of the Group in the previous financial year.

**10. AMOUNTS OWING BY SUBSIDIARY COMPANIES**

	<b>Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount which bears interest ranging from 8% to 10% (2003: 8% to 10%) per annum	-	14,783
Non-interest bearing amount	28,272	8,833
	<u>28,272</u>	<u>23,616</u>

The amounts owing by subsidiary companies represent mainly advances and payments made on behalf. The amounts owing are unsecured and not repayable within the next 12 months.

**11. INVESTMENT IN ASSOCIATED COMPANIES**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares - at cost	10,752	13,197	3,193	5,570
Group's share of post acquisition results	2,150	1,611	-	-
	<u>12,902</u>	<u>14,808</u>	<u>3,193</u>	<u>5,570</u>

The Group's investment in  
associated companies is  
represented by:

Group's share of net assets	<u>12,902</u>	<u>14,808</u>
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The details of the associated companies are disclosed in Note 50 to the financial statements.

**12. OTHER INVESTMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Long term				
- shares quoted in Malaysia	2,887	33,080	2,887	33,080
- shares quoted outside Malaysia	7,409	7,409	7,409	7,409
- unquoted investments	8,099	3,790	4,378	210
	<u>18,395</u>	<u>44,279</u>	<u>14,674</u>	<u>40,699</u>
Less: Provision for diminution in value	<u>(2,460)</u>	<u>-</u>	<u>(2,460)</u>	<u>-</u>
	<u>15,935</u>	<u>44,279</u>	<u>12,214</u>	<u>40,699</u>



## 12. OTHER INVESTMENTS (continued)

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Market value				
- quoted shares in Malaysia	1,224	13,699	1,224	13,699
- quoted shares outside Malaysia	4,806	5,104	4,806	5,104

In 2003, quoted shares in Malaysia costing RM33,080,000 were charged to a licensed financial institution as security for a credit facility granted to the Company.

## 13. INTANGIBLE ASSETS

	Group	
	2004	2003
	RM'000	RM'000
Products registration fees	52	52
Trademarks and patents	-	138
Technical know-how	740	639
Ship maintenance expenses	7,473	6,002
Development expenditure	28,348	16,928
	36,613	23,759
Less: Accumulated amortisation	(25,272)	(14,633)
	11,341	9,126

## 14. GOODWILL ON CONSOLIDATION

	Group	
	2004	2003
	RM'000	RM'000
As at beginning of the financial year	57,549	59,028
Arising from acquisition of subsidiary companies (Note 37)	-	4,327
Winding up of subsidiary companies	(112)	218
Arising from additional investment in subsidiary companies	2,994	-
Impairment of goodwill in subsidiary companies	(8,059)	(5,015)
Disposal of subsidiary companies	(4,882)	-
Partial disposal of subsidiary companies	(2,585)	(83)
Dilution of interest in a subsidiary company	-	(50)
Reduction in cost of investment resulting from discount given by the vendors	-	(480)
Adjustment to cost of investment in a subsidiary company	-	(396)
As at end of the financial year	44,905	57,549

## 15. INVENTORIES

	<b>Group</b>	
	<b>2004 RM'000</b>	<b>2003 RM'000</b>
<b>At cost</b>		
Raw materials	66,173	53,422
Packing materials	172	190
Work-in-progress	35,985	23,257
Finished goods	39,169	39,504
Consumables	1,064	186
	<u>142,563</u>	<u>116,559</u>
<b>At net realisable value</b>		
Finished goods	<u>204</u>	<u>5,408</u>
	<u>142,767</u>	<u>121,967</u>

Inventories of the Group with carrying amount of RM1,522,000 (2003: Nil) have been charged to licensed banks for credit facilities granted to a subsidiary company.

## 16. RECEIVABLES

	<b>Group</b>		<b>Company</b>	
	<b>2004 RM'000</b>	<b>2003 RM'000</b>	<b>2004 RM'000</b>	<b>2003 RM'000</b>
Trade receivables	305,499	274,565	-	-
Less: Allowance for doubtful debts	<u>(10,716)</u>	<u>(11,915)</u>	<u>-</u>	<u>-</u>
	294,783	262,650	-	-
Other receivables	21,943	9,668	2	42
Less: Allowance for doubtful debts	<u>(71)</u>	<u>(71)</u>	<u>-</u>	<u>-</u>
	21,872	9,597	2	42
Deposits	2,828	2,797	156	160
Prepayments	<u>18,884</u>	<u>12,322</u>	<u>863</u>	<u>128</u>
	<u>43,584</u>	<u>24,716</u>	<u>1,021</u>	<u>330</u>
	<u>338,367</u>	<u>287,366</u>	<u>1,021</u>	<u>330</u>

During the financial year, bad debts of RM668,000 (2003: RM14,000) have been written off against the allowance for doubtful debts.

The credit term offered by the Group in respect of trade receivables range from 30 to 90 days from date of invoice.

## 16. RECEIVABLES (continued)

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
The currency exposure of the trade receivables and other receivables is as follows:				
Ringgit Malaysia	226,736	214,785	2	42
US Dollar	65,629	51,740	-	-
Singapore Dollar	10,247	10,711	-	-
Australian Dollar	-	1,756	-	-
Sterling Pound	-	1,308	-	-
Hong Kong Dollar	16,523	902	-	-
Japanese Yen	-	429	-	-
Euro	4,975	-	-	-
others	3,332	2,602	-	-
	<u>327,442</u>	<u>284,233</u>	<u>2</u>	<u>42</u>

## 17. AMOUNTS OWING BY/TO SUBSIDIARY COMPANIES

	Company	
	2004	2003
	RM'000	RM'000
Amounts owing by subsidiary companies:		
- non-interest bearing amount	<u>4,137</u>	<u>12,942</u>
Amounts owing to subsidiary companies:		
- amount which bears interest at 8% (2003: 8%) per annum	39,338	47,326
- non-interest bearing amount	<u>10,347</u>	<u>9,525</u>
	<u>49,685</u>	<u>56,851</u>

The amounts owing by subsidiary companies represent balances arising from advances and payments made on behalf of the subsidiary companies which are unsecured and have no fixed terms of repayment.

The amounts owing to subsidiary companies represent balances arising from advances and payments made on the Company's behalf by the subsidiary companies which are unsecured and have no fixed terms of repayment.

**18. AMOUNTS OWING BY/TO ASSOCIATED COMPANIES**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amounts owing by associated companies	688	948	4	426
Less: Allowance for doubtful debts	(440)	-	-	-
	<u>248</u>	<u>948</u>	<u>4</u>	<u>426</u>

The amounts owing by associated companies represent balances arising from normal trade transactions and advances which are unsecured and have no fixed terms of repayment except for balances arising from trade transactions which are payable under normal trade credit terms. The advances bear interest at 8% (2003: 8%) per annum.

The amounts owing to associated companies represent balances arising from normal trade transactions which are unsecured, interest-free and payable under normal trade credit terms.

**19. SHORT TERM DEPOSITS**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short term deposits with:				
- licensed banks	30,596	15,200	-	-
- licensed financial institutions	-	4,972	-	-
	<u>30,596</u>	<u>20,172</u>	<u>-</u>	<u>-</u>

Included in the short term deposits of the Group are amounts totalling RM2,640,000 (2003: RM2,996,000) which have been pledged to licensed banks for banking facilities granted to subsidiary companies.

**20. PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade payables	127,867	115,217	-	-
Other payables	27,200	34,111	861	1,831
Accruals	12,855	14,818	421	550
Amounts owing to directors of subsidiary companies	46	80	-	-
Amounts owing to minority shareholders of subsidiary companies	<u>1,607</u>	<u>14,244</u>	<u>-</u>	<u>-</u>
	<u>169,575</u>	<u>178,470</u>	<u>1,282</u>	<u>2,381</u>

**20. PAYABLES (continued)**

Amounts owing to directors of subsidiary companies represent advances which are unsecured, interest-free and have no fixed terms of repayment.

Amounts owing to minority shareholders of subsidiary companies are in respect of trade transactions, dividends payable and advances which are unsecured, interest-free and have no fixed terms of repayment.

The credit term available to the Group in respect of trade payables range from 7 to 120 days from date of invoice.

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
The currency exposure of the payables, other than accruals, is as follows:				
Ringgit Malaysia	107,709	141,151	861	1,831
US Dollar	26,954	17,024	-	-
Singapore Dollar	3,135	2,642	-	-
Sterling Pound	59	1,131	-	-
Euro	2,570	907	-	-
Japanese Yen	-	463	-	-
Australian Dollar	53	124	-	-
Hong Kong Dollar	16,120	118	-	-
others	120	92	-	-
	<u>156,720</u>	<u>163,652</u>	<u>861</u>	<u>1,831</u>

**21. BORROWINGS**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Current liabilities</b>				
<b>Unsecured</b>				
Bankers' acceptances	34,901	58,280	-	-
Revolving credits	103,035	127,869	11,400	24,400
Short term loan	3,145	-	-	-
Trust receipts	1,500	-	-	-
Bank overdrafts	9,069	11,477	1,534	1,847
	<u>151,650</u>	<u>197,626</u>	<u>12,934</u>	<u>26,247</u>



## 21. BORROWINGS (continued)

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Secured</b>				
Bankers' acceptances	647	4,838	-	-
Bank overdrafts	5,338	6,839	-	-
Hire-purchase and lease creditors (Note 22)	3,930	3,277	323	468
Trust receipts	-	4,423	-	-
Revolving credits	2,000	6,000	-	4,000
Short term loan	3,813	13,000	-	13,000
Current portion of long term loans (Note 23)	39,298	37,360	5,000	15,000
	<u>55,026</u>	<u>75,737</u>	<u>5,323</u>	<u>32,468</u>
	<u>206,676</u>	<u>273,363</u>	<u>18,257</u>	<u>58,715</u>
<b>Long term liabilities</b>				
<b>Secured</b>				
Hire-purchase and lease creditors (Note 22)	4,367	3,252	246	339
Long term loans (Note 23)	93,593	46,826	-	5,000
	<u>97,960</u>	<u>50,078</u>	<u>246</u>	<u>5,339</u>
<b>Total borrowings</b>				
<b>Unsecured</b>				
Bankers' acceptances	34,901	58,280	-	-
Revolving credits	103,035	127,869	11,400	24,400
Short term loan	3,145	-	-	-
Trust receipts	1,500	-	-	-
Bank overdrafts	9,069	11,477	1,534	1,847
	151,650	197,626	12,934	26,247
<b>Secured</b>				
Bankers' acceptances	647	4,838	-	-
Bank overdrafts	5,338	6,839	-	-
Hire-purchase and lease creditors (Note 22)	8,297	6,529	569	807
Trust receipts	-	4,423	-	-
Revolving credits	2,000	6,000	-	4,000
Short term loan	3,813	13,000	-	13,000
Long term loans (Note 23)	132,891	84,186	5,000	20,000
	<u>152,986</u>	<u>125,815</u>	<u>5,569</u>	<u>37,807</u>
	<u>304,636</u>	<u>323,441</u>	<u>18,503</u>	<u>64,054</u>

21. **BORROWINGS (continued)**

Certain bankers' acceptances, bank overdrafts, trust receipts and revolving credits of the Group are secured by a fixed charge over the freehold land and buildings of certain subsidiary companies as disclosed in Note 6 to the financial statements and are guaranteed by the Company.

In 2003, the short term loan of the Company was secured by the shares quoted in Malaysia as disclosed in Note 12 to the financial statements and unquoted shares in a subsidiary company.

The interest rates on the borrowings of the Group and of the Company range from 0.5% to 9.8% (2003: 1.0% to 10.0%) and 4.3% to 7.5% (2003: 4.4% to 10.0%) respectively.

	<b>Group</b>		<b>Company</b>	
	<b>2004 RM'000</b>	<b>2003 RM'000</b>	<b>2004 RM'000</b>	<b>2003 RM'000</b>
The currency exposure of the borrowings is as follows:				
Ringgit Malaysia	239,323	259,940	18,503	64,054
Singapore Dollar	22,041	23,067	-	-
Australian Dollar	19,511	22,611	-	-
US Dollar	18,386	13,069	-	-
Hong Kong Dollar	3,545	4,754	-	-
Chinese Renminbi	1,830	-	-	-
	<u>304,636</u>	<u>323,441</u>	<u>18,503</u>	<u>64,054</u>

The maturity dates of the borrowings and the exposure to interest risk are as follows:

	<b>Islamic financing RM'000</b>	<b>Fixed rate RM'000</b>	<b>Floating rate RM'000</b>	<b>Total RM'000</b>
<b>Group</b>				
<b>As at 31 May 2004</b>				
Current liabilities:				
- within one year	-	8,930	197,746	206,676
Long term liabilities:				
- more than one year and less than five years	80,000	4,367	13,593	97,960
	<u>80,000</u>	<u>13,297</u>	<u>211,339</u>	<u>304,636</u>
<b>Group</b>				
<b>As at 31 May 2003</b>				
Current liabilities:				
- within one year	-	44,152	229,211	273,363
Long term liabilities:				
- more than one year and less than five years	-	28,382	21,625	50,007
- five years or more	-	71	-	71
	<u>-</u>	<u>28,453</u>	<u>21,625</u>	<u>50,078</u>
	<u>-</u>	<u>72,605</u>	<u>250,836</u>	<u>323,441</u>

## 21. BORROWINGS (continued)

	Fixed rate RM'000	Floating rate RM'000	Total RM'000
<b>Company</b>			
<b>As at 31 May 2004</b>			
Current liabilities:			
- within one year	5,323	12,934	18,257
Long term liabilities:			
- more than one year and less than five years	246	-	246
	<u>5,569</u>	<u>12,934</u>	<u>18,503</u>
<b>Company</b>			
<b>As at 31 May 2003</b>			
Current liabilities:			
- within one year	28,469	30,246	58,715
Long term liabilities:			
- more than one year and less than five years	5,339	-	5,339
	<u>33,808</u>	<u>30,246</u>	<u>64,054</u>

## 22. HIRE-PURCHASE AND LEASE CREDITORS

	<b>Group</b>		<b>Company</b>	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Minimum hire-purchase and lease payments:				
- not later than one year	4,422	3,637	359	519
- later than one year and not later than five years	4,664	3,564	277	357
- later than five years	169	90	-	-
	<u>9,255</u>	<u>7,291</u>	<u>636</u>	<u>876</u>
Less: Future interest charges	<u>(958)</u>	<u>(762)</u>	<u>(67)</u>	<u>(69)</u>
Present value of hire-purchase and lease liabilities	<u>8,297</u>	<u>6,529</u>	<u>569</u>	<u>807</u>
Repayable as follows:				
Current liabilities:				
- not later than one year	3,930	3,277	323	468
Long term liabilities:				
- later than one year and not later than five years	4,234	3,181	246	339
- later than five years	133	71	-	-
	<u>4,367</u>	<u>3,252</u>	<u>246</u>	<u>339</u>
	<u>8,297</u>	<u>6,529</u>	<u>569</u>	<u>807</u>