



CHUAN HUAT RESOURCES BERHAD

(290729-W)

ANNUAL REPORT 04

Corporate Information	2
Group Structure	3
Organisation Structure	4
Notice of Annual General Meeting	5
Statement Accompanying Notice of Annual General Meeting	8
Board of Directors	9
Profile of Directors	10
Chairman's Statement	12
Corporate Governance Statement	14
Audit Committee Report	20
Terms of Reference of the Audit Committee	22
Statement on Internal Control	24
Financial Statements	26
List of Properties	75
Statement of Shareholdings	79
Recurrent Related Party Transactions of A Revenue or Trading Nature	81
Proxy Form	

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Haji Wan Zaki Bin Haji Wan Muda
(Non-Executive Chairman)

Dato' Lim Khoon Heng
(CEO/Group Managing Director)

Dato' Lim Loong Heng
(Deputy Managing Director)

Lim Khoon Hock
(Executive Director)

Tai Keat Chai
(Independent Non-Executive Director)

Dali Kumar @ Dali Bin Sardar
(Independent Non-Executive Director)

Leow Bock Lim
(Independent Non-Executive Director)

SECRETARIES

Tay Lee Siang (LS 00129)
Pan Kow Bah (LS 0008906)

REGISTERED OFFICE

Wisma Lim Kim Chuan
Lot 50A, Section 92A
3 1/2 Miles, Off Jalan Sungei Besi
57100 Kuala Lumpur
Tel No: 03-7983 3333
Fax No: 03-7980 3333

PRINCIPAL BANKERS

RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad
Malayan Banking Berhad
Hong Leong Bank Berhad
AmBank Berhad
EON Bank Berhad

AUDITORS

Ong Boon Bah & Co
B-10-1, Megan Avenue 1
189, Jalan Tun Razak
50400 Kuala Lumpur

REGISTRAR

Sectrars Services Sdn Bhd
28-1, Jalan Tun Sambanthan 3
Brickfields
50470 Kuala Lumpur
Tel No: 03-2274 6133
Fax No: 03-2274 1016

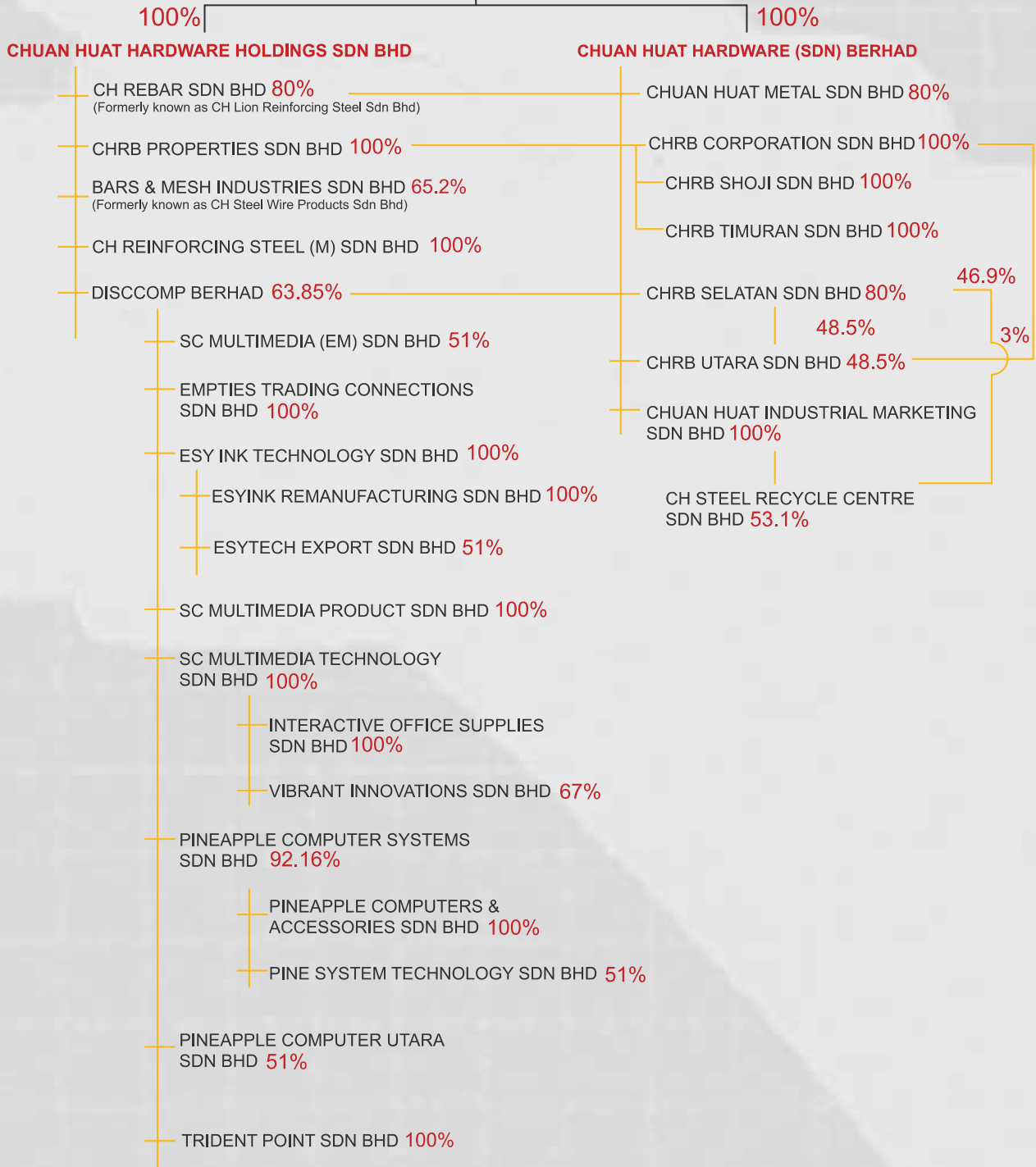
STOCK EXCHANGE LISTING

Second Board
of Bursa Malaysia Securities Berhad

GROUP STRUCTURE



CHUAN HUAT RESOURCES BERHAD



ORGANISATION STRUCTURE



REMUNERATION COMMITTEE

Dali Kumar @ Dali Bin Sardar (Chairman)
Dato' Haji Wan Zaki Bin Haji Wan Muda
Dato' Lim Khoon Heng
Tai Keat Chai
Leow Bock Lim

AUDIT COMMITTEE

Tai Keat Chai (Chairman)
Leow Bock Lim
Dali Kumar @ Dali Bin Sardar
Dato' Lim Loong Heng

NOMINATION COMMITTEE

Dali Kumar @ Dali Bin Sardar (Chairman)
Dato' Haji Wan Zaki Bin Haji Wan Muda
Tai Keat Chai
Leow Bock Lim

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting of Chuan Huat Resources Berhad will be held at Bukit Jalil Golf & Country Resort, Langkawi Room, Jalan 3/155B, Bukit Jalil, 57100 Kuala Lumpur on Wednesday, 29 June 2005 at 10.00 a.m. for the following purposes:

AGENDA

1. To receive and adopt the Audited Financial Statement for the year ended 31 December 2004 and the Reports of the Directors and Auditors thereon. (Ordinary Resolution 1)
2. To approve the payment of a first and final dividend of 5 sen gross per ordinary share less income tax at 28% for the financial year ended 31 December 2004. (Ordinary Resolution 2)
3. To approve the payment of Directors' fees in respect of the year ended 31 December 2004. (Ordinary Resolution 3)
4. To re-elect the following Directors who are retiring pursuant to Article 63 of the Company's Articles of Association:
 - (i) Dato' Haji Wan Zaki Bin Haji Wan Muda (Ordinary Resolution 4)
 - (ii) Tai Keat Chai (Ordinary Resolution 5)
5. To re-appoint Messrs. Ong Boon Bah & Co. as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. (Ordinary Resolution 6)

AS SPECIAL BUSINESS

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

6. Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965 (Ordinary Resolution 7)

"That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies being obtained for such issue and allotment."

7. Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature (Ordinary Resolution 8)

"THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company's subsidiaries to enter into recurrent transactions with the Related Parties of a revenue or trading nature as set out in Paragraph 3.2.2 of the circular, which are necessary for its day-to-day operations and are in the ordinary course of business and are on normal commercial terms and on terms not more favourable to the related party than those generally available to the public and not to the detriment of minority shareholders of the Company for:

- Recurrent related party transactions entered into by either of CHHH, CHH, BMI, CHM, CHSRC, CHIM, CHR, CHRB Selatan, CHRB Utara, CH Rebar, CHRB Corp, CHRB Timuran and CHRB Prop with one another
- Recurrent related party transactions entered into by CHH with ASSC.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

AND THAT the approval shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to section 143(2) of CA);
or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND FURTHER THAT, the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution.

8. Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

(Ordinary Resolution 9)

"THAT subject always to the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company's subsidiaries to enter into recurrent transactions with the Related Parties of a revenue or trading nature as set out in Paragraph 3.2.2 of the circular, which are necessary for its day-to-day operations and are in the ordinary course of business and are on normal commercial terms and on terms not more favourable to the related party than those generally available to the public and not to the detriment of minority shareholders of the Company for:

- Recurrent related party transactions entered into by CHIM with AZSB.

AND THAT the approval shall continue to be in force until:

- (a) the conclusion of the next Annual General Meeting of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (b) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to section 143(1) of CA (but shall not extend to such extension as may be allowed pursuant to section 143(2) of CA); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND FURTHER THAT, the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this resolution.

9. To transact any other ordinary business of which due notice shall have been given.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that the First and Final Dividend of 5 sen gross per ordinary share less income tax at 28% in respect of the financial year ended 31 December 2004, if approved by the shareholders at the Eleventh Annual General Meeting, will be paid on 7 September 2005.

The entitlement date shall be fixed on 10 August 2005 and a Depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 10 August 2005 in respect of ordinary transfers;
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

TAY LEE SIANG [LS 00129]
PAN KOW BAH [LS 0008906]
Secretaries

Kuala Lumpur
7 June 2005

Notes:

1. A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney or an officer duly authorised.
2. Where a member of the Company is an authorised nominee as defined under the Central Depository Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. Where a member appoints more than one (1) proxy (subject to a maximum of two (2) proxies at each meeting), the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. To be valid, this proxy form duly completed must be deposited at the Registered Office of the Company at Wisma Lim Kim Chuan, Lot 50A, Section 92A, 3½ Miles, Off Jalan Sungei Besi, 57100 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.

Explanatory Notes To Special Business:

Ordinary Resolution 7

The proposed Ordinary Resolution if passed, will give the Directors of the Company authority to issue shares at any time in their absolute discretion without convening a general meeting. This authorisation, will unless revoked or varied by the Company at a General Meeting, expire at the next Annual General Meeting.

Ordinary Resolutions 8 and 9

The proposed Ordinary Resolutions if passed, will allow the Company and/or its subsidiaries to enter into Recurrent Related Party Transactions of a revenue or trading nature which are necessary for the day-to-day operations which shall expire at the next Annual General Meeting.

The class of related parties, the nature of the transactions, the rationale and the methods of determining the transaction prices with the related parties, are detailed out in Circular to Shareholders dated 7 June 2005.

ANNUAL REPORT 2004

The Annual Report 2004 is in a CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholders within 4 market days from the date of receipt of the verbal or written request. Shareholders who wish to receive the printed copy of the Annual Report, kindly contact Mr Simon Lee at tel. no: 03-7983 3333 ext 221 or Ms Vivian at ext 211 or fax the Request Form at FAX : 03-7980 3333 or send it to the Company's Registered Office at Wisma Lim Kim Chuan, Lot 50A, Section 92A, 3½ Miles, Off Jalan Sungei Besi, 57100 Kuala Lumpur. You may also e-mail your request to vivian@chuanhuat.com.my for printed copy of the Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Directors who are standing for re-election pursuant to Article 63 of the Company's Articles of Association at the Eleventh Annual General Meeting of Chuan Huat Resources Berhad are as follows:

Pursuant to Article 63 of the Company's Articles of Association

- i. Dato' Haji Wan Zaki Bin Haji Wan Muda
- ii. Tai Keat Chai

2. Details of attendance of directors at Board meetings.

There were 5 Board of Directors' Meetings held during the financial year ended 31 December 2004 and the number of meetings attended by each Director are as follows:

<u>Name of Director</u>	<u>Attendance</u>
Dato' Haji Wan Zaki Bin Haji Wan Muda	4/5
Dato' Lim Khoo Heng	5/5
Dato' Lim Loong Heng	5/5
Lim Khoo Hock	5/5
Dali Kumar @ Dali Bin Sardar	4/5
Tai Keat Chai	4/5
Leow Bock Lim	5/5

3. Place, date and time of the Eleventh Annual General Meeting

The place, date and time of the Eleventh Annual General Meeting are as follows:

<u>Date</u>	<u>Time</u>	<u>Place</u>
29 June 2005	10.00 a.m.	Bukit Jalil Golf & Country Resort, Langkawi Room, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur

4. Further details of Directors who are standing for re-election are disclosed under the Profile of Directors. The Directors' Shareholdings in the Company are disclosed under the Analysis of Shareholdings.

BOARD OF DIRECTORS

- 1. Dato' Haji Wan Zaki Bin Haji Wan Muda**
(Non-executive Chairman and Director, member of the Remuneration Committee and Nomination Committee)
DPMT, PPN, PJK
- 2. Dato' Lim Khoon Heng**
(CEO/Group Managing Director, member of ESOS Committee and Remuneration Committee)
DSSA
- 3. Dato' Lim Loong Heng**
(Deputy Managing Director and member of the Audit Committee)
DIMP
- 4. Lim Khoon Hock**
(Executive Director and member of the ESOS Committee)
- 5. Tai Keat Chai**
(Director, member of Audit Committee, Remuneration Committee and Nomination Committee)
- 6. Dali Kumar @ Dali Bin Sardar**
(Director, member of Audit Committee, Nomination Committee, ESOS Committee and Remuneration Committee)
- 7. Leow Bock Lim**
(Director, member of Audit Committee, Remuneration Committee and Nomination Committee)



PROFILE OF DIRECTORS

Dato' Haji Wan Zaki Bin Haji Wan Muda

(Non-executive Chairman and Director, member of the Remuneration Committee and Nomination Committee)

56 years of age

Malaysian

DPMT, PPN, PJK

Chairman and Director, holding a non-executive position since 2 May 1997. He is the founder member of Ahmad Zaki Sdn Bhd ("AZSB") and began his working career in 1971 as a Financial Assistant with Syarikat Permodalan Pahang Bhd. He later joined Perakayan Pahang Sdn Bhd in 1973 where he served until 1977 while holding the post of Marketing Manager. In the same year, he joined Pesaka Terengganu Bhd, as its Operations Manager and continued to serve until 1979 prior to joining Pesama Timber Corporation Sdn Bhd as Managing Director. He left Pesama Timber Corporation Sdn Bhd in 1984 to venture into the construction industry by founding AZSB.

Dato' Haji Wan Zaki is the Executive Chairman in Ahmad Zaki Resources Berhad. He attended four out of five Board Meetings held in the financial year ended 31 December 2004. He has no family relationship with any other director or major shareholders of the Company. He has never been charged for any offence within the past 10 years and has no conflict of interest with the Company.

Dato' Lim Khoon Heng

(CEO/Group Managing Director, member of ESOS Committee and Remuneration Committee)

52 years of age

Malaysian

DSSA

Chief Executive Officer and Group Managing Director, holding an executive and non-independent position since 2 May 1997. He is the Managing Director of Chuan Huat Hardware (Sdn.) Berhad since 14 December 1976. He is responsible for the operation management and strategic planning of the Chuan Huat Resources Berhad Group. He was conferred with the DSSA award which carries the title of "Dato" by the Sultan of Selangor on 13 March 1999. He has been appointed as the Advisor of the Metal Dealers Association (Selangor and Kuala Lumpur) and the Director of Acsan Steel Service Centre Sdn Bhd.

Dato' Lim Khoon Heng is also the Non-Executive Chairman in Discomp Berhad. He attended five out of five Board Meetings held in the financial year ended 31 December 2004. He is the brother of Dato' Lim Loong Heng and Mr. Lim Khoon Hock, the directors and major shareholders of the Company. He has never been charged for any offence within the past 10 years and has no conflict of interest with the Company.

Dato' Lim Loong Heng

(Deputy Managing Director and member of the Audit Committee)

50 years of age

Malaysian

DIMP

Deputy Managing Director, holding an executive and non-independent position since 2 May 1997. He was attached to Schinger Ltd in the UK as an Assistant Accountant for two years prior to his appointment to the Board of Directors of Chuan Huat Hardware Holdings Sdn Bhd. He currently takes charge of corporate planning matters of the Chuan Huat Resources Berhad Group. He was conferred with the DIMP award which carries the title of "Dato" by the Sultan of Pahang on 26 February 2005.

Dato' Lim Loong Heng is also the Managing Director in Discomp Berhad. He attended five out of five Board Meetings held in the financial year ended 31 December 2004. He is the brother of Dato' Lim Khoon Heng and Mr. Lim Khoon Hock, the directors and major shareholders of the Company. He has never been charged for any offence within the past 10 years and has no conflict of interest with the Company.

Lim Khoon Hock

(Executive Director and member of the ESOS Committee)

48 years of age

Malaysian

Director, holding an executive and non-independent position since 2 May 1997. He is a Director of Chuan Huat Hardware (Sdn.) Berhad since 11 January 1980. He holds a Bachelor's Degree in Civil Engineering from Monash University, Australia. He was attached with Jabatan Kerja Raya from January 1980 to December 1981, in road construction supervision. He later joined a consultant firm as a Designing Engineering. Currently, he leads the Chuan Huat Resources Berhad Group's manufacturing, development and trading activities.

Mr. Lim Khoon Hock is also the Deputy Managing Director in Discomp Berhad. He attended five out of five Board Meetings held in the financial year ended 31 December 2004. He is the brother of Dato' Lim Khoon Heng and Dato' Lim Loong Heng, the directors and major shareholders of the Company. He has never been charged for any offence within the past 10 years and has no conflict of interest with the Company.

PROFILE OF DIRECTORS (CONT'D)

Tai Keat Chai

(Director, member of Audit Committee, Remuneration Committee and Nomination Committee)

50 years of age

Malaysian

Director, holding a non-executive and independent position since 29 June 2001. He is qualified as a Fellow of the Institute of Chartered Accountants in England & Wales and is also a member of the Malaysian Institute of Accountants. He worked at KPMG, London as an Audit Senior between 1977 and 1978, after which he returned to Malaysia and commenced working with PricewaterhouseCoopers in Kuala Lumpur. In 1981, he joined Alliance Merchant Bank Berhad where he worked in corporate finance for 7 years before he ventured into stockbroking, during which time he worked in SJ Securities Sdn Bhd, A.A Anthony Securities Sdn Bhd and ECM Libra Securities Sdn Bhd. He is presently a director of Fiscal Corporate Services Sdn Bhd.

Mr. Tai Keat Chai is also a Director in Discomp Berhad, Amanah Smallcap Fund Berhad, MESB Berhad, Datascan Berhad, Toyochem Corporation Berhad and PECD Berhad. He attended four out of five Board Meetings held in the financial year ended 31 December 2004. He has no family relationship with any other director or major shareholders of the Company. He has never been charged for any offence within the past 10 years and has no conflict of interest with the Company.

Dali Kumar @ Dali Bin Sardar

(Director, member of Audit Committee, Nomination Committee, ESOS Committee and Remuneration Committee)

46 years of age

Malaysian

Director, holding a non-executive and independent position since 15 July 1999.

He was with Citibank/Citicorp (NY/KL) from 1982 to 1996. Prior to his departure, he was the Managing Director of Citicorp Capital Sdn Bhd, a venture capital subsidiary of Citicorp. He left to become the CEO of Utama Merchant Bank Berhad. He left the position at the end of 1996 and set up DTA Capital Partners Sdn Bhd. DTA is a boutique corporate finance set-up. DTA now has a fully-owned subsidiary, DTA Ventures, which is managing a venture capital fund on behalf of Mavcap which is fully owned by the Ministry of Finance.

Encik Dali Kumar @ Dali Bin Sardar is also a Director in NTI International, Ltd (SGX main Board) as well as numerous private companies. He attended four out of five Board Meetings held in the financial year ended 31 December 2004. He has no family relationship with any other director or major shareholders of the Company. He has never been charged for any offence within the past 10 years and has no conflict of interest with the Company.

Leow Bock Lim

(Director, member of Audit Committee, Remuneration Committee and Nomination Committee)

62 years of age

Malaysian

Director, holding a non-executive and independent position since 29 June 2001. He is an associate of The Institute of Chartered Secretaries and Administrators and an associate of the Institute of Canadian Bankers. He is a retired banker who has had over 35 years of working experience in various local and foreign banks. He began his banking career with the OCBC Bank in 1960. In 1962, he left to join United Malayan Banking Corporation Berhad as an operations officer. Between 1966 and 1970, he held various operational and treasury positions in The Chase Manhattan Bank. In 1971 and 1972, he served as the chief operating officer of the Oriental Bank Berhad. Between 1973 and 1977, he was the treasury head of The Bank of Nova Scotia. He joined the Security Pacific Asian Bank in 1978 and was its country head for 12 years. In 1994, he joined Alliance Bank Berhad as its Senior Vice President and served as its head of treasury and international banking prior to his retirement in 2000.

Mr. Leow Bock Lim is also the Chairman (Independent non-executive) of Autoair Holdings Berhad, a Director in Discomp Berhad and Kumpulan Belton Berhad. He attended five out of five Board Meetings held in the financial year ended 31 December 2004. He has no family relationship with any other director or major shareholders of the Company. He has never been charged for any offence within the past 10 years and has no conflict of interest with the Company.

CHAIRMAN'S STATEMENT

BUSINESS OVERVIEW

Year 2004 was indeed one of the best years for the Company since the downturn in the world economy. Coupled with a more prudent management team and the increase in the prices of steel products globally, which also triggered an increase in domestic prices, the Group managed to ride on the advantages to report one of the best results since the 1997 economic crisis.

The Group's building materials division expanded their business network nationwide with the inclusion of a wider variety of products. With the completion of the expansion of the steel reinforcing mesh factory, this division is expected to support and contribute to the Group's result.

Discomp Berhad, the listed subsidiary of the Group is also moving forward with the entry into the latest memory products, such as flash drives and memory cards.



FINANCIAL OVERVIEW

The Group managed to achieve a group turnover of RM406 million as compared to RM420 million for the preceding year. However, its profit before tax and minority interest was increased substantially from a loss of RM2.8 million in the previous year to a profit before tax and minority interest of RM8.7 million.

Trade receivables were improved from RM102 million in year 2003 to RM93 million this year.

CORPORATE DEVELOPMENT

During the financial year, a total of 100,000 and 130,000 ordinary shares were exercised by the employees and 125,000 and 351,000 shares lapse from the First Allocation and Second Allocation of the Group Employee Share Option Scheme (ESOS) respectively. This will leave a total Balance Options yet to be exercised of 1,714,000 shares and 1,064,000 shares from the First and Second Allocation respectively as at 31 December 2004.

On behalf of the Board of Directors, I am pleased to present the Group and Company's Annual Report and Audited Financial Statements for the financial year ended 31 December 2004.

CHAIRMAN'S STATEMENT (CONT'D)

PROSPECTS

The price of steel products is predicted to be stable and may even see a rise during the last quarter of the year. With the recent announcement by the government to release more projects into the market, it will augur well for the Group to continue the good run from the previous year.

The IT Division is also expected to be stable with the inclusion of new products and should be able to perform better this year.

DIVIDEND

The Board is pleased to recommend a first and final dividend of 5.0 sen gross per ordinary share, less income tax at 28%, in respect of the current financial year, subject to shareholder's approval at the forthcoming Annual General Meeting on the 29 June 2005.



ACKNOWLEDGEMENT & APPRECIATION

On behalf of the Board, I would like to extend our sincere appreciations to all our staff for their contribution and continued effort towards the growth of the Group. I would also like to take this opportunity to record our appreciations to our shareholders and customers, financiers and business associates for their continued support and confidence in the Group.

Last but not least, I wish to thank my fellow Board members for their untiring support.

Dato' Haji Wan Zaki bin Haji Wan Muda
Chairman



CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Chuan Huat Resources Berhad ("Board") is fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance ("Code") respectively.

The Board has directed and managed the business and affairs of the Group towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholders' values whilst taking into account the interests of other stakeholders.

The Board is pleased to provide the following statements, which outlines the main corporate governance practices that were in place throughout the financial year.

COMPLIANCE STATEMENT

The Group has complied throughout the year ended 31 December 2004 with all the best practices of corporate governance set out in Part 2 of the Code.

PRINCIPLES STATEMENTS

The following statement sets out how the Group has applied the principles in Part 1 of the Code. The principles are dealt with under the following headings: (A) Board of Directors, (B) Directors' remuneration, (C) Shareholders and (D) Accountability and audit.

A. Board Of Directors

(a) Board responsibilities

The Group is controlled and led by a dynamic Board. It has a balanced board composition with effective independent directors. The Board acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

(b) Board meetings

The Board ordinarily meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the year ended 31 December 2004, the Board met on five (5) occasions; where it deliberated upon and considered a variety of matters including the Group's financial results, corporate proposals, the business plan and direction of the Group. Directors' attendance to these meeting can be found in the Statement Accompanying the Notice of the Annual General Meeting.

The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. The Board papers providing updates on operational, financial and corporate developments as well as minutes of meetings of the Board are circulated prior to the meeting, are comprehensive and encompass both quantitative and qualitative factors so that informed decisions are made. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting. The Board has full access to senior management and the advice and services of the Company Secretary, who are responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with. In addition, the Directors may also seek independent professional advice, at the Company's expense, if required. The Directors may also consult with the Group Managing Director and other Board members prior to seeking any independent professional advice.

(c) Board balance

As at the date of this statement, the Board consists of seven (7) members; comprising one (1) Managing Director, one (1) Deputy Managing Director, one (1) Executive Director, one (1) Non-Executive Director and, three (3) Independent Non-Executive Directors. A brief profile of each Director can be found in the "Profile of Directors".

The concept of independence adopted by the Board is in tandem with the definition of an independent Director in Section 1.01 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The key elements for fulfilling the criteria are the appointment of an independent Director who is not a member of management (a non-executive director) and who is free of any relationship which could interfere with the exercise of independent

CORPORATE GOVERNANCE STATEMENT (CONT'D)

judgement or the ability to act in the best interests of the Group. The Board complied with paragraph 15.02 of the Listing Requirements which requires that at least two (2) directors or one-third of the Board, whichever is the higher, are independent directors.

The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, marketing and operations. The Executive Directors in particular are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies. The Independent Non-Executive Directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the Executive Directors. The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities. As and when a potential conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the deliberation.

There is a clear division of responsibilities at the head of the Group to ensure a balance of authority and power.

The role of Chairman and the Group Managing Director are clearly defined with their individual position descriptions. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. The Group Managing Director is responsible for the day-to-day management of the business as well as the implementation of Board's policies and decisions.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Group.

(d) Supply of information

The members of the Board in their individual capacity have full and timely access to information with Board papers distributed in advance of meetings for the discharge of their duties and responsibilities. Prior to the meetings of the Board, Board papers which include the agenda and reports relevant to the issues of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters, were circulated to all the directors. The Board meet, review and approve all corporate announcements, including the announcement of the quarterly financial results, prior to releasing them to Bursa Securities. Besides direct access to management staff, external professional advisers as well as company secretary are also made available to render their independent views and advice to the Board.

(e) Board committee

i. Audit Committee

The Audit Committee of the Board has been in place since 1997. It presently comprises three (3) Independent Non-Executive Directors and one (1) Deputy Managing Director. A brief report on Audit Committee can be found in the "Audit Committee Report".

ii. Nomination Committee

The Nomination Committee of the Board has been in place since 2001, which comprised the following members:

Name of directors	Designation
Dali Kumar @ Dali Bin Sardar	Chairman, Independent Non-Executive Director
Tai Keat Chai	Independent Non-Executive Director
Leow Bock Lim	Independent Non-Executive Director
Dato' Haji Wan Zaki Bin Haji Wan Muda	Non-Executive Chairman

The Nomination Committee is empowered by the Board for recommending board appointments and assessment of directors on an ongoing basis. The Committee also keeps under review the Board structure, size and composition as well as considering the Board succession planning. There was no meeting conducted during the financial year ended 31 December 2004 as there is currently no necessity to appoint any new members to the Board. The Board is of the opinion that the present mix of experience and expertise is adequate, optimal and sufficiently capable in overseeing and ensuring that the strategies of the Group are thoroughly deliberated, considered and properly implemented.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

(f) **Directors' training**

The Board through the Nomination Committee ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a director appropriately. All directors have attended and successfully completed the Mandatory Accreditation Programme, a training prescribed by Bursa Securities. The directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

(g) **Retirement and Re-election**

The Articles of Association provide that at least one-third of the Board, including the Group Managing Director, are subject to retirement by rotation at each Annual General Meeting. The directors to retire in each year are the directors who have been longest in office since their appointment or re-appointment. A retiring director is eligible for re-appointment.

The Article of Association also provides that the Group Managing Director who shall be elected from amongst the Board members shall also retire once at least in each three (3) years and shall be eligible for re-election. These provide an opportunity for the shareholders to renew their mandates. The election of each director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings' attendance and the shareholdings in the Company of each director standing for election are furnished in the Statement Accompanying the Notice of the Annual General Meeting.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

B. Directors' Remuneration

(a) **Remuneration Committee**

The Remuneration Committee of the Board has been in place since 2001, which comprised the following members:

Name of directors	Designation
Dali Kumar @ Dali Bin Sardar	Chairman, Independent Non-Executive Director
Tai Keat Chai	Independent Non-Executive Director
Leow Bock Lim	Independent Non-Executive Director
Dato' Haji Wan Zaki Bin Haji Wan Muda	Non-Executive Chairman
Dato' Lim Khoon Heng	Managing Director

The remuneration committee is responsible for recommending the remuneration packages of executive directors to the Board. None of the executive directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of non-executive director with individual directors abstaining from decisions in respect of their individual remuneration.

The policy practised on directors' remuneration by the Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate directors of the quality required to manage the business of the Group and to align the interest of the directors with those of the shareholders. Information prepared by independent consultants and survey data on the remuneration practices of comparable companies are taken into consideration in determining the remuneration packages.

There was one (1) meeting convened during the financial year ended 31 December 2004.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

(b) Details of the directors' remuneration

The aggregate remuneration of directors who served during the financial year ended 31 December 2004 are as follows:

Element of remuneration	Executive Directors	Non-Executive Directors	Total
Salaries & other emoluments	1,061,788	-	1,061,788
Fees	24,000	128,000	152,000
	1,085,788	128,000	1,213,788

The number of directors whose remuneration fall into the respective bands are as follows:

Band of remuneration	Executive Directors	Non-Executive Directors	Total
0 - 50,000	-	4	4
50,000 - 100,000	-	-	-
100,000 - 150,000	-	-	-
150,000 - 200,000	-	-	-
200,000 - 250,000	-	-	-
250,000 - 300,000	1	-	1
300,000 - 350,000	1	-	1
350,000 - 400,000	-	-	-
400,000 - 450,000	1	-	1

(c) Employees' Share Option Scheme ("ESOS")

Each of the executive directors were granted a maximum allowable entitlement of 500,000 options in accordance with ESOS's Bye-Law approved by authorities and shareholders. All executive directors have yet to exercise their options based on ESOS allocations as at 31 December 2004. Some salient features regarding ESOS have been included in the Directors' Report under the heading of "ESOS".

C. Shareholders

The Company recognises the importance of communicating with its shareholders and does this through the annual report, Annual General Meeting, Company's website and analyst meetings. The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving shareholders a clear and complete picture of the Company's performance and position as possible.

The key elements of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both private and institutional shareholders on all issues relevant to the Company at the Annual General Meeting. It has also been the Company's practice to send the Notice of the Annual General Meeting and related papers to shareholders at least twenty one (21) days before the meeting. At the Annual General Meeting, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Additionally, a press conference is held immediately after the Annual General Meeting where the Group's Managing Director advises the press of the resolutions passed, and answers questions on the Group's operation. The Group Deputy Managing Director and the Executive Directors are also present at the press conference to clarify and explain any issue.

The Company also responded to fund managers, institutional investors, investment analysts and members of media upon request, to brief them on key events of the Company. Investors' and analysts' feedback is sought to ensure principal issues are being effectively communicated and shareholders' objectives are known.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

D. Accountability And Audit

(a) Financial reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcements of results to shareholders as well as the Group's Chairman statement and review of operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

(b) Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their profit or loss and cash flows for the period then ended. In preparing the financial statements, the Directors have (1) ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied, and (2) selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

(c) Directors' responsibility statement in respect of the state of internal controls

The Board acknowledges its responsibility for the internal control system in the Company and the Group, covering not only financial controls but also controls relating to operational, compliance and risk management. The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business unit particular need and to manage the risks to which they are exposed. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognises the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board recognises that risks cannot be completely eliminated. As such, the systems, processes and procedures being put in place are aimed at minimising and managing them. Ongoing reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Company's assets.

(d) Relationship with the Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of external auditors is subject to the approval of shareholders in general meeting whilst their remuneration is authorised by shareholders to be fixed by the Board.

Key features underlying the relationship of the Audit Committee with the auditors including the role of both the external and internal auditors are further described in the Audit Committee Report.

A summary activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee Report.

(e) Statement on material contracts involving directors' or major shareholders' interest

There is no material contracts subsisting as at 31 December 2004 or entered into since the end of the previous financial year, by the Company or its subsidiaries, which involved the interests of the Directors or major shareholders other than those disclosed under notes to the account on Related Party Transactions of revenue in nature.

The Company is also seeking shareholders' mandate on Recurrent Related Party Transactions of revenue or trading nature for transactions to be entered by the Company or its subsidiaries with Related Parties in the ordinary course of business in the forthcoming Annual General Meeting. The details of Recurrent Related Party Transactions of revenue or trading nature for transactions to be entered by the Company or its subsidiaries with Related Parties are included in the Circular.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

(f) Non-audit fee

As at the date of this statement, there is no non-audit fee incurred and paid to external auditors.

(g) Utilisation of Proceeds

There were no proceeds raised from any corporate proposals as at the date of this statement except it's sub-subsidiary, Disccomp Berhad ("Disccomp"), raised proceeds of RM8 million from it's flotation. As at 8 June 2004, Disccomp has utilised RM4.2 million in the manner as set out previously in Disccomp's Prospectus dated 28 December 2001 and circular to shareholders dated 26 May 2003.

Disccomp is required to implement the utilisation of proceeds by 30 September 2004. The details of the proposed revision in utilisation of proceeds are included in Disccomp's circular to shareholders dated 7 June 2004.

Disccomp has on 20 October 2004 obtained further approval from Bursa Malaysia for the proposed extension of time for a further seven (7) months up to 30 April 2005 to implement the utilisation of proceeds raised from the Company's initial public offering of RM3.8 million.

As of todate, Disccomp has fully utilised the proceeds of RM8 million raised from it's flotation.

(h) Shares Buy-Backs

There were no share buy-backs during the financial period ended 31 December 2004.

(i) Options, Warrants or Convertible Securities Exercised

The Company has not issued any options, warrants or convertible securities in respect of the financial period ended 31 December 2004.

(j) American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

The Company has not sponsored any ADR or GDR programme for the financial period ended 31 December 2004.

(k) Sanctions and/or Penalties

The Company and its subsidiaries, Directors and management have not been imposed with any sanctions and/or penalties by any regulatory bodies.

(l) Profit Guarantee

The Company did not issue any profit forecast or profit guarantee for the financial period ended 31 December 2004.

(m) Revaluation Policy

The Company has not adopted a regular revaluation policy on landed properties.

AUDIT COMMITTEE REPORT

Membership

The present members of the Audit Committee comprise:

Name	Designation
Mr. Tai Keat Chai (Chairman)	Independent Non-Executive Director
Encik Dali Kumar @ Dali bin Sardar	Independent Non-Executive Director
Mr. Leow Bock Lim	Independent Non-Executive Director
Dato' Lim Loong Heng	Deputy Managing Director

Terms of reference

The terms of reference of the Committee are detailed in this annual report under the heading of "Terms of reference of the Audit Committee".

Meeting and attendance

During the year ended 31 December 2004, the Committee held 5 meetings, which were appropriately structured through the use of agendas, and the attendance details of the members were as follows:

Name	No. of meetings attended
Mr. Tai Keat Chai	5/5
Encik Dali Kumar @ Dali bin Sardar	4/5
Mr. Leow Bock Lim	5/5
Dato' Lim Loong Heng	5/5

The Company Secretary and the Finance General Manager were also present by invitation at all the meetings, whilst the internal and external auditors also attended when invited to do so.

Summary of activities

The main activities undertaken by the Committee during the year included the following:

- a) reviewed the quarterly reports of the Company prior to their submission to the Board and public release;
- b) reviewed the audited financial statements of the Company prior to their submission to the Board for its consideration and approval;
- c) reviewed the external auditor's scope of work and audit plans for the year;
- d) reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response;
- e) reviewed and discussed on the internal audit reports to assess the effectiveness of the system of internal controls in the areas audited;
- f) reviewed the related party transactions entered into by the Group;
- g) evaluated and recommended the re-appointment of the external auditor.

AUDIT COMMITTEE REPORT (CONT'D)

Internal audit function

The Company outsourced its internal audit functions to a professional services firm, which is tasked with the aim of assisting the Committee to discharge its duties and responsibilities.

The firm has conducted ongoing review of the adequacy and effectiveness of the system of internal control. Some internal control weaknesses were identified during the financial year under review, all of which have been or are being addressed by the management. None of these weaknesses has resulted in any material loss that would require disclosure in the Group's financial statement.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Objectives

The primary objectives of the Audit Committee include the following:

- a) to safeguard the interests of all shareholders including the minority shareholders;
- b) to assist in discharging the responsibilities of the Board of Directors as they relate to the Company's management and internal controls, accounting policies and financial reporting; and
- c) to provide, by way of regular meetings, a line of communication between the Board, and the internal and external auditors.

Membership

The Committee shall be appointed by the Board from amongst its members and shall consist of no fewer than three members, none of whom shall be alternate directors.

The majority of the members, including the Chairman of the Committee, shall be independent directors.

At least one member shall be a member of the Malaysian Institute of Accountants or a person approved under subparagraph 15.10 (1)(c)(ii) of Bursa Malaysia Listing Requirements.

Any vacancy resulting in the non-compliance of subparagraph 15.10(1) of Bursa Malaysia Listing Requirements shall be filled within three months, and the Board shall review the terms of office and performance of the Committee and each of its members at least once every three years to determine whether they have carried out their duties in accordance with their terms of reference.

Authority

The Committee shall have the authority to investigate any matter within its terms of reference, and the resources required to perform its duties.

It shall also have full and unrestricted access to any information pertaining to the Company, and have direct communication channels with the external and internal auditors.

The Committee should be able to obtain independent professional or other advice, and be able to convene meetings with the external auditor, excluding the attendance of its executive members, whenever deemed necessary.

Meetings

The Committee shall meet at least four times a year, and as many times as it deems necessary.

The majority of members present shall be independent directors in order to form a quorum.

The Company Secretary of the Company shall act as the Secretary of the Committee, and shall draw up an agenda for circulation together with the relevant support papers at least one week prior to each meeting to the members.

The Company Secretary shall also be responsible for keeping the minutes of the meetings, which shall be circulated to the members of the Board as well.

The Committee shall meet at least once a year with the management and the internal and external auditors in separate sessions without the presence of any executive Board member.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (CONT'D)

Functions

The functions of the Committee include the following:

1. To review, and report the same to the Board:
 - a) with the external auditor, the nature and scope of its audit plan, its evaluation of the system of internal controls and its audit report;
 - b) the assistance given by the Company's employees to the external auditor;
 - c) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - d) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - e) the quarterly results and year-end financial statement prior to the approval by the Board, focusing on:
 - i) changes in or implementation of major accounting policy changes;
 - ii) significant and unusual events; and
 - iii) compliance with accounting standards and other legal requirements;
 - f) any problems or reservations arising from the interim and final audits, and any matter which the external auditor may wish to discuss (in the absence of management where necessary);
 - g) the external auditor's management letter, and management's response;
 - h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
 - i) the appointment of the external auditor, its audit fee and any questions of its dismissal or resignation.
2. To recommend the nomination of the external auditor.
3. To consider other matters as defined by the Board.

STATEMENT ON INTERNAL CONTROL

INTRODUCTION

Consistent with paragraph 15.27 (b) of Bursa Malaysia Listing Requirements and in compliance to the Malaysian Code on Corporate Governance, the Board is pleased to provide the following statement on internal control of the Group with regards to the financial under review.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound system of internal controls and risk management practices to good corporate governance. However, the Board recognizes that reviewing the effectiveness of the Group's system of internal control is a concerted and continuous process, designed to manage rather than to eliminate the risk of failure to achieve business objectives.

In pursuing these objectives, internal controls 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 the significant risks faced by the Group that has been in place for the financial year under review and up to the date of approval of the annual report and financial statements.

RISK MANAGEMENT FRAMEWORK

The Board is aware that a sound system of internal control should be embedded in the operations of the Group and form part of its culture. The system of internal control not only covers financial controls but also operational and compliance controls and risk management. It involves key management in each business, including the Board and is designed to meet the Group's particular needs, manage the risks they are exposed to and ensure compliance with the applicable laws and regulations. Key commercial and financial risks are reviewed together with other more general risks as those relating to compliance with laws and regulation. These monitoring, reviewing and reporting process have been and are aimed to give assurance that the structure of controls and operations is appropriate to the Group's operations and that there is an acceptable level of risks throughout the Group's business.

The above risk management framework facilitates the ability of the Board and management to manage risks within the risk parameters and risk standards. Continuous effort is made to improve policies, processes, people and structure within the Group. Besides improving the management of existing risks, the framework also manages potential risks in the light of changes in risk profile experience by the industry and the Group.

KEY PROCESSES

The key processes that the Board has established in reviewing the adequacy and integrity of the system of internal controls are as follows:

- An operational structure with defined lines of responsibility or delegation of authority is in place. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.
- A documented delegation of authority with clear lines of responsibility in identifying the approving authority of various transactions.
- Detailed budgeting process established requiring all business units to prepare budget and business plan on an annual basis.

STATEMENT ON INTERNAL CONTROL (CONT'D)

- Effective reporting systems which expose significant variances against budget and plan are in place to monitor performance; key variances are followed-up by the management and reported to the Board on a quarterly basis.
- Regular and comprehensive information provided to management, covering financial performance and key business indicators, such as staff utilization and cash flow performance.
- Regular visits to operating units by members of the Board and senior management.

INTERNAL AUDIT

The Group has engaged a professional consulting firm to provide outsourced internal audit services, which provides support to the Audit Committee in discharging its duties with respect to the adequacy and integrity of the system of internal controls within the Group. During the year under review, internal auditor carried out audit based on the internal audit plan approved by the Audit Committee. The audit findings are deliberated and resolved with the management. The Audit Committee on behalf of the Board, reviews internal control issues identified and recommendations from reports by the internal and external auditors on a regular basis.

Some internal control weaknesses were identified during the financial under review, all of which have been or are being addressed by the management. None of these weaknesses has resulted in any material loss that would require disclosure in the Group's Annual Report.