

DUNHAM-BUSH MALAYSIA

DUNHAM-BUSH (MALAYSIA) BHD (129358-30)
Incorporated in Malaysia

**Annual Report
Laporan Tahunan**

2004

Cover Rationale

Riding on the wave of opportunities, Dunham-Bush continues to grow and to expand its core business globally. We ride on modern technology to maintain our competitive edge and producing more innovative products to the global market. We envisage better results and revenue in the near future for the Group and our shareholders.

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Our employees are the Company's most valued resources. They are talented individuals who excel in their respective discipline.

They are a team of highly motivated people who are always sensitive to customers' needs and satisfaction.

Dunham-Bush rewards them on their achievement based on individual performance and Company's overall results.

Dunham-Bush's success is based on the success of the Group's performance and contributions from everyone.

All problems are everyone's problems and together we will manage and solve them. We are devoted to the development and improvement of Dunham-Bush to the satisfaction of our customers.

With total commitment and a diligent workforce, we strive to propel Dunham-Bush to be the industry leader.

Management Philosophy

Things that we do will be the best in terms of:-

Dependability in:-

- Product reliability
- Product quality
- Innovative product design
- Competitive pricing
- On time delivery
- Responsive and reliable after sales service

Dunham-Bush will always strive to be the industry leader with commitments to:-

- Product performance to customers' satisfaction
- Product features
- Comprehensive and user friendly literature
- Employees' discipline
- Conducting business in a highly professional manner with pride and integrity

It is everyone's responsibility to conduct our business consistent with this philosophy.

Corporate Information

BOARD OF DIRECTORS

Tan Sri Dato' Mohamed Yusoff Bin Mohamed (*Chairman*)
(*Independent Non-Executive*)

Tan Sri Dato' Tan Chee Sing (*Deputy Chairman*)
(*Non-Independent Non-Executive*)

Yeo Sek Chiong
(*Managing Director*)

Kamal Bin Mohamad Noor
(*Executive Director*)

Freddie Pang Hock Cheng
(*Non-Independent Non-Executive*)

Tay Thiam Siew
(*Non-Independent Non-Executive*)

Chua Tee Hock
(*Non-Independent Non-Executive*)

Faizal Bin Dato' Abdul Aziz
(*Independent Non-Executive*)

AUDIT COMMITTEE

Tan Sri Dato' Mohamed Yusoff Bin Mohamed
(*Chairman/Independent Non-Executive*)

Faizal Bin Dato' Abdul Aziz
(*Independent Non-Executive*)

Tay Thiam Siew
(*Non-Independent Non-Executive*)

SECRETARIES

Su Swee Hong
(MAICSA No.0776729)

Gan Swee Peng
(MAICSA No.7001222)

DOMICILE AND COUNTRY OF INCORPORATION

Malaysia

REGISTERED OFFICE

11th Floor, Menara Berjaya
KL Plaza, 179 Jalan Bukit Bintang
55100 Kuala Lumpur

Tel : 03-2935 8888
Fax : 03-2935 8043

SHARE REGISTRARS

Berjaya Registration Services Sdn Bhd
Lot C1-C3, Block C
2nd Floor, KL Plaza
179 Jalan Bukit Bintang
55100 Kuala Lumpur

Tel : 03-2145 0533
Fax : 03-2145 9702

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
Bumiputra-Commerce Bank Berhad
EON Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Bhd

AUDITORS

Ernst & Young
Chartered Accountants

STOCK EXCHANGE LISTING

Second Board of Bursa Malaysia
Securities Berhad

STOCK SHORT NAME

DUNBUSH (9164)

Profile of Directors



TAN SRI DATO' MOHAMED YUSOFF BIN MOHAMED

(Independent Non-Executive)

77 years of age, Malaysian

He was appointed to the Board on 25 May 1993. He has served as a Barrister-at-Law from Lincoln's Inn, London, United Kingdom since 1991. Prior to 1975, he served as a Senior Federal Counsel in the Attorney-General Department for 12 years. Between 1974 and 1988, he was the High Court Judge in Kota Kinabalu, Kuching, Johor Bahru and Kuala Lumpur. Between 1988 and 1992, he served as a Supreme Court Judge and retired in September 1992. Currently, he also sits on the Board of Hwa Tai Industries Berhad and New Technology & Innovation Berhad.



TAN SRI DATO' TAN CHEE SING

(Non-Independent Non-Executive)

49 years of age, Malaysian

He was appointed to the Board on 3 May 1999. He is a businessman and entrepreneur with extensive experience in property development, restaurant/resort management, insurance, trading, gaming and stockbroking through his interests in various public and private companies.

Currently, he is the Deputy Chairman of Berjaya Group Berhad and Berjaya Land Berhad, Chairman and Chief Executive Officer of Dijaya Corporation Berhad, Chief Executive Officer of Tropicana Golf & Country Resort Berhad and Executive Vice-Chairman of TT Resources Bhd. He also holds directorships in Berjaya Capital Berhad, Cosway Corporation Berhad, MTD Capital Berhad, Bukit Kiara Resort Berhad, Tioman Island Resort Berhad, Berjaya General Insurance Berhad, KDE Recreation Berhad and Berjaya Golf Resort Berhad.

He is the brother of Tan Sri Dato' Seri Vincent Tan Chee Yioun, a major shareholder of the Company.



YEO SEK CHIONG

(Managing Director)

52 years of age, Permanent Resident in Malaysia

A founder member of the Company, he was appointed to the Board on 12 January 1988. He graduated from National University of Singapore with a Bachelor of Engineering (Mechanical). Prior to his appointment to the Board, he was the Marketing and Engineering Manager in OYL-Condair Industries Sdn Bhd and was responsible for the local and export sales of the company. He joined OYL-Condair Industries Sdn Bhd in 1977 as a Production Engineer/Quality Controller and served for a period of 10 years during which he was promoted to the position of Production Manager in 1980, Marketing and Production Manager in 1982 and became the Marketing and Engineering Manager in 1984. He also holds directorships in all the subsidiary companies of Dunham-Bush (Malaysia) Bhd.



KAMAL BIN MOHAMAD NOOR

(Executive Director)

47 years of age, Malaysian

He was appointed to the Board on 1 July 1988. He graduated from University Technology Malaysia with a Diploma in Mechanical Engineering and joined Guthrie Engineering Sdn Bhd from 1979 to 1982 as a Dealer Sales Executive. From 1982 to 1983, he was with Mulpha Engineering Sdn Bhd as the Acting Sales Manager in the Air-Condition Division. From 1983 to 1988, he joined Pathfinder Sdn Bhd as the Managing Director. Overall, he has more than 20 years of working experience in the air-conditioning and refrigeration industry with particular emphasis in the sales division.



FREDDIE PANG HOCK CHENG

(Non-Independent Non-Executive)

49 years of age, Malaysian

He was appointed to the Board on 10 March 1993. He began his career with Messrs Ernst & Young where he worked for seven years until 1982 during which he qualified for entry as a member of the Malaysian Institute of Certified Public Accountants. He is also a member of the Malaysian Institute of Accountants. In the same year, he joined the Corporate Advisory Department of Malaysian International Merchant Bankers Berhad where he was actively involved in a wide variety of corporate exercises in an advisory capacity until his departure in 1990 to join Berjaya Group Berhad.

He is currently an Executive Director of Berjaya Group Berhad and Berjaya Sports Toto Berhad, a director of Nexnews Berhad, MOL.com Berhad, Intan Utilities Berhad, Hyundai-Berjaya Corporation Berhad, Informatics Holdings Ltd. Singapore, Berjaya Vacation Club Berhad and several other private limited companies.



TAY THIAM SIEW

(Non-Independent Non-Executive)

53 years of age, Malaysian

He was appointed to the Board on 10 March 1993. He is a member of Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. He joined the Berjaya Group of Companies in November 1991 and his previous appointments include Senior General Manager (Corporate Services) of Cosway Corporation Berhad and Executive Director of New Pantai Expressway Sdn Bhd. Prior to joining the Berjaya Group of Companies, he worked as an auditor in Messrs Ernst & Young for six years before leaving the firm in 1978 to join Jardine Matheson Holdings (M) Sdn Bhd as an Accountant. Subsequent to this, he held senior positions in several public listed companies including MWE Holdings Berhad, Guinness Anchor Berhad and Jacks International Limited. Currently, he is also an Executive Director of MOL.com Berhad.



CHUA TEE HOCK

*(Non-Independent Non-Executive)
58 years of age, Malaysian*

He was appointed to the Board on 8 May 1998. He graduated from the University of Malaya with a Bachelor of Mechanical Engineering (Honours) and a post graduate Diploma in Business Administration in 1971 and 1978 respectively. He is a member of the Institution of Engineers Malaysia and Institute of Mechanical Engineers, United Kingdom. He has more than 20 years of general management experience in a variety of industries ranging from steel, consumer durables to textiles, prior to joining Berjaya Soutex Sdn Bhd in 1986. He is currently the Executive Director of Berjaya Soutex Sdn Bhd. He also sits on the Board of a number of subsidiary companies of Berjaya Group Berhad.



FAIZAL BIN DATO' ABDUL AZIZ

*(Independent Non-Executive)
36 years of age, Malaysian*

He was appointed to the Board on 15 June 2004. He began his career as an articled clerk in Hanafiah Raslan Mohammad upon completion of his General Certificate of Education in 1985. From 1989 to 1994, he was involved in the engineering sector before joining TA Securities Berhad as an investment analyst. He was attached to TA Securities Sdn Bhd for 3 years before he left to venture in his own business.

He is currently the Managing Director of Pembinaan Puncak Jaya Sdn Bhd, a company involved in the construction industry.

Save as disclosed, none of the Directors have:-

- 1. any family relationship with any Director and/or major shareholder of the Company;*
- 2. any conflict of interest with the Company; and*
- 3. any convictions for offences within the past 10 years other than traffic offences.*

Corporate Profile

Dunham-Bush (Malaysia) Bhd. ('DBM') is a multinational company with manufacturing facilities in Malaysia, USA, UK and China.



Berjaya Group's Chairman and CEO, Tan Sri Dato' Seri Vincent Tan's visit to Yantai, China.



Hartford Screw Compressor & Ice Cel products in IKK Germany Trade Show.

DBM's headquarters is now relocated to a 12-acre site in Kajang with a total built-up area of about 27,774 square meters. The factory in Kajang has the most modern facility for the manufacture and testing of packaged chillers up to 1,100 refrigeration tons in South East Asia. DBM also has a factory and office complex in Bangi located on a 6-acre plot of industrial land in Bandar Baru Bangi, Selangor, Malaysia and has a total built-up area of about 27,492 square meters. The total number of employees in the Malaysian operations is 723.

The Group's operations in Malaysia involve principally the manufacture, distribution and sale of a complete range of air-conditioning & refrigeration equipment and associated products. They include water-cooled and air-cooled chillers; heat pumps; water-cooled and air-cooled packaged and split air-conditioners; air-handling units; fancoil units; low temperature condensing and fancoil units for refrigeration purposes; close-controlled air-conditioning equipment; grilles; diffusers; acoustic silencers; variable air-volume boxes; cooling towers; exhaust and ventilation fans. These are marketed and sold under brand names such as 'Dunham-Bush', 'Topaire', 'DBAire', 'Anemostat' and 'Polacel'. The Group also manufactures air-conditioners under an original equipment manufacturer (OEM) arrangement for Singer (Malaysia) Sdn Bhd, marketed under the 'Singer' brand name.

With the acquisition of USA-based Dunham-Bush's heating, ventilating, air-conditioning and refrigeration (HVAC and R) business on 6 January 1995, DBM now owns a host of intellectual property rights, trademarks and patents recognised worldwide. Dunham-Bush, with almost 100 years

of history, is the pioneer in the usage of rotary screw compressor technology in large air-conditioning and refrigeration equipment. Today, DBM is one of the largest manufacturers of rotary screw compressor-type water chillers in the world.

In the USA, an office is maintained in Harrisonburg, Virginia for the sale of parts and the service of existing products in the field. It is also selling chillers and related air-conditioning products from Malaysia. The number of employees as at 30 April 2004 was 13. The factory in West Hartford, Connecticut manufactures open drive horizontal screw compressors (100-2,200 hp), hermetic vertical screw compressors (65-200 hp), and semi-hermetic direct drive reciprocating compressors (3-60 hp). The manufacturing cum office building of 11,500 square meters and a 2,000 square meters R&D building sits on a 12-acre plot of land. The total staff strength is 65.

The Group acquired a 51% controlling stake in Rossmont plc., a company listed on the London Stock Exchange in April 1996 and subsequently assumed its present name of Dunham-Bush (Europe) plc., on 21 February 1997. Dunham-Bush (Europe) plc. now owns 100% of Dunham-Bush Limited which manufactures a wide range of heating products including fancoil units, fan convectors, hydraulic unit ventilators, Walvector radiators, warm air door curtains, low surface temperature convectors, cabinet unit heaters, fin vector perimeter heating, and radiant heating panels. Dunham-Bush Limited operates in a 9,990 square meters manufacturing cum office complex in a 4.32-acre site in Havant, UK with a total of 116 employees.



Hartford Compressors Yantai Co. Ltd factory in China.



Dunham-Bush Yantai Co. Ltd factory in China.

In China, DBM owns 55% of Dunham-Bush Yantai Co. Ltd., a joint-venture factory set up with Yantai Moon (Group) Co. Ltd. Dunham-Bush Yantai Co. Ltd. officially commenced production of WCFX rotary screw chillers, heat pumps, air-handling units and other associated air-conditioning products in December 1996.

The office and factory complex has a covered area of about 18,700 square meters on a land area of 6.3-acre and has 552 employees. The Group has also set up sales and service offices in 25 cities in China with the Headquarters based in Shanghai. A 55%-owned manufacturing factory, Hartford Compressors Yantai Co. Ltd., was set up in the Shangton Province on 6 December 2001 to produce rotary screw compressors. The Hartford Compressors Yantai Co. Ltd's factory building has 12,160 square meters of floor space including the office building. Total area of land and building is 17,380 square meters and currently employing a total of 21 staff.

The Company also operates regional sales and service offices in Singapore, Shanghai, Dubai, Holland, Hong Kong, Mexico, South Africa and Thailand. In Dubai, a sales office was set up in March 1996, to handle the Middle Eastern market. Consequently, the Group increased its export sales to Middle Eastern countries such as Iran, Kuwait, UAE, Saudi Arabia, Oman, Qatar, and Yemen through some very strong distributors.

A Dunham-Bush sales company, Dunham-Bush de Mexico SA de CV, was set up in Mexico on 2 January 1998. It now sells applied products from the Malaysian factory. This sales company is registered with Pemex, the National gas and oil group, and Bufete Industrial, one of the largest engineering and contracting firms in Latin America. In addition, Dunham-Bush de Mexico SA de CV is also registered with all government institutions in Mexico.

Also, in January 1998, a sales company, Dunham-Bush International (Europe) BV, was set up in Amersfoort, The Netherlands, to cover sales and services in continental Europe through distributors. Distributors in Norway, Sweden, Denmark, The Netherlands, Portugal, Switzerland, Austria, Slovenia, Hungary, Czech Republic, Poland and the Commonwealth of Independent States (including Russia) have contributed to a successful start. The Group has also set up a sales office in South Africa to cover the various countries in the African continent.

In August 2000, DBM's wholly-owned subsidiary in Singapore acquired 48.99% equity interest in Dunham-Bush International (Thailand) Ltd., a company incorporated in Thailand, to provide the base to launch Dunham-Bush's products into Thailand, Laos, Vietnam and Myanmar.

In November 2001, Dunham-Bush International (Cayman) Limited entered into a joint-venture agreement with IPROKOM Ltd. of the Federation of Russia for the setting up of a new company, DB Eurasia Limited, to manufacture air-handling units and fancoils units. This company, DB Eurasia Limited was incorporated on 20 May 2002.

As a major global player in air-conditioning and refrigeration, the Group's R&D units in West Hartford, Connecticut, Harrisonburg, Virginia, USA, and in Bangi and Kajang, Malaysia, are constantly coming out with new cutting-edge technologies to ensure that DBM stays competitive. Today, the Group has two large manufacturing facilities in Malaysia, one in the USA, one in the UK, and two in China; its own Regional Sales Offices in Singapore, Hong Kong, Shanghai, Dubai, Holland, Mexico, South Africa and Thailand; and a whole network of sales agents and distributors in almost every country in the world. The total employee strength including the USA, UK and China facilities, together with its sales offices worldwide, are approximately 1,525 people.



An interior view of Yantai's factory, China.



Assembly of a 'ACFX' Air-Cooled Rotary Screw Chiller.

Chairman's Statement



Tan Sri Dato' Mohamed Yusoff Bin Mohamed
(Chairman/Pengerusi)

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Dunham-Bush (Malaysia) Bhd for the financial year ended 30 April 2004.

FINANCIAL HIGHLIGHTS

The financial year ended 30 April 2004 was a challenging year for the Group as the world witnessed the outbreak of the Severe Acute Respiratory Syndrome ("SARS") and the Iraq war. Despite the adverse economic effect from these events, the Group recorded marginally lower revenue of RM358.7 million for the financial year under review compared to RM362.9 million in the previous year. The Group, however, recorded a substantial profit before tax of RM22.18 million compared to a loss before tax of RM32.05 million in the preceding financial year.

The significant turnaround in profitability was mainly due to the higher profit contributions from the Asian operations, lower operating losses incurred by the restructured North American operations and the write back of certain provisions that were no longer required.

DIVIDEND

The Board did not recommend any dividend to be paid for the financial year ended 30 April 2004.

CORPORATE DEVELOPMENTS

1. On 12 December 2003, the Company announced a Proposed Private Placement of 9,036,000 new ordinary shares representing about 10% of its existing issued and paid-up share capital. The Company has obtained the approval of the Securities Commission ("SC") on 23 April 2004 for the Proposed Private Placement. The Proposed Private Placement will raise fresh funds for the Group to meet its working capital needs. The issue price of the Placement Shares has been fixed at RM1.10 per share on 30 April 2004. The said proposal is still pending completion.

Penyata Pengerusi



International Exhibition on RAHV, September 2003 Putra World Trade Center, Kuala Lumpur.



HVAC Exhibition in Capetown, South Africa.

SOROTAN KEWANGAN

Tahun kewangan berakhir 30 April 2004 adalah tahun yang mencabar bagi Kumpulan ini dengan dunia dilanda wabak Sindrom Pernafasan Akut Teruk (Severe Acute Respiratory Syndrome atau "SARS") dan tercetusnya peperangan Iraq. Meskipun terpaksa menghadapi kesan yang buruk terhadap ekonomi akibat peristiwa ini, Kumpulan ini berjaya mencatatkan hasil RM358.7 juta bagi tahun kewangan yang ditinjau, iaitu susutan kecil sahaja berbanding RM362.9 juta yang diperolehi pada tahun lepas. Namun demikian, Kumpulan ini mencatatkan keuntungan sebelum cukai yang agak lumayan sebanyak RM22.18 juta apabila dibandingkan dengan kerugian sebelum cukai sebanyak RM32.05 juta yang ditanggung pada tahun kewangan yang lepas.

Peningkatan yang mendadak ini disebabkan terutamanya oleh sumbangan keuntungan yang lebih besar daripada operasi Kumpulan ini di Asia, kerugian kendalian yang lebih kecil oleh operasi di Amerika Utara yang disusun semula, dan masuk kira semula peruntukan tertentu yang tidak lagi diperlukan.

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit Dunham-Bush (Malaysia) Bhd bagi tahun kewangan berakhir 30 April 2004.

DIVIDEN

Lembaga Pengarah tidak mengesyorkan apa-apa pembayaran dividen bagi tahun kewangan berakhir 30 April 2004.

PERKEMBANGAN KORPORAT

1. Pada 12 Disember 2003, Syarikat mengumumkan Cadangan Tawaran Persendirian 9,036,000 saham biasa baru yang mewakili kira-kira 10% daripada modal sahamnya yang diterbitkan dan berbayar pada ketika itu. Syarikat memperoleh kelulusan Suruhanjaya Sekuriti (Securities Commission atau "SC") pada 23 April 2004 bagi Cadangan Tawaran Persendirian tersebut. Cadangan Tawaran Persendirian ini akan menghasilkan dana baru yang membolehkan Kumpulan memenuhi keperluan modalnya. Harga terbitan Saham Tawaran ditetapkan pada RM1.10 sesaham pada 30 April 2004. Setakat ini, cadangan ini masih belum disempurnakan.

- The Divestment Plan for the 51% owned subsidiary in United Kingdom, namely Dunham-Bush (Europe) plc ("DBE") via the Memorandum of Understanding announced to Bursa Malaysia Securities Berhad on 8 August 2003, was aborted due to unforeseen circumstances. The Group will continue to explore for opportunities to divest its equity interest in DBE.

REVIEW OF OPERATIONS

Asia Operations

Despite the adverse effects of SARS, the Group's China operations continued to perform well, by substantially expanding its sales volume and by turning in higher profit for the year under review. During the year under review, the Group's China operation managed to secure several prestigious projects including



Nanchang Water Conservation Building
Jiangxi, China.

Guizhou Wudang District Government Office; Fuzhou Traffic Centre; Tianjin Subway; Heilongjiang Government Official University; Jiangxi Nanchang Water Conservation Building; Jiangxi Ganjiang Hotel; Shanghai Cadre University; Shanghai Undergraduate Sports Complex; Hebei Huaite Group; Shenyang Zhonghan Mansion etc.

The operation of the Group's newly set-up 55%-owned subsidiary in China, for the manufacture of Dunham-Bush's patented vertical Rotary Screw Compressors, has been progressing satisfactorily and successfully commenced local



Marina Square Mall, Singapore.

production of compressors. This will enhance the price competitiveness and profitability of its chiller products in China.

During the year under review, the Group's Malaysian operations continued to aggressively pursue export sales to partially offset its lower domestic sales in Malaysia. The lower domestic sales in Malaysia was mainly attributed to the continuing lack of activities in the commercial and Industrial building sectors. The ability of the Malaysian operations to produce chillers and other HVAC products; certified to meet and comply with stringent international technical and safety standards such as various ARI standards, ASME, UL, PED, CE, SQL China and UDT Poland etc; has enabled it to export its HVAC products into the USA, Europe and almost any other countries in the world.

During the year under review, the Malaysian operations had achieved a 13.8% increase in export sales compared to 8% increase in the previous financial year.

North America Operations

The Group's North America operations are conducted mainly by two 100%-owned subsidiaries, namely the Hartford Compressors Inc ("HCI") in West Hartford, Connecticut and the Dunham-Bush Inc ("DB Inc") in Harrisonburg, Virginia.

HCI is the Group's major centre for the manufacture and design of its own patented Rotary Screw Compressors used mainly in the Group's Chillers products. HCI houses the Group's large Engineering and Research Laboratory for the design, development, and testing of rotary screw compressors and chillers. Although almost 64% of the compressors manufactured by HCI are being used by the Group's Malaysian subsidiary, Dunham-Bush Industries Sdn

- Rancangan Pemberhentian Pelaburan bagi anak syarikat milik 51% di United Kingdom, iaitu Dunham-Bush (Europe) plc ("DBE") melalui Memorandum Persefahaman yang diumumkan kepada Bursa Malaysia Securities Berhad pada 8 Ogos 2003, digugurkan lantaran sebab-sebab yang tidak diduga. Kumpulan ini akan terus mencari peluang untuk memberhentikan kepentingan ekuitinya dalam DBE.

TINJAUAN OPERASI

Operasi di Asia

Walaupun dengan kesan buruk daripada SARS, operasi Kumpulan ini di China terus berprestasi baik, dan mampu melariskan jualan di samping memperoleh keuntungan yang lebih tinggi bagi tahun yang ditinjau. Pada tahun yang ditinjau, operasi Kumpulan ini di China berjaya mendapat beberapa projek berprestij, yang merangkumi Pejabat Kerajaan Daerah Guizhou Wudang; Pusat Lalu Lintas Fuzhou; Laluan Bawah Tanah Tianjin; Universiti Pegawai Kerajaan Heilongjiang; Bangunan Pemeliharaan Air Jiangxi Nanchang; Hotel Jiangxi Ganjiang; Universiti Shanghai Cadre; Kompleks Sukan Siswazah Shanghai; Kumpulan Hebei Huaite; Rumah Agama Shenyang Zhonghan dan sebagainya.

Operasi anak syarikat milik 55% Kumpulan ini yang baru ditubuhkan di China untuk mengilang Pemampat Skru Putar tegak berpaten Dunham-Bush, mencapai kemajuan yang memuaskan dan berjaya memulakan pengeluaran pemampat secara tempatan. Ini dapat meningkatkan daya saing harga dan keuntungan produk pendinginnya di China.

Pada tahun yang ditinjau, operasi Kumpulan ini di Malaysia pula terus menumpukan usaha secara agresif untuk



Imax 3D, Hyderabad, India.

melariskan jualan eksport supaya dapat mengimbangi sebahagian daripada susutan jualan domestiknya di Malaysia. Jualan domestik yang jatuh di Malaysia disebabkan terutamanya oleh kekurangan aktiviti yang berterusan dalam sektor bangunan perdagangan dan perindustrian. Kebolehan operasi di Malaysia untuk mengeluarkan pendingin dan produk HVAC yang lain, yang ditauliahkan untuk memenuhi dan mematuhi piawai teknikal dan keselamatan antarabangsa yang ketat, seperti piawai-piawai ARI, ASME, UL, PED, CE, SQL China, UDT Poland dan sebagainya, membolehkannya mengeksport produk HVCA keluarannya ke AS, Eropah dan hampir mana-mana negara lain di dunia.

Pada tahun yang ditinjau, jualan eksport bagi operasi di Malaysia naik 13.8% berbanding peningkatan 8% pada tahun kewangan yang lepas.

Operasi di Amerika Utara

Operasi Kumpulan ini di Amerika Utara dikendalikan terutamanya oleh dua anak syarikat milik 100%, iaitu Hartford Compressors Inc ("HCI") di West Hartford, Connecticut dan Dunham-Bush Inc ("DB Inc") di Harrisonburg, Virginia.

HCI ialah pusat utama Kumpulan ini bagi pengilangan dan reka bentuk Pemampat Skru Putar berpaten yang digunakan terutamanya dalam produk Pendingin keluaran Kumpulan ini. HCI menempatkan Makmal Kejuruteraan dan Penyelidikan yang terbesar dalam Kumpulan ini, yang mereka bentuk, memajukan dan menguji pemampat skru putar dan pendingin. Sungguhpun hampir 64% daripada pemampat yang dikilangkan oleh HCI digunakan oleh anak syarikat Kumpulan ini di Malaysia, iaitu Dunham-Bush Industries Sdn Bhd, dan sebahagiannya oleh Dunham-Bush Yantai Co Limited di China, HCI kini lebih bertumpu pada



Taj Mahal Hotel, Mumbai, India.



Pun Hlaing International Hospital Yangon, Myanmar.

Bhd, and partly by Dunham-Bush Yantai Co Limited, China; HCI is now focusing more on sales to third party OEM customers. HCI is also expected to commence commercial production of its newly developed Variable-Frequency Drive ("VFD") compressors in early 2005, which will help to increase its sales volume and profitability in the years ahead.

The restructured DB Inc's operation is now focused on marketing, sales and service of Dunham-Bush Chillers and associated HVAC products and parts, mainly imported from the Group's Malaysian factory.

DB Inc faced major challenges in promoting Malaysian-made chillers and HVAC products into USA and Canadian markets due to doubt on the quality and ability to meet delivery lead-time. However, with the successful delivery and installation of several Malaysian-made chillers and HVAC products, there is now a wider market acceptance of Dunham-Bush Malaysian-made chillers and HVAC products by consulting engineers, contractors and end-users. The DB Inc's Manufacturer Representatives are now more confident and active in promoting Malaysian-made chillers and HVAC products. During the year under review, DB Inc recorded a small operating loss before interest and non-operating items.

Europe Operations and Others

The Group's operations in Europe returned a small contribution to the Group's result despite the continued tough market environment in the region. The other sales and marketing subsidiaries in Europe, Africa, Asia, and Middle-East, had on the whole performed satisfactorily.

In 2004 Dunham-Bush Ltd, a subsidiary of the Group in the United Kingdom ("UK") was the winner of the coveted "Industrial/Commercial Heating Product of the Year" award for 2004 by H & V News in UK. This was for the Avant-Garde range of fan convector heaters, which have already proved very popular with the customers. The heaters are designed to operate with condensing boilers and incorporate a highly efficient heat exchanger and utilise the latest DC motor technology, again an energy saving feature.

Dunham-Bush Limited also beginning to make positive market penetration with two other recent product developments; the Hydrocourse Trench Heating system and the Sentry Air Curtain. With the addition of these products to the more traditional fan convector radiant panels and fan coil units, Dunham-Bush Limited now has a comprehensive product range to answer almost any demand for the heating of commercial, institutional, school, hospital and church buildings.

RESEARCH AND DEVELOPMENT

It is becoming increasingly challenging to compete in the world market. As globalization gains momentum it leads to a higher degree of competition. This has resulted in many countries or regional unions introducing and/or implementing new regulations and technical requirements for imported goods especially for high engineering and high technology products such as large tonnage chillers and commercial and industrial air-conditioning products.



Fan Convector heaters from Dunham-Bush won the Industrial/Commercial Heating Product of the Year Award 2004 by H & V News, UK.



Technology Park Malaysia, Bukit Jalil, Kuala Lumpur.

jualan kepada pelanggan OEM pihak ketiga. Pada awal tahun 2005, HCI juga dijangka akan memulakan pengeluaran secara komersial bagi pemampat Pacuan Frekuensi Boleh Ubah (*Variable-Frequency Drive* atau "VFD") yang baru dimajukan olehnya, yang akan membantu melariskan jualanannya dan menambah keuntungannya pada tahun-tahun akan datang.

Operasi DB Inc yang disusun semula kini bertumpu pada pemasaran, penjualan dan servis Pendingin Dunham-Bush, serta produk dan alat ganti HVAC yang berkaitan, yang diimport terutamanya daripada kilang milik Kumpulan ini di Malaysia.

DB Inc menghadapi cabaran besar semasa mempromosikan pendingin buatan Malaysia dan produk HVAC di pasaran AS dan Kanada disebabkan keraguan tentang mutunya dan kemampuannya menepati waktu penghantaran. Namun begitu, berkat kejayaan penghantaran dan pemasangan beberapa pendingin dan produk HVAC buatan Malaysia, kini terdapat penerimaan pasaran yang lebih meluas terhadap pendingin dan produk HVAC buatan Malaysia oleh jurutera perunding, kontraktor dan pengguna akhir. Wakil Pengilang DB Inc kini lebih yakin dan giat mempromosikan pendingin dan produk HVAC buatan Malaysia. Pada tahun yang ditinjau, DB Inc mencatatkan kerugian kendalian yang kecil sebelum mengambil kira faedah dan perkara-perkara bukan kendalian.

Operasi di Eropah dan di Tempat-tempat Lain

Operasi Kumpulan ini di Eropah masih dapat memberikan sumbangan kecil kepada hasil Kumpulan ini walaupun terus menghadapi persekitaran pasaran yang sukar di rantau tersebut. Anak-anak syarikat penjualan dan pemasaran yang lain di Eropah, Afrika, Asia dan Timur Tengah pada keseluruhannya mencapai prestasi yang memuaskan.

Pada tahun 2004, Dunham-Bush Ltd, anak syarikat Kumpulan ini di United Kingdom ("UK") memenangi

anugerah berprestij "Produk Pemanas Perindustrian/Perdagangan Tahunan" (Industrial/Commercial Heating Product of the Year) bagi tahun 2004 daripada H & V News di UK. Anugerah ini dikurniakan bagi barisan pemanas olakan kipas Avant-Garde, yang sudah terbukti sangat popular di kalangan pelanggan. Pemanas ini direka bentuk untuk beroperasi dengan dandang pemeluwapan dan dilengkapi penukar haba yang sangat cekap serta menggunakan teknologi motor AT (arus terus) terkini, satu lagi ciri penjimat tenaga.

Dunham-Bush Limited juga kini mula mencapai penembusan pasaran yang positif dengan dua pembangunan projek lain baru-baru ini; sistem *Hydrocourse Trench Heating* dan *Sentry Air Curtain*. Dengan tambahan produk ini pada panel sinaran olakan kipas yang lebih tradisional dan unit gegelung kipas, Dunham-Bush Limited kini menawarkan rangkaian produk yang menyeluruh untuk memenuhi hampir apa jua permintaan bagi pemanasan bangunan perdagangan, institusi, sekolah, hospital dan gereja.

PENYELIDIKAN DAN PEMBANGUNAN

Kini persaingan di pasaran dunia semakin mencabar. Sementara globalisasi meningkatkan momentumnya, persaingan kian bertambah sengit. Ini menyebabkan banyak negara atau kesatuan serantau memperkenalkan dan/atau melaksanakan peraturan dan keperluan teknikal yang baru terhadap barangan import, terutamanya bagi produk kejuruteraan tinggi dan teknologi tinggi, seperti pendingin bermuatan tinggi dan juga produk penyaman udara perdagangan dan perindustrian.

Untuk mengekalkan daya saingnya, Kumpulan Kejuruteraan Penyelidikan dan Pembangunan Malaysia, dengan



Genting First World Plaza Hotel, the largest hotel in the world.



WCOX Water-Cooled Horizontal Screw Chiller.

To stay competitive, the Malaysia Research and Development Engineering Group, working jointly and with assistance from HCI's engineers and DB Inc's engineers in USA, has continued to improve efficiency, performance and features of existing product lines and also to develop and introduce new advanced HVAC products which meet stringent international standards as well as to satisfy customers' expectation on pricing, performance, quality and delivery.

During the year under review, several new products and upgrades were introduced into the market to keep up with the demands of the customers, as follows:-

1. The new series of WXC Water-Cooled Horizontal Screw Chillers of between 76 tons to 198 tons capacities were introduced as a lower cost alternative to the existing superior WCFX line. The refrigerant used can be R22, R134a or R507.
2. The new 50Hz WCS Water-Cooled Scroll Chillers with capacity ranging from 12 tons to 62 tons designed for compactness, operating efficiency, quiet operation, low cost and ease of use. These are the direct expansion chillers using the new refrigerants R407c, R134a or HCFC 22.
3. The revised CS2 Air-Handling Units with air flow capacity ranging from 1,200 cfms to 62,000 cfms with modular design concept for custom HVAC solutions were redesigned with dimensions suitable for loading into containers and to maximize the container space usage. This revision reduces significant amount of the

freight cost as these units are mainly exported to USA, Mexico and the Latin American countries. The performance of this product is certified to ARI 430 and UL 1995 listed.

4. The new ACCS/VEB/HEB-HP air-to-air reversible heat pumps with cooling capacity from 5 tons to 85 tons and heating capacity from 20 kW to 315 kW, using high efficiency scroll compressors were introduced. The refrigerant used can be either R22 or R407c.
5. All pressure vessels used in heat pumps and chiller products that are shipped to EU countries have been designed and certified to comply with Pressure Equipment Directive as one of the requirements of CE marks. In addition to the certifications of unfired pressure vessel that we have obtained from ASME for the "U" & "UM" stamps, UL, Malaysia JKKP (DOSH) and China SELO (Special Equipment Licensing Office), Dunham-Bush products are hence meeting the safety, quality and technical standards for exporting to various countries in the world.
6. The new Dunham-Bush Vision 2020i micro-computer controller was introduced in chiller products and environmental close-control DB-Aire products as a competitive and most up-to-date controller developed to keep up with the market demands. Other than the standard user interfacing, local monitoring and communication with an external BMS, this controller with graphic display, 2 MB of memory and event log feature provides SMS messages, improved services, maintenance and research & development.



CS2/Air Handling Units for US & Latin American markets.



WXC Water-Cooled Horizontal Screw Chiller.

kerjasama dan bantuan jurutera HCI dan jurutera DB Inc di AS, terus memperbaiki kecekapan, prestasi dan ciri-ciri barisan produk yang sedia ada di samping menghasilkan dan memperkenalkan produk HVAC yang baru dan termaju, yang memenuhi piawai antarabangsa yang ketat tanpa mengabaikan harapan pelanggan terhadap harga, prestasi, mutu dan penghantaran.

Pada tahun yang ditinjau, berikut adalah produk-produk baru dan yang dinaiktarafkan yang telah diperkenalkan di pasaran untuk memenuhi permintaan pelanggan:-

1. Siri baru Pendingin Skru Mendatar Berdinginkan Air WXC dengan muatan 76 tan hingga 198 tan diperkenalkan sebagai alternatif berkost lebih rendah bagi barisan WCFX sedia ada yang bertaraf lebih tinggi. Bahan pendingin R22, R134a atau R507 boleh digunakan.
2. Pendingin Tatal Berdinginkan Air WCS 50Hz yang baru dengan muatan 12 tan sehingga 62 tan yang direka bentuk demi kepadatan, kecekapan kendalian, operasi senyap, kos rendah, dan kesenangan penggunaan. Inilah pendingin pengembangan terus yang menggunakan bahan pendingin baru R407c, R134a atau HCFC 22.
3. Unit Pengendalian Udara CS2 diperbaharui yang mempunyai keupayaan aliran udara 1,200 cfms sehingga 62,000 cfms dengan konsep reka bentuk bermodul bagi penyelesaian HVAC telah direka bentuk semula dengan ukuran yang boleh dimuatkan ke dalam bekas sambil memaksimumkan penggunaan ruang bekas. Pembaharuan ini mengurangkan kos muatan dengan ketara kerana unit ini dieksportkan terutamanya ke AS, Mexico dan negara-negara Latin Amerika. Prestasi produk ini ditauliahkan ARI 430 dan tersenarai di UL 1995.

4. Pam haba boleh balik udara-ke-udara ACCS/VEB/HEB-HP baru dengan keupayaan pendinginan 5 tan hingga 85 tan dan keupayaan pemanasan 20 kW hingga 315 kW yang menggunakan pemampat tatal kecekapan tinggi diperkenalkan. Bahan pendingin R22 atau R407c boleh digunakan.
5. Semua bejana tekanan yang digunakan di dalam pam haba dan produk pendingin yang dihantarkan ke negara-negara EU telah direka bentuk semula dan diiktiraf mematuhi Arahan Kelengkapan Tekanan sebagai salah satu keperluan tanda CE. Di samping pengiktirafan bejana tekanan tidak terbakar yang kami peroleh daripada ASME bagi cap "U" & "UM", UL, JKPP (DOSH) Malaysia dan SELO (*Special Equipment Licensing Office* iaitu Pejabat Pelesenan Kelengkapan Khas) China, produk Dunham-Bush kini memenuhi piawai keselamatan, mutu dan teknikal untuk mengeksport ke berbilang negara sedunia.
6. Pengawal mikrokomputer Dunham-Bush baru yang dinamai Vision 2020i diperkenalkan di dalam produk pendingin dan produk DB-Aire kawalan tertutup alam sekitar sebagai pengawal yang berdaya saing dan paling terkini yang dihasilkan untuk memenuhi permintaan pasaran. Selain pengantaramukaan pengguna yang piawai, pemantauan setempat dan komunikasi dengan BMS luar, pengawal dengan paparan grafik, ingatan 2 MB dan ciri-ciri catatan peristiwa ini menyediakan mesej SMS, perkhidmatan yang ditingkatkan, penyelenggaraan, dan juga penyelidikan dan pembangunan.



WCS Water-Cooled Scroll Chiller.



MS ISO 9001 : 2000 Certification.



The Air-Conditioning & Refrigeration Institute Certification.

The Group, with its strong technological background, a proven worldwide product installations track record and the renowned "Dunham-Bush" brand will continue to be a competitive player in the global HVAC market and continue to expand its market presence through its wide global sales network.

The Group will also continue to focus on Research and Developments, not only to improve the efficiency and reliability of its existing product lines but also to introduce new innovative products for the demanding global market. Among the Group's priorities for the current year are the continuous training and upgrading of the employees' skill knowledge and expertise as well as cost reduction efforts. This includes the search for lower cost and better quality components to ensure reliable, efficient, and competitively priced products are produced.

PROSPECTS AND STRATEGY

The recent announcement made by the Malaysian Government of the additional allocation of RM8 billion development funds will hopefully reverse the downtrend of the local HVAC market. However, the Group does not expect the Malaysian Industrial and Commercial Building Sectors, where the Group's main products are marketed, to achieve a strong recovery in the current year.

Notwithstanding the uncertain global economy, there are indications that the European, American and Japanese economies are on the recovery path and despite the restraining efforts by the Chinese government on its economy, the expected growth rate remains respectable. These improvements are expected to have a positive impact on the businesses of the Group.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend the Group's gratitude and appreciation for the continued support of our shareholders, customers, business partners, financiers and all the relevant authorities. Our thanks also go out to all the management and staff for their commitment and dedication towards the Group.

We are also grateful for the continued support from the Malaysian Government and the Governments of the respective countries in which the Group operates.

TAN SRI DATO' MOHAMED YUSOFF BIN MOHAMED

Chairman
8 September 2004



Putrajaya, Parcel C.

PROSPEK DAN STRATEGI

Pengumuman yang dibuat baru-baru ini oleh Kerajaan Malaysia tentang peruntukan tambahan dana pembangunan sebanyak RM8 bilion diharapkan dapat mengubah arah aliran menurun pasaran HVAC tempatan. Walau bagaimanapun, Kumpulan ini tidak menjangka pemulihan yang baik pada tahun ini oleh Sektor Bangunan Perindustrian dan Perdagangan Malaysia, iaitu sektor produk utama Kumpulan ini dipasarkan.

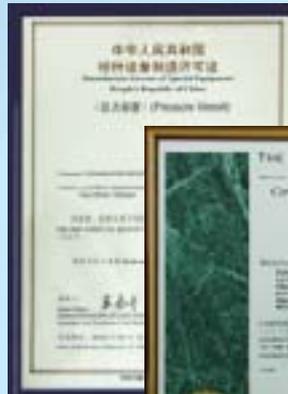
Walaupun ekonomi dunia masih tidak menentu, terdapat tanda-tanda bahawa ekonomi Eropah, Amerika dan Jepun sedang beransur pulih dan walaupun dengan usaha penyekatan yang diambil oleh kerajaan China terhadap ekonominya, kadar pertumbuhan yang diramalkan tetap agak baik. Peningkatan ini dijangka meninggalkan kesan yang positif terhadap perniagaan Kumpulan ini.

Dengan latar belakang teknologinya yang kukuh, rekod pencapaian pemasangan produk seluruh dunia yang terbukti, dan jenama "Dunham-Bush" yang terkemuka, Kumpulan ini akan terus menjadi peserta yang berdaya saing di pasaran HVCA dunia dan akan terus memperluas penyertaannya di pasaran melalui rangkaian penjualan sedunia yang luas.

Kumpulan ini juga akan terus bertumpu pada Penyelidikan dan Pembangunan, bukan hanya untuk menambahbaikkan kecekapan dan keandalan barisan produknya yang sedia



New Painting Facilities in Kidamai Manufacturing Plant, Malaysia.



Manufacture Licence of Special Equipment for People's Republic of China.



Certificate of Authorization - ASME

ada, malah juga untuk memperkenalkan produk inovatif yang baru bagi pasaran dunia yang berpermintaan tinggi. Antara keutamaan Kumpulan ini bagi tahun ini adalah latihan dan penaikan taraf pengetahuan dan kemahiran pekerjaannya secara berterusan, di samping usaha pengurangan kos. Ini merangkumi pencarian komponen yang berkos lebih rendah dan bermutu lebih tinggi untuk memastikan produk yang dihasilkan boleh dipercayai, cekap dan berharga kompetitif.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin melahirkan setinggi-tinggi penghargaan daripada Kumpulan ini atas sokongan berterusan oleh para pemegang saham, pelanggan, rakan niaga, pembiaya dan semua pihak berkuasa yang berkenaan. Kami juga amat berterima kasih kepada semua anggota pengurusan dan kakitangan atas komitmen dan dedikasi yang mereka hulurkan kepada Kumpulan ini.

Kami turut terhutang budi atas sokongan yang berterusan oleh Kerajaan Malaysia dan juga Kerajaan di negara-negara Kumpulan ini beroperasi.

TAN SRI DATO' MOHAMED YUSOFF BIN MOHAMED

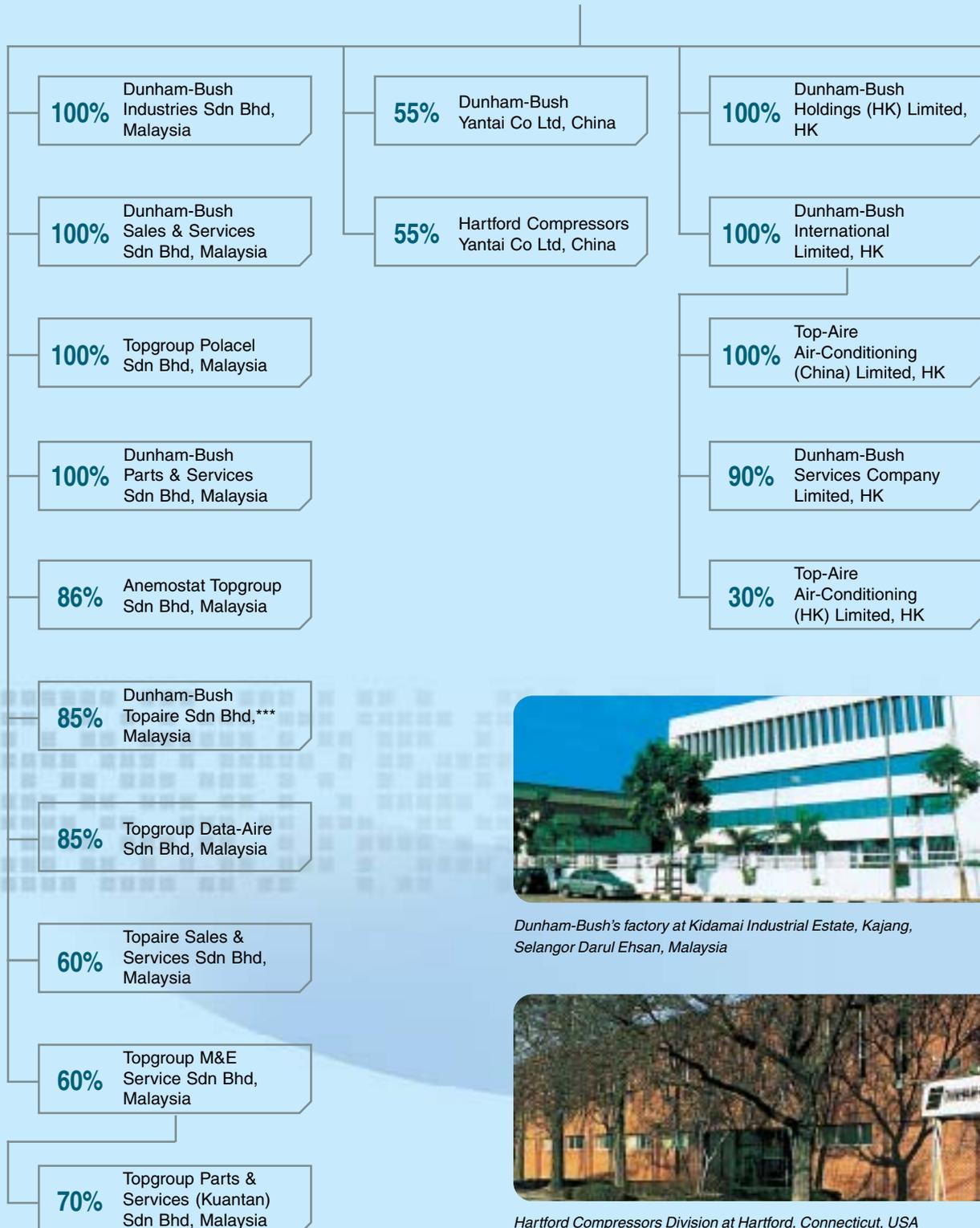
Pengerusi

8 September 2004

Group Structure

As At 30 August 2004

DUNHAM-BUSH MALAYSIA



Dunham-Bush's factory at Kidamai Industrial Estate, Kajang, Selangor Darul Ehsan, Malaysia



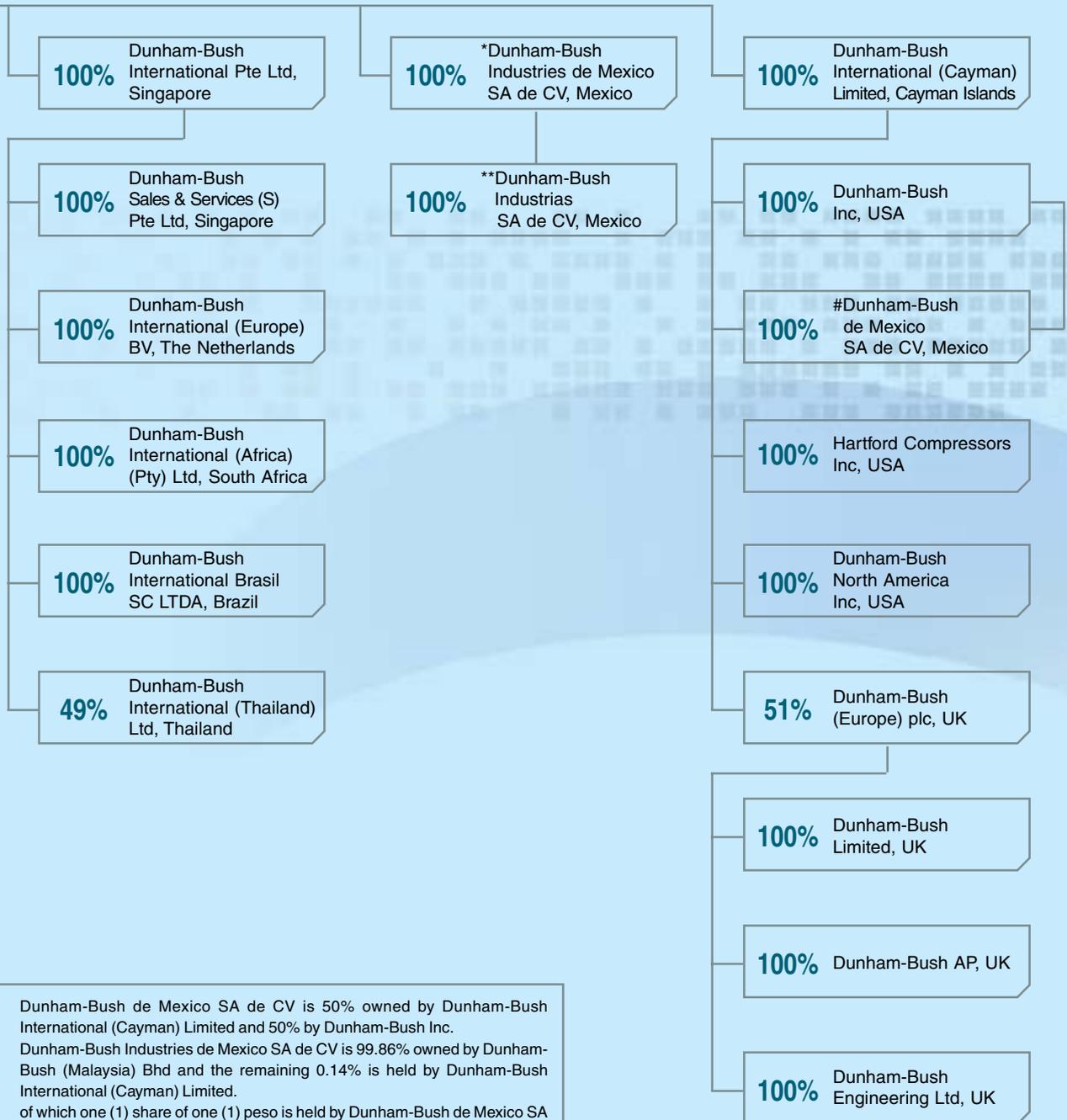
Hartford Compressors Division at Hartford, Connecticut, USA



Dunham-Bush's factory at Yantai, the People's Republic of China



Dunham-Bush's factory at Havant, England



Dunham-Bush de Mexico SA de CV is 50% owned by Dunham-Bush International (Cayman) Limited and 50% by Dunham-Bush Inc.
 * Dunham-Bush Industries de Mexico SA de CV is 99.86% owned by Dunham-Bush (Malaysia) Bhd and the remaining 0.14% is held by Dunham-Bush International (Cayman) Limited.
 ** of which one (1) share of one (1) peso is held by Dunham-Bush de Mexico SA de CV.
 *** Formerly known as Topaire Sdn Bhd.

Group Financial Summary

| Description | 2003/2004 | 2003/2004 | 2002/2003 | 2001/2002 | 2000/2001 | 1999/2000 | 1998/99 | 1997/98 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|
| | US\$'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 94,405 | 358,738 | 362,914 | 409,266 | 489,523 | 440,873 | 450,899 | 459,216 |
| Profit/(Loss) before taxation | 5,837 | 22,182 | (32,046) | (62,520) | (12,793) | (13,109) | (25,878) | (6,360) |
| Profit/(Loss) after taxation | 5,308 | 20,172 | (37,536) | (65,482) | (15,177) | (16,485) | (29,092) | (11,170) |
| Profit/(Loss) attributable to shareholders | 3,415 | 12,976 | (40,887) | (69,525) | (17,798) | (19,450) | (31,867) | (7,996) |
| Share capital | 23,780 | 90,364 | 90,364 | 88,331 | 88,331 | 44,148 | 43,998 | 43,998 |
| Share premium | 30,136 | 114,518 | 114,518 | 94,552 | 94,552 | 88,723 | 88,527 | 88,527 |
| Reserves | (29,410) | (111,757) | (123,905) | (70,012) | (156) | 20,208 | 45,578 | 81,405 |
| Shareholders' equity | 24,506 | 93,125 | 80,977 | 112,871 | 182,727 | 153,079 | 178,103 | 213,930 |
| ICULS | - | - | - | 21,999 | 21,999 | 21,999 | 21,999 | 21,999 |
| Minority interests | 7,757 | 29,475 | 29,547 | 28,226 | 20,091 | 15,595 | 15,692 | 10,254 |
| Reserve on consolidation | 230 | 875 | 875 | - | - | - | - | - |
| Capital funds | 32,493 | 123,475 | 111,399 | 163,096 | 224,817 | 190,673 | 215,794 | 246,183 |
| Deferred liabilities | 9,755 | 37,069 | 44,660 | 25,144 | 9,177 | 48,198 | 19,660 | 51,629 |
| Current liabilities | 47,874 | 181,921 | 189,929 | 195,498 | 251,379 | 225,467 | 236,583 | 188,028 |
| | 90,122 | 342,465 | 345,988 | 383,738 | 485,373 | 464,338 | 472,037 | 485,840 |
| Property, plant and equipment | 26,091 | 99,147 | 94,398 | 93,999 | 147,193 | 154,817 | 167,529 | 181,730 |
| Intangible assets | 34 | 128 | 414 | 10,906 | 27,777 | 28,954 | 35,182 | 35,097 |
| Investments | - | - | - | - | - | 122 | 68 | 70 |
| Current assets | 63,997 | 243,190 | 251,176 | 278,833 | 310,403 | 280,445 | 269,258 | 268,943 |
| Total assets | 90,122 | 342,465 | 345,988 | 383,738 | 485,373 | 464,338 | 472,037 | 485,840 |
| Net tangible assets per share (cent/sen) | 27.1 | 102.9 | 89.2 | 114.4 | 175.4 | 281.2 | 324.8 | 406.5 |
| Net assets per share (cent/sen) | 27.1 | 103.1 | 89.6 | 127.8 | 206.9 | 346.7 | 404.8 | 486.2 |
| Earnings/(Loss) per share (cent/sen) | 4 | 14 | (45) | (79) | (33) | (44) | (72) | (18) |
| Dividend rate (%) | - | - | - | - | - | 3 | 5 | 10 |
| Dividend amount (US\$'000/RM'000) | - | - | - | - | - | 1,325 | 1,892 | 4,030 |

Exchange Rate: US\$1.00 = RM3.80

Notes:-

- Where additional shares are issued, the earnings per share are calculated on a weighted average number of shares.
- Dividend for FY 1997/98 and FY 1998/99 included a tax exempt dividend of 7% & 2.5% respectively.
- Dividend for FY 1999/2000 is tax exempted.

Audit Committee Report

The Board of Directors of Dunham-Bush (Malaysia) Bhd is pleased to present the report of the Audit Committee for the financial year ended 30 April 2004.

AUDIT COMMITTEE MEMBERS AND MEETING ATTENDANCES

The Audit Committee comprises the following members:-

Tan Sri Dato' Mohamed Yusoff Bin Mohamed
- *Chairman/Independent Non-Executive Director*

Faizal Bin Dato' Abdul Aziz (Appointed on 25 June 2004)
- *Independent Non-Executive Director*

Tay Thiam Siew
- *Non-Independent/Non-Executive Director*

Dato' Dr Haji Abdul Murad Bin Ahmad
(Resigned on 25 June 2004)
- *Independent Non-Executive Director*

Dato' Ibrahim Bin Ali (Resigned on 20 March 2004)
- *Independent Non-Executive Director*

The Audit Committee held five (5) meetings during the financial year ended 30 April 2004. The details of attendance of the Audit Committee members are as follows:-

| <u>Name</u> | <u>Attendance</u> |
|--|-------------------|
| Tan Sri Dato' Mohamed Yusoff Bin Mohamed | 3/5 |
| Dato' Dr Haji Abdul Murad Bin Ahmad | 4/5 |
| Dato' Ibrahim Bin Ali | 3/5 |
| Tay Thiam Siew | 4/5 |

The General Manager of Internal Audit of Cosway Corporation Berhad, the senior finance officers of the Company and the Senior General Manager of Group Accounts and Budgets were also invited to attend the audit committee meetings. The external auditors were also invited to attend two of these meetings.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The activities undertaken by the Audit Committee during the financial year ended 30 April 2004 included the following:-

1. Reviewed the quarterly and year-to-date unaudited financial results before submission to the Board for consideration and approval;
2. Reviewed and discussed the external auditors' audit report and management's response thereof;
3. Reviewed the external auditors' scope of work and audit plan for the year;
4. Reviewed the internal audit reports presented and considered the major findings of internal audit in the Group's operating subsidiaries through the review of the internal audit reports tabled and management responses thereof and ensuring significant findings are adequately addressed by Management;
5. Reported to the Board on its activities and significant findings and results;
6. Reviewed the shareholders' circular in relation to the recurrent related party transactions.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Company does not have its own in-house Internal Audit Department. However, the services of the Internal Audit Department of Cosway Corporation Berhad (the Company's intermediate holding company), was engaged to undertake the necessary activities that would enable the Audit Committee to discharge its function. The primary function of the outsourced Internal Audit Department was to independently carry out a review of the existing systems, controls and procedures and thereafter provide such recommendations that would assist the various operating units to accomplish its internal controls requirements and/or further enhance existing controls.

The Audit Committee evaluated the planning strategies of the Internal Auditors which covered significant overseas activities. The Internal Audit function which is outsourced from the Company's intermediate holding company, Cosway Corporation Berhad, provided recommendations to assist the Group in accomplishing its internal control requirements by suggesting improvements to the effectiveness of such control processes.

During the financial year, the Internal Audit Department has carried out audit assignments on its two subsidiaries in China and as well as the local operations.

The debut review of the manufacturing plants in Yantai, China of Dunham-Bush Yantai Co Ltd has allowed the Audit Committee to further understand the business environment and the corporate culture of our Chinese subsidiaries. Together with the audit of the sales center in Shanghai and Dunham-Bush International Ltd, Hong Kong, the Audit Committee has gained the necessary assurance over the internal and management control environments of both these companies.

The local companies audited were Dunham-Bush Industries Sdn Bhd and Dunham-Bush Sales & Services Sdn Bhd.

Audit findings, recommendations and management comments raised from the reviews were tabled and reported in the Audit Committee Meeting.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. MEMBERSHIP

The Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members, a majority of whom shall be Independent Directors and at least one member of the Committee must be a member of the Malaysian Institute of Accountants or possess such other qualifications and/or experience as approved by Bursa Malaysia Securities Berhad.

A quorum shall consist of two members and a majority of the members present must be Independent Directors.

If a member of the audit committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three,

the board of directors shall, within three months of that event, appoint such number of new members as may be required to make up the minimum number of three members.

2. CHAIRMAN

The Chairman of the Committee shall be an Independent Director appointed by the Board. He shall report on each meeting of the Committee to the Board.

3. SECRETARY

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to the Committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the audit committee and circulating them to the Committee members and to the other members of the Board of Directors.

4. FREQUENCY OF MEETINGS

Meetings shall be held not less than four times a year and will normally be attended by the Director charged with the responsibilities of the Group's finance and Head of Internal Audit. The presence of external auditors will be requested if required and the external auditors may also request a meeting if they consider it necessary.

5. AUTHORITY

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary.

The Committee is also authorised to convene meetings with the external auditors excluding the attendance of the executive members of the Committee, wherever deemed necessary.

6. DUTIES

The duties of the Committee shall be:-

- (a) To review and recommend the appointment of external auditors, the audit fee and any questions of resignation or dismissal including the nomination of person or persons as external auditors;
- (b) To discuss with the external auditors where necessary, on the nature and scope of audit and to ensure coordination of audit where more than one audit firm is involved;
- (c) To review the quarterly results and year-end financial statements prior to the approval by the Board, focusing on:-
 - going concern assumption
 - compliance with accounting standards and regulatory requirements
 - any changes in accounting policies and practices
 - significant issues arising from the audit
 - major judgmental areas
- (d) To prepare Audit Committee Report at the end of each financial year;
- (e) To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary);
- (f) To review the external auditors' management letter and management's response;
- (g) To review 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;
- (h) To do the following in relation to the internal audit function:-
 - review the adequacy of scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its work;
 - review internal audit programme;
 - ensure coordination of external audit with internal audit;
 - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - review any appraisal or assessment of the performance of the staff of the internal audit function;
 - approve any appointment or termination of senior staff member of the internal audit function;
 - keep itself informed of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason for resignation;
 - to monitor related party transactions entered into by the Company and its subsidiaries, and to ensure that the Directors report such transactions annually to shareholders via the annual report;
 - to review and monitor the effectiveness of internal control systems and to evaluate the systems with the external auditors;
- (i) To carry out such other responsibilities, functions or assignments, as may be defined jointly by the Audit Committee and the Board of Directors from time to time;
- (j) In compliance with Paragraph 15.17 of Bursa Securities Listing Requirements, where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee must promptly report such matter to the Securities Exchange.

Statement on Corporate Governance

Pursuant to paragraph 15.26 of the Bursa Securities Listing Requirements, a public listed company is required to disclose in its annual report a narrative statement of how it has applied the Principles of Corporate Governance as set out in Part 1 of the Malaysian Code on Corporate Governance ("Code") and the extent of its compliance with the best practices as stipulated in the Code.

The Board of Directors of the Company is fully committed to maintain a high standard of corporate governance throughout the Company and its group of companies to protect and enhance shareholders value.

The following statement outlines the Company's application of the principles and best practices of the Code for the financial year ended 30 April 2004.

A) DIRECTORS

i) The Board

The Board is primarily responsible for the strategic direction of the Group. The Board meets at least four (4) times a year, with additional meetings being convened when necessary. During the financial year ended 30 April 2004, the Board met 4 times. The details of the Directors attendance at these Board meetings are as follows:-

| Name | Attendance |
|---|------------|
| Tan Sri Dato' Mohamed Yusoff Bin Mohamed (Chairman) | 3/4 |
| Tan Sri Dato' Tan Chee Sing | 3/4 |
| Yeo Sek Chiong | 4/4 |
| Kamal Bin Mohamad Noor | 3/4 |
| Freddie Pang Hock Cheng | 4/4 |
| Tay Thiam Siew | 3/4 |
| Chua Tee Hock | 4/4 |
| Dato' Dr Haji Abdul Murad Bin Ahmad | 3/4 |
| Dato' Ibrahim Bin Ali (resigned on 20.3.2004) | 3/4 |

ii) Board Balance

There are presently eight (8) Board members in the Company comprising:-

| | |
|--|-----|
| Executive Directors (including the Managing Director) | 2/8 |
| Independent Non-Executive Directors | 2/8 |
| Non-Independent Non-Executive Directors | 4/8 |

The profile of each Director is presented in this Annual Report on Pages 3 to 5 of the Annual Report.

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

Tan Sri Dato' Mohamed Yusoff Bin Mohamed, the Chairman of the Company and the Audit Committee has been identified as the Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed.

iii) Supply of Information

All Directors have full and timely access to information concerning the Company and the Group. Board papers and reports include the Group performance and major operational, financial and corporate information are distributed to the Directors prior to Board Meetings and to enable Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

All Directors have access to the advice and services of the Company Secretary and may obtain independent professional advice at the Company's expense in furtherance of their duties.

iv) Appointment to the Board

The Nomination Committee currently comprises the following members:-

Tan Sri Dato' Mohamed Yusoff Bin Mohamed
- *Chairman/Independent Non-Executive*

Faizal Bin Dato' Abdul Aziz
- *Independent Non-Executive*

Freddie Pang Hock Cheng
- *Non-Independent Non-Executive*

The Committee is empowered by its terms of reference to perform, amongst others, to recommend to the Board new candidates as Board members or Board Committee members.

v) Directors' Training

All Directors have attended and completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia (RIIAM), an affiliate company of Bursa Malaysia Securities Berhad. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge on a continuous basis in compliance with Practice Note No. 15/2003 of Bursa Securities Listing Requirements on the Continuing Education Programme.

vi) Re-election of Directors

Any Director appointed during the year is required under the Company's Articles of Association, to retire and seek election by shareholders at the following Annual General Meeting ("AGM") immediately after their appointment. The Articles

also requires that one-third of the Directors including the Managing Director, if any, to retire by rotation and seek re-election at each AGM and that each Director shall submit himself for re-election every three years.

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

i) Remuneration Committee

The Remuneration Committee currently comprises the following members:-

Tan Sri Dato' Mohamed Yusoff Bin Mohamed
- *Chairman/Independent Non-Executive*

Faizal Bin Dato' Abdul Aziz
- *Independent Non-Executive*

Freddie Pang Hock Cheng
- *Non-Independent Non-Executive*

The primary function of the Remuneration Committee is to set up the policy framework and to make recommendations to the Board on all elements of the remuneration package and other terms of employment of the Executive Directors. Non-Executive Directors' remuneration will be a matter to be decided by the Board as a whole with the Director concerned abstaining from deliberations and voting on decision in respect of his individual remuneration.

ii) Details of the Directors' Remuneration

The Directors are satisfied that the current level of remuneration is in line with the responsibilities expected.

The aggregate Directors' remuneration paid or payable to all Directors of the Company categorised into appropriate components for the financial year are as follows:-

| | Executive RM'000 | Non- Executive RM'000 | Total RM'000 |
|-------------------------------------|---------------------|-----------------------------|-----------------|
| Fees | - | 71 | 71 |
| Salaries and other emoluments | 838 | 42 | 880 |
| Bonus | 62 | - | 62 |
| | 900 | 113 | 1,013 |

The number of Directors of the Company who served during the financial year and whose total remuneration from the Group falling within the respective band are as follows:-

| | Number of Directors | |
|-----------------------|------------------------|-------------------|
| | Executive | Non- Executive |
| Below RM50,000 | - | 4* |
| RM300,001 - RM350,000 | 1 | - |
| RM550,001 - RM600,000 | 1 | - |
| | 2 | 4 |

* Inclusive of a Non-Executive Director who resigned during the year.

C) RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Company recognises the importance of timely and regular dissemination of information to shareholders and investors of the Company via annual report and financial statements, circulars to shareholders, quarterly financial reports and the various announcements made during the year. These will enable the shareholders, investors and members of the public to have an overview of the Group's performance and operations.

Shareholders can also obtain up-to-date information on the Group's various activities by accessing its website at <http://www.berjaya.cc>.

The Annual General Meeting ("AGM") also provides an opportunity for the shareholders to seek and clarify any issues relevant to the Company. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions.

D) ACCOUNTABILITY AND AUDIT

i) Financial Reporting

The Directors aim to provide a balanced and meaningful assessment of the Group's financial performance and prospects, primarily through the annual report and quarterly financial statements.

The Directors are also responsible for ensuring the annual financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

A statement by the Directors of their responsibilities in the preparation of financial statements is set out in the ensuing section.

ii) Statement of Directors' Responsibility in respect of the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:-

- (a) select suitable accounting policies and then apply them consistently;
- (b) state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements;
- (c) make judgments and estimates that are reasonable and prudent; and
- (d) prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1965. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

iii) Internal Controls

The Board acknowledges that it is responsible for maintaining a sound system of internal controls, which provides reasonable assessment of effective and efficient operations, internal financial controls, and compliance with laws and regulations as well as compliance with internal procedures and guidelines.

A statement on Internal Control of the Group is set out on Page 28 of the Annual Report.

iv) Relationship with the Auditors

Through the Audit Committee, the Company has established a transparent and appropriate relationship with the Group's auditors, both internal and external. From time to time, the auditors highlight to the Audit Committee and the Board on matters that require the Board's attention.

E) DEVIATION FROM BEST PRACTICE AAIH

– Board Balance

On 20 March 2004, the composition of the Board was short of the required one-third Independent Directors following the resignation of Dato' Ibrahim Bin Ali as an Independent Director of the Company.

Subsequent to the financial year ended 30 April 2004, the Company has complied with the one-third Independent Directors requirement following the appointment of Encik Faizal Bin Dato' Abdul Aziz as an Independent Director of the Company on 15 June 2004. However, the composition of the Board was again short of the required one-third Independent Directors when Dato' Dr Hj Abdul Murad Bin Ahmad resigned as an Independent Director of the Company on 25 June 2004. The Board is still identifying a suitable candidate to fill this vacancy.

Statement on Internal Control

RESPONSIBILITIES

The Board of Directors of Dunham-Bush (Malaysia) Bhd ('Dunham-Bush' or 'the Group') recognises that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity. Notwithstanding, such a system can only provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board's primary objective and direction in managing the Group's principal business risks are to enhance the Group's ability to achieve its business objectives. In order to measure the achievement of the business objectives, the Board monitors the Group's performance and profitability at its Board meetings by receiving feedback from the Executive Directors.

INTERNAL CONTROLS

The Board assigns senior management team, led by the Managing Director, with the responsibility of managing the day-to-day operations of the Group. The Managing Director, together with the senior management team, reviews the Group's performance and addresses significant matters by attending and/or reviewing the weekly Production meeting and Contracts Review meeting as well as chairing the monthly management meeting. Senior management also receives and reviews reports such as the weekly Production Report and the monthly Overseas Operations Report.

Other than through the above meetings and reports, senior management also regularly meet with the heads of departments and subsidiaries both local and overseas, to address any matters arising. The Managing Director, will inform the Board of any significant matters which require Board attention or intervention.

In respect of Dunham-Bush (Europe) Plc, the Group's listed subsidiary, the Board has appointed a nominee director to serve the Group's interests.

The Board has assigned the Audit Committee with the duty of reviewing and monitoring the effectiveness of the Group's system of internal control. The Internal Audit function, which is executed by the intermediate holding company, furnishes the Audit Committee with reports from visits conducted at various subsidiaries. The external auditors provide

assurance in the form of their annual statutory audit of the financial statements. Further, any areas for improvement identified during the course of the statutory audit by the external auditors, are brought to the attention of the Audit Committee through management letters, or are articulated at Audit Committee meetings.

The minutes of the Audit Committee's meetings were submitted to the Board for its review.

During the financial year under review, the Management continued to review the Group's system of internal control vis-à-vis the Guidance issued by the Bursa Malaysia Securities Berhad's Task Force on the Statement on Internal Control. Key features of Dunham Bush system of internal control under review include:-

- Monitoring mechanisms in the form of management reports, and scheduled management and operations meetings
- Clear organisation structure with defined reporting lines
- Capable workforce with clear job descriptions, and continuous training efforts
- ISO Policies and Procedures which set out the expected standards for operations
- Internal and External Audits performed to ensure that ISO Policies and Procedures are being adhered to
- Independent assurance on the system of internal control from regular internal audit visits

ENTERPRISE RISK MANAGEMENT POLICY

During the financial year under review, the Board has adopted the Enterprise Risk Management Policy recommended by the Internal Auditor and a Risk Management Committee is established to assist the Audit Committee to monitor the implementation of the Enterprise Risk Management Policy.

CONCLUSION

The Board remains committed towards operating a sound system of internal control and therefore recognises that the system must continuously evolve to support the type of business and size of operations of the Group. As such, the Board will continuously review and, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control.

Financial Statements

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Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 April 2004.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary companies and associated companies are those of investment holding, manufacturing, servicing and trading of commercial and residential air-conditioning, refrigeration and related equipment.

There have been no significant changes in the nature of these activities during the year, other than those disclosed in Note 13 to the financial statements.

RESULTS

| | Group RM'000 | Company RM'000 |
|-------------------------|-------------------------------|---------------------------------|
| Profit after taxation | 20,172 | 9,099 |
| Minority interests | (7,196) | - |
| Net profit for the year | <u>12,976</u> | <u>9,099</u> |

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than results from investing activities as disclosed in Note 7 to the financial statements.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Mohamed Yusoff Bin Mohamed
Tan Sri Dato' Tan Chee Sing
Yeo Sek Chiong
Kamal Bin Mohamad Noor
Freddie Pang Hock Cheng
Tay Thiam Siew
Chua Tee Hock
Faizal Bin Dato' Abdul Aziz (Appointed on 15.06.2004)
Dato' Ibrahim Bin Ali (Resigned on 20.03.2004)
Dato' Dr. Haji Abdul Murad Bin Ahmad (Resigned on 25.06.2004)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 35 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and debentures in the Company and its related corporations during the financial year were as follows:

The Company

| | Number of Ordinary Shares of RM1.00 Each | | | 30 April 2004 |
|--|--|--------|------|------------------|
| | 1 May 2003 | Bought | Sold | |
| Tan Sri Dato' Mohamed Yusoff Bin Mohamed | 366,167 | - | - | 366,167 |
| Yeo Sek Chiong | 1,270,000 | - | - | 1,270,000 |
| Kamal Bin Mohamad Noor | 928,150 | - | - | 928,150 |

Ultimate Holding Company - Berjaya Group Berhad

| | Number of Ordinary Shares of RM1.00 Each | | | 30 April 2004 |
|-----------------------------|--|--------|------|------------------|
| | 1 May 2003 | Bought | Sold | |
| Tan Sri Dato' Tan Chee Sing | 36,181,000 | - | - | 36,181,000 |
| Freddie Pang Hock Cheng | 679,000 * | - | - | 679,000* |
| Chua Tee Hock | 7,500 | - | - | 7,500 |
| | 60,000 | - | - | 60,000 |

RM1.00 Nominal Amount of 5% Irredeemable Convertible Unsecured Loan Stocks 1999/2009

| | RM1.00 Nominal Amount of 5% Irredeemable Convertible Unsecured Loan Stocks 1999/2009 | | | 30 April 2004 |
|-----------------------------|---|--------|-----------|------------------|
| | 1 May 2003 | Bought | Converted | |
| Tan Sri Dato' Tan Chee Sing | 18,090,500 | - | - | 18,090,500 |
| Chua Tee Hock | 5,000 | - | - | 5,000 |

Number of Warrants

| | Number of Warrants | | | 30 April 2004 |
|-----------------------------|--------------------|--------|-------|------------------|
| | 1 May 2003 | Bought | Sold | |
| Tan Sri Dato' Tan Chee Sing | 71,142,000 | - | - | 71,142,000 |
| Chua Tee Hock | 4,000 | - | 4,000 | - |

DIRECTORS' INTERESTS (CONTD.)

Related Companies - Berjaya Land Berhad

| | Number of Ordinary Shares of RM1.00 Each | | | 30 April 2004 |
|-----------------------------|--|--------|------|------------------|
| | 1 May 2003 | Bought | Sold | |
| Tan Sri Dato' Tan Chee Sing | 239,721 | - | - | 239,721 |
| | 11,461,250 * | - | - | 11,461,250* |

RM1.00 Nominal Amount of 5% Irredeemable Convertible Unsecured Loan Stocks 1999/2009

| | Number of Ordinary Shares of RM1.00 Each | | | 30 April 2004 |
|-----------------------------|--|--------|-----------|------------------|
| | 1 May 2003 | Bought | Converted | |
| Tan Sri Dato' Tan Chee Sing | 2,509,000 * | - | - | 2,509,000* |

Berjaya Capital Berhad

| | Number of Ordinary Shares of RM1.00 Each | | | 30 April 2004 |
|-----------------------------|--|--------|-------|------------------|
| | 1 May 2003 | Bought | Sold | |
| Tan Sri Dato' Tan Chee Sing | 87,332 | - | - | 87,332 |
| Freddie Pang Hock Cheng | 10,000 | - | - | 10,000 |
| Chua Tee Hock | 2,000 | - | 2,000 | - |

* Denotes indirect interest

Save as disclosed, none of the other directors in office at the end of the financial year had any interest in shares and debentures in the Company or its related corporations during the financial year.

HOLDING COMPANIES

The directors regard Noble Karaoke Equipment Sdn. Bhd. as the immediate holding company, Cosway Corporation Berhad as the intermediate holding company and Berjaya Group Berhad as the ultimate holding company, all of which are incorporated in Malaysia.

SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the year are disclosed in Note 38.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowances had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (CONTD.)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowances for doubtful debts in the financial statements of the Group or of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

YEO SEK CHIONG

FREDDIE PANG HOCK CHENG

Kuala Lumpur, Malaysia
18 August 2004

Statement by Directors

Pursuant To Section 169(15) Of The Companies Act, 1965

We, YEO SEK CHIONG and FREDDIE PANG HOCK CHENG, being two of the directors of DUNHAM-BUSH (MALAYSIA) BHD., do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 36 to 82 are 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 the financial position of the Group and of the Company as at 30 April 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.

YEO SEK CHIONG

FREDDIE PANG HOCK CHENG

Kuala Lumpur, Malaysia
18 August 2004

Statutory Declaration

Pursuant To Section 169(16) Of The Companies Act, 1965

I, YEO SEK CHIONG, being the director primarily responsible for the financial management of DUNHAM-BUSH (MALAYSIA) BHD., do solemnly and sincerely declare that the accompanying financial statements set out on pages 36 to 82 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed YEO SEK CHIONG at
Kuala Lumpur in the Federal Territory on
this day of 18 August 2004

YEO SEK CHIONG

Before me,

SOH AH KAU

(Licence No. W315)
Commissioner For Oaths

Kuala Lumpur, Malaysia

Report of the Auditors

To The Members Of Dunham-Bush (Malaysia) Bhd. (Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 36 to 82. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. 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 the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 30 April 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports where audited financial statements are available, of the subsidiary companies of which we have not acted as auditors, as indicated in Note 13 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

The auditors' reports on the financial statements of the subsidiary companies where audited financial statements are available, were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF: 0039
Chartered Accountants
Kuala Lumpur, Malaysia
18 August 2004

OONG KEE LEONG
No. 1246/12/05 (J)
Partner

Income Statements

For The Year Ended 30 April 2004

| | Note | Group | | Company | |
|--|------|------------------|----------------|----------------|----------------|
| | | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Revenue | 3 | 358,738 | 362,914 | 12,068 | 4,516 |
| Cost of sales | 4 | (256,475) | (264,123) | - | - |
| Gross profit | | 102,263 | 98,791 | 12,068 | 4,516 |
| Other operating income | | 5,821 | 6,178 | 5,626 | 5,185 |
| Selling and distribution expenses | | (39,525) | (39,787) | (176) | (315) |
| General and administrative expenses | | (44,794) | (53,768) | (2,974) | (2,924) |
| Other operating expenses | | (4,531) | (8,337) | (401) | (16,462) |
| Profit/(loss) from operations | 5 | 19,234 | 3,077 | 14,143 | (10,000) |
| Results from investing activities | 7 | 7,968 | (30,311) | (4,487) | - |
| Finance costs | 8 | (5,020) | (4,812) | (557) | (646) |
| Profit/(loss) from ordinary activities before taxation | | 22,182 | (32,046) | 9,099 | (10,646) |
| Taxation | 9 | (2,010) | (5,490) | - | 121 |
| Profit/(loss) after taxation | | 20,172 | (37,536) | 9,099 | (10,525) |
| Minority interests | | (7,196) | (3,351) | - | - |
| Net profit/(loss) for the year | | 12,976 | (40,887) | 9,099 | (10,525) |
| Earnings/(loss) per share (sen) | 10 | 14.4 | (45.4) | | |

The accompanying notes form an integral part of the financial statements.

Balance Sheets

As At 30 April 2004

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 11 | 99,147 | 94,398 | 1,632 | 1,658 |
| Deferred expenditure | 12 | 128 | 414 | - | - |
| Investment in subsidiary companies | 13 | - | - | 28,640 | 28,640 |
| Investment in associated companies | 14 | - | - | - | - |
| Goodwill on consolidation | 15 | - | - | - | - |
| | | 99,275 | 94,812 | 30,272 | 30,298 |
| CURRENT ASSETS | | | | | |
| Inventories | 16 | 124,448 | 131,365 | - | - |
| Trade receivables | 17 | 75,944 | 73,211 | - | - |
| Other receivables | 19 | 8,824 | 13,101 | 272 | 269 |
| Due from: | | | | | |
| - subsidiary companies | 20 | - | - | 103,424 | 92,385 |
| - associated company | 21 | 53 | 59 | 14 | 14 |
| - related companies | 22 | 668 | 348 | 9 | 9 |
| - ultimate holding company | 22 | 10 | 10 | - | - |
| Tax recoverable | | 4,147 | 3,600 | 1,273 | 1,019 |
| Short term investments | 23 | 138 | 121 | - | - |
| Fixed deposits | 24 | 3,213 | 5,281 | 1,000 | - |
| Cash and bank balances | | 25,745 | 24,080 | 1,968 | 44 |
| | | 243,190 | 251,176 | 107,960 | 93,740 |
| CURRENT LIABILITIES | | | | | |
| Trade payables | 25 | 50,151 | 44,006 | - | - |
| Other payables | 26 | 42,821 | 37,620 | 5,088 | 788 |
| Retirement benefit obligations | 27 | 3,015 | 10,484 | - | - |
| Provisions for liability | 28 | 9,128 | 13,627 | - | - |
| Hire purchase and finance lease payables | 29 | 1,108 | 618 | - | - |
| Bank borrowings | 30 | 67,522 | 75,395 | - | - |
| Due to: | | | | | |
| - intermediate holding company | 22 | 3,890 | 3,383 | 3,890 | 3,383 |
| - related companies | 22 | 3,125 | 2,925 | 3,125 | 2,925 |
| Tax payable | | 1,161 | 1,871 | - | - |
| | | 181,921 | 189,929 | 12,103 | 7,096 |
| NET CURRENT ASSETS | | 61,269 | 61,247 | 95,857 | 86,644 |
| | | 160,544 | 156,059 | 126,129 | 116,942 |

Balance Sheets (Contd.)

As At 30 April 2004

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| FINANCED BY: | | | | | |
| Share capital | 31 | 90,364 | 90,364 | 90,364 | 90,364 |
| Share premium | | 114,518 | 114,518 | 114,518 | 114,518 |
| Exchange reserve | | 51,739 | 52,567 | 14,684 | 14,596 |
| Accumulated losses | | (163,496) | (176,472) | (93,437) | (102,536) |
| <hr/> | | | | | |
| Shareholders' equity | | 93,125 | 80,977 | 126,129 | 116,942 |
| Minority interests | | 29,475 | 29,547 | - | - |
| Reserve on consolidation | | 875 | 875 | - | - |
| <hr/> | | | | | |
| | | 123,475 | 111,399 | 126,129 | 116,942 |
| <hr/> | | | | | |
| NON-CURRENT LIABILITIES | | | | | |
| Deferred taxation | 32 | 2,567 | 2,461 | - | - |
| Retirement benefit obligations | 27 | 18,737 | 26,866 | - | - |
| Provisions for liability | 28 | 6,544 | 8,328 | - | - |
| Hire purchase and finance lease payables | 29 | 2,864 | 385 | - | - |
| Bank borrowings | 30 | 6,357 | 6,620 | - | - |
| <hr/> | | | | | |
| | | 37,069 | 44,660 | - | - |
| <hr/> | | | | | |
| | | 160,544 | 156,059 | 126,129 | 116,942 |
| <hr/> | | | | | |

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

For The Year Ended 30 April 2004

| | Note | Share capital RM'000 | Non-distributable Share premium RM'000 | Exchange reserve RM'000 | Accumulated losses RM'000 | Total RM'000 |
|--|------|-------------------------|--|-------------------------------|---------------------------------|-----------------|
| Group | | | | | | |
| At 1 May 2002 | | 88,331 | 94,552 | 51,314 | (121,326) | 112,871 |
| Issue of shares | 31 | 2,033 | 19,966 | - | - | 21,999 |
| Foreign exchange differences | | - | - | 1,253 | - | 1,253 |
| Net loss for the year | | - | - | - | (40,887) | (40,887) |
| At 30 April 2003 | | 90,364 | 114,518 | 52,567 | (162,213) | 95,236 |
| At 1 May 2003 As previously stated | | 90,364 | 114,518 | 52,567 | (162,213) | 95,236 |
| Prior year adjustment | 36 | - | - | - | (14,259) | (14,259) |
| As restated | | 90,364 | 114,518 | 52,567 | (176,472) | 80,977 |
| Foreign exchange differences | | - | - | (828) | - | (828) |
| Net profit for the year | | - | - | - | 12,976 | 12,976 |
| At 30 April 2004 | | 90,364 | 114,518 | 51,739 | (163,496) | 93,125 |
| Company | | | | | | |
| At 1 May 2002 | | 88,331 | 94,552 | 14,519 | (92,011) | 105,391 |
| Issue of shares | | 2,033 | 19,966 | - | - | 21,999 |
| Arising from translation of long-term inter-company advances | | - | - | 77 | - | 77 |
| Net loss for the year | | - | - | - | (10,525) | (10,525) |
| At 30 April 2003 | | 90,364 | 114,518 | 14,596 | (102,536) | 116,942 |
| At 1 May 2003 | | 90,364 | 114,518 | 14,596 | (102,536) | 116,942 |
| Arising from translation of long-term inter-company advances | | - | - | 88 | - | 88 |
| Net profit for the year | | - | - | - | 9,099 | 9,099 |
| At 30 April 2004 | | 90,364 | 114,518 | 14,684 | (93,437) | 126,129 |

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

For The Year Ended 30 April 2004

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | 353,773 | 372,458 | - | - |
| Payments to suppliers | (238,484) | (278,173) | - | - |
| Payments for operating expenses | (86,201) | (87,403) | (3,041) | (3,174) |
| Payment of taxes | (3,161) | (3,506) | - | - |
| Other receipts | 4,874 | 5,549 | 1,769 | 1,767 |
| Net cash generated from/(used in) operating activities | 30,801 | 8,925 | (1,272) | (1,407) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from disposal of property, plant and equipment | 2,419 | 255 | 9 | - |
| Interest received | 263 | 346 | 5,495 | 5,184 |
| Dividends received | - | - | 9,865 | 2,569 |
| Acquisition of property, plant and equipment | (11,063) | (11,612) | (5) | - |
| Net cash (used in)/generated from investing activities | (8,381) | (11,011) | 15,364 | 7,753 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Drawdown of bank borrowings | 172,692 | 135,680 | - | - |
| Repayment of bank borrowings | (179,436) | (129,434) | - | - |
| Payment of hire purchase and finance lease payables | (958) | (1,042) | - | - |
| Advances from intermediate holding company | 507 | 267 | 507 | 267 |
| (Payments to)/advances from related companies | (120) | 399 | 200 | 185 |
| Payments to associated company | (108) | (318) | - | - |
| Payments to ultimate holding company | - | (10) | - | - |
| Payments to subsidiary companies | - | - | (11,318) | (6,138) |
| Interest paid | (5,020) | (4,812) | (557) | (646) |
| Dividends paid to minority shareholders of subsidiary companies | (7,268) | (2,030) | - | - |
| Net cash used in financing activities | (19,711) | (1,300) | (11,168) | (6,332) |

Cash Flow Statements (Contd.)

For The Year Ended 30 April 2004

| | Note | Group | | Company | |
|---|------|-----------------|----------------|----------------|----------------|
| | | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 2,709 | (3,386) | 2,924 | 14 |
| EFFECTS OF EXCHANGE RATE CHANGES | | (1,720) | (1,254) | - | - |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 8,558 | 13,198 | 44 | 30 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 9,547 | 8,558 | 2,968 | 44 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR COMPRISE: | | | | | |
| Fixed deposits | 24 | 3,213 | 5,281 | 1,000 | - |
| Cash and bank balances | | 25,745 | 24,080 | 1,968 | 44 |
| Bank overdrafts | 30 | (19,411) | (20,803) | - | - |
| | | 9,547 | 8,558 | 2,968 | 44 |

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

30 April 2004

1. CORPORATE INFORMATION

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

The principal activities of the subsidiary companies and associated companies are those of investment holding, manufacturing, servicing and trading of commercial and residential air-conditioning, refrigeration and related equipment. There have been no significant changes in the nature of these activities during the year, other than those disclosed in Note 13.

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

The registered office of the Company is located at:

11th Floor, Menara Berjaya, KL Plaza,
179, Jalan Bukit Bintang,
55100 Kuala Lumpur.

The principal place of business of the Company is located at:

Lot 5755-6, Kidamai Industrial Park,
Bukit Angkat, 43000 Kajang,
Selangor Darul Ehsan.

The directors regard Noble Karaoke Equipment Sdn. Bhd. as the immediate holding company, Cosway Corporation Berhad as the intermediate holding company and Berjaya Group Berhad as the ultimate holding company, all of which are incorporated in Malaysia.

The numbers of employees in the Group and in the Company at the end of the financial year were 1,525 (2003: 1,557) and 10 (2003: 11) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 August 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the provisions of the Companies Act, 1965 and applicable approved accounting standards of the Malaysian Accounting Standards Board ("MASB").

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (Contd.)

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

| | |
|---------|-------------------|
| MASB 25 | Income Taxes |
| MASB 29 | Employee Benefits |

The adoption of MASB 25 did not give rise to any adjustments to the opening balances of accumulated losses of prior and current years, or to comparatives. The effect of adopting MASB 29 is disclosed in Note 36.

(b) Basis of Consolidation

Subsidiary Companies

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.

Subsidiary companies are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method, the results of 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, as appropriate. The assets and liabilities of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the acquisition cost and the fair values of the Group's share of net assets of the acquired subsidiary companies at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising from consolidation as appropriate.

In the preparation of the consolidated financial statements, the financial statements of all companies are adjusted for the material effects of dissimilar accounting policies. Intragroup transactions, balances and unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Minority interest is measured at the minorities' share of the fair value of the identifiable assets and liabilities of the subsidiary company as at acquisition date and the minorities' share of movements in the subsidiary company's equity since then.

Associated Companies

Associated companies are companies in which the Group has a long term equity interest and where it exercises significant influence over its financial and operating policies through Board representation. Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting based on the latest audited or management financial statements of the companies concerned made up to the Group's financial year end.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation (Contd.)

Associated Companies (Contd.)

Under the equity method of accounting, the Group's share of results of associated companies during the financial year is included in the consolidated financial statement. The Group's share of results of associated companies acquired or disposed of during the year, is included in the consolidated income statement from the date that significant influence effectively commences or until the date that significant influence effectively ceases, as appropriate.

Unrealised gains on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless cost cannot be recovered.

The Group's interest in associated companies is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves, less impairment losses in accordance with Note 2(p).

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary company or associated companies at the date of acquisition.

Goodwill is stated at cost less impairment losses.

Goodwill is not amortised. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p). Goodwill arising on the acquisition of subsidiary companies is presented separately in the balance sheet while goodwill arising on the acquisition of associated companies is included within the carrying amount of investment in associated companies.

(d) Investments in Subsidiary Companies and Associated Companies

The Company's investments in subsidiary companies and associated companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p).

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated over the period of the respective leases which range from 30 to 99 years. Depreciation of other property, plant and equipment is provided for on a straight line basis calculated to write off the cost of each asset over its estimated useful life.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Property, Plant and Equipment and Depreciation (Contd.)

The annual rates of depreciation are:

| | |
|------------------------|---|
| Buildings | 2% - 4 $\frac{1}{2}$ % |
| Plant and equipment | 7% - 33 $\frac{1}{3}$ % |
| Office equipment | 10% - 33 $\frac{1}{3}$ % |
| Furniture and fittings | 10% - 50% |
| Motor vehicles | 16 $\frac{2}{3}$ % - 33 $\frac{1}{3}$ % |

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

(f) Construction Contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

(g) Deferred Expenditure

Deferred expenditure comprises product development expenditure and cost of acquisition of technical know-how.

Expenditure on development activities is recognised as an expense in the period in which it is incurred except when the expenditure meet the following criteria, in which case it will be capitalised as intangible assets:

- (a) the product or process is clearly defined and costs are separately identified and measured reliably;
- (b) the technical feasibility of the product is demonstrated;
- (c) the product or process will be sold or used in-house;
- (d) the assets will generate future economic benefits (e.g. a potential market exists for the product or its usefulness in case of internal use is demonstrated); and

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Deferred Expenditure (Contd.)

(e) adequate technical, financial and other resources required for completion of the project are available.

Development costs initially recognised as an expense are not recognised as an asset in subsequent periods.

Deferred expenditure is stated at cost less accumulated amortisation and impairment losses. Deferred expenditure is amortised over eight years on a straight line basis upon commencement of sales of the related products. The unamortised amount is written off immediately when it is no longer probable of being recovered from the expected future economic benefits. All other research and development expenditure is written off as incurred. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p).

(h) Inventories

Inventories comprise of raw materials, work-in-progress and finished goods that are stated at the lower of cost and net realisable value. Cost, in the case of work-in-progress and finished goods, comprises raw materials, direct labour and an attributable proportion of production overheads. Cost is determined on the first-in first-out basis, the weighted average cost method, or by specific identification. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(i) Cash and Cash Equivalents

Cash comprises cash in hand, at bank and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts subject to insignificant risk of changes in value, against which the bank overdrafts, if any, are deducted.

(j) Leases and Hire Purchases Arrangements

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are treated as operating leases.

(i) Finance Leases and Hire Purchases Arrangements

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as liabilities. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Group's incremental borrowing rate is used.

Finance lease and hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(e).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Leases and Hire Purchases Arrangements (Contd.)

(ii) Operating Leases

Operating leases are leases other than finance leases. Lease rental under operating lease is charged to income statement on a straight line basis over the term of the relevant lease.

(k) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

A provision for warranty is recognised for all products under warranty at the balance sheet date based on past experience of the level of repairs and returns.

(l) Employees Retirement Benefits

Certain subsidiary companies within the Group operate defined benefit pension plans for certain of its eligible employees. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the market yield at the balance sheet date on high quality corporate bonds or government bonds. The calculation is performed by an actuary using the Projected Unit Credit Method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Prior to the adoption of MASB 29: Employee Benefits on 1 May 2003, the Group's obligation under the defined benefit plans was calculated using the Attained Age Method instead of the Projected Unit Credit Method. The change in accounting policy has been accounted for retrospectively and the effects of these changes are disclosed in Note 36.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(m) Income Tax

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

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

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

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

Prior to the adoption of MASB 25: Income Taxes on 1 May 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

(n) Revenue Recognition

Sale of Goods

Revenue relating to sale of goods is recognised net of sales tax and discounts, where applicable when significant risks and rewards of ownership of the goods have been passed to the buyer.

Rendering of Services

Revenue from rendering of services is recognised net of service tax and discount, where applicable, as and when the services are performed.

Construction Contracts

Revenue from construction contracts is recognised based on the stage of completion method as described in Note 2(f).

Dividend Income

Dividend income is recognised when the right to receive the dividend payment is established.

Interest Income

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Revenue Recognition (Contd.)

Rental Income, Management Fees and Commission

Rental income, management fees and commission are recognised based on an accrual basis in accordance with the terms of agreement.

(o) Foreign Currencies

Foreign Currency Transactions

Transactions in foreign currencies during the financial year are converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates or at contracted rates, where applicable. Foreign currency monetary assets and liabilities at the balance sheet date are translated into Ringgit Malaysia at rates of exchange approximating those ruling at that date or at contracted rates, where applicable. Non-monetary items denominated in foreign currencies are translated using the exchange rates existing when the values were determined. All exchange gains or losses are taken to the income statements.

Foreign Entities

The financial statements of foreign subsidiary companies have been translated into Ringgit Malaysia at the rates ruling at the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction. Exchange differences on translation of the net assets of foreign subsidiary companies are dealt with through an exchange reserve.

The principal exchange rates ruling at balance sheet date for one unit of Ringgit Malaysia used are as follows:

| | 2004 RM | 2003 RM |
|------------------------------|------------|------------|
| United States dollar ("USD") | 3.8000 | 3.8000 |
| Singapore dollar ("SGD") | 2.2288 | 2.1405 |
| Sterling pound ("GBP") | 6.7320 | 6.0625 |
| Hong Kong dollar ("HKD") | 0.4872 | 0.4873 |
| Chinese renminbi ("REN") | 0.4590 | 0.4579 |
| Euro ("EUR") | 4.5400 | 4.2244 |
| South Africa rand ("ZAR") | 0.5488 | 0.5260 |
| Mexican peso ("MXN") | 0.3300 | 0.3673 |
| Japanese yen ("JPY") | 0.0344 | 0.0317 |
| Thai baht ("BHT") | 0.0953 | 0.0886 |

(p) Impairment of Assets

At each balance sheet date, the Group and the Company reviews the carrying amounts of its assets, other than inventories, receivables, other non-current investments and marketable securities, to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Impairment of Assets (Contd.)

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset have decreased.

(q) Employee Benefits

(i) Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

Contributions relating to defined contribution plans are charged to the income statement when incurred. Retirement benefits for employees of foreign subsidiary companies are accrued for in accordance with the provisions of those foreign countries' retirement law and are charged to income statement in the period to which they relate.

(r) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group and the Company has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis by category of investment. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement.

(ii) Receivables

Trade and other receivables are carried at anticipated realisable values. All known bad debts are written off while allowances are made for doubtful debts based on estimates of possible losses that may arise from non-collection.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(r) Financial Instruments (Contd.)

(iii) Payables

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

(iv) Interest Bearing Borrowings

Interest bearing bankers' acceptances, trust receipts, advances under factoring, term loans and bank overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset.

For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of borrowing.

All other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved for payment.

The transaction costs of an equity transaction are accounted for as a deduction from equity. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(vi) Derivative Financial Instruments

Forward Foreign Exchange Contracts

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rate and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(s) Segmental Reporting

The Group adopts geographical segment analysis as its primary reporting format.

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Revenue and expenses do not include items arising on investing or financing activities.

Revenue is attributed to geographical segments based on location of customer where sale is transacted.

Segment assets include all operating assets used by a segment and do not include items arising on investing or financing activities. Assets are allocated to segments based on locations of assets.

Segment liabilities comprise operating liabilities and do not include liabilities arising on investing or financing activities such as bank borrowings.

3. REVENUE

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Gross dividends from subsidiary companies | - | - | 10,119 | 2,569 |
| Management fees from subsidiary companies | - | - | 1,404 | 1,404 |
| Rental income | 13 | 14 | 493 | 494 |
| Commission receivable | - | 100 | 52 | 49 |
| Construction contracts | 719 | 9,709 | - | - |
| Sale of goods | 352,779 | 347,394 | - | - |
| Rendering of services | 5,227 | 5,697 | - | - |
| | 358,738 | 362,914 | 12,068 | 4,516 |

4. COST OF SALES

Cost of sales represents cost of inventories sold, cost of services provided and contract costs recognised as an expense.

5. PROFIT/(LOSS) FROM OPERATIONS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| This is arrived at after charging: | | | | |
| Amortisation of deferred expenditure | 294 | 417 | - | - |
| Auditors' remuneration | | | | |
| - current | 1,165 | 1,091 | 43 | 43 |
| - under provision in prior year | 214 | 21 | - | 1 |
| - non-audit services | 9 | 48 | - | 15 |
| Bad debts written off | 27 | 32 | - | - |
| Depreciation of property, plant and equipment | 8,295 | 9,079 | 31 | 31 |
| Inventories written off | 760 | 670 | - | - |
| Loss on disposal of property, plant and equipment | 239 | 1,031 | - | - |
| Loss on foreign exchange | | | | |
| - realised | 238 | 1,404 | - | - |
| - unrealised | 528 | 2,409 | - | - |
| Other receivables written off | - | 431 | - | - |
| Write down of short term investment | - | 126 | - | - |
| Allowances for doubtful debts | | | | |
| - trade receivables | 2,654 | 1,642 | - | - |
| - other receivables | 139 | 103 | - | - |
| - subsidiary companies | - | - | 401 | 16,462 |
| - associated company | 114 | 1,355 | - | - |
| Pension costs - defined benefits plan | (614) | 5,676 | - | - |
| Rent of | | | | |
| - premises | 5,490 | 6,440 | - | - |
| - plant and machinery | 658 | 1,484 | - | - |
| - others | 24 | 172 | - | - |
| Royalty payments | 197 | 199 | - | - |
| Staff costs (excluding directors' remuneration) | 71,054 | 73,820 | 1,126 | 1,060 |
| And crediting: | | | | |
| Bad debts recovered | (29) | (428) | (122) | - |
| Gross dividends received from subsidiary companies | - | - | (10,119) | (2,569) |
| Gain on disposal of property, plant and equipment | (38) | (16) | (9) | - |
| Gain on foreign exchange | | | | |
| - realised | (559) | (478) | - | - |
| - unrealised | (1,675) | (993) | - | - |
| Interest income | | | | |
| - subsidiary companies | - | - | (5,493) | (5,184) |
| - related party | - | (111) | - | - |
| - others | (263) | (235) | (2) | - |
| Inventories written back | (388) | (937) | - | - |
| Allowances for doubtful debts no longer required | (420) | (87) | - | - |
| Rental income | | | | |
| - subsidiary company | - | - | (480) | (480) |
| - others | (115) | (119) | (13) | (14) |
| Write back of value of short term investment | (17) | - | - | - |

5. PROFIT/(LOSS) FROM OPERATIONS (CONTD.)

| | Group | | Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Staff cost comprises : | | | | |
| Wages and salaries | 52,544 | 56,431 | 854 | 848 |
| Employees Provident Funds | 4,357 | 4,548 | 110 | 110 |
| Bonus | 3,243 | 3,023 | 69 | 70 |
| Social security costs | 4,270 | 4,245 | 2 | 2 |
| Other staff related expenses | 6,640 | 5,573 | 91 | 30 |
| | 71,054 | 73,820 | 1,126 | 1,060 |

6. DIRECTORS' REMUNERATION

| | Group | | Company | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Directors of the Company | | | | |
| Executive: | | | | |
| Salaries and other emoluments | 838 | 780 | 838 | 780 |
| Bonus | 62 | 58 | 62 | 58 |
| | 900 | 838 | 900 | 838 |
| Non-Executive: | | | | |
| Salaries and other emoluments | 42 | 42 | 42 | 42 |
| Fees | 71 | 72 | 29 | 34 |
| | 113 | 114 | 71 | 76 |
| Other Directors | | | | |
| Executive: | | | | |
| Salaries and other emoluments | 2,250 | 2,462 | - | - |
| Fees | 1,517 | 1,483 | - | - |
| Bonus | | | | |
| - Current year's provisions | 76 | 75 | - | - |
| - Overprovision in prior year | - | (1) | - | - |
| Benefits-in-kind | 367 | 267 | - | - |
| | 4,210 | 4,286 | - | - |
| Non-Executive: | | | | |
| Fees | 290 | 252 | - | - |
| | 5,513 | 5,490 | 971 | 914 |

6. DIRECTORS' REMUNERATION (CONTD.)

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Analysis excluding benefits-in-kind: | | | | |
| Total executive directors' remuneration | 4,743 | 4,857 | 900 | 838 |
| Total non-executive directors' remuneration | 403 | 366 | 71 | 76 |
| | 5,146 | 5,223 | 971 | 914 |

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

| | Number of Directors | |
|--------------------------|---------------------|------|
| | 2004 | 2003 |
| Executive directors: | | |
| RM300,001 - RM350,000 | 1 | 1 |
| RM550,001 - RM600,000 | 1 | 1 |
| Non-Executive directors: | | |
| RM50,000 or less | 4 | 6 |

7. RESULTS FROM INVESTING ACTIVITIES

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Arising on closure of manufacturing facilities at Harrisonburg, USA | | | | |
| - (Write back of) / provision for pension | (12,489) | 8,856 | - | - |
| Arising on closure of manufacturing facilities at Nuevo Leon, Mexico | | | | |
| - inventories written off | - | 2,760 | - | - |
| - impairment of property, plant and equipment | - | 2,090 | - | - |
| - provision for doubtful debts | - | 65 | - | - |
| - (Write back of) / provision for future rental commitments | (731) | 4,002 | - | - |
| - compensation for staff costs | - | 380 | - | - |
| - closure and other related costs | - | 888 | - | - |
| Provision for restructuring cost | 380 | - | - | - |
| Provision for bank guarantee liability | 4,487 | - | 4,487 | - |
| Incidental cost for abortive deal | 385 | - | - | - |
| Diminution in value of goodwill | - | 11,002 | - | - |
| Loss on sale of assets of Dunham-Bush AP Limited | - | 268 | - | - |
| | (7,968) | 30,311 | 4,487 | - |

8. FINANCE COSTS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Interest expenses on: | | | | |
| Bank overdrafts | 2,129 | 1,919 | - | - |
| Term loans | 828 | 636 | - | - |
| Loan stocks | - | 145 | - | 145 |
| Hire purchase and finance lease payables | 246 | 192 | - | - |
| Trade financing | 1,260 | 1,419 | - | - |
| Due to | | | | |
| - related company | 264 | 250 | 264 | 250 |
| - intermediate holding company | 293 | 251 | 293 | 251 |
| | 5,020 | 4,812 | 557 | 646 |

9. TAXATION

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Taxation based on results for the year | | | | |
| Current: | | | | |
| Malaysian income tax | 211 | 1,209 | - | 12 |
| Foreign tax | 2,330 | 4,302 | - | - |
| | 2,541 | 5,511 | - | 12 |
| Deferred taxation (Note 32) : | | | | |
| Malaysian income tax | (5) | 92 | - | (133) |
| Foreign tax | 111 | (21) | - | - |
| | 106 | 71 | - | (133) |
| Under / (over) provision in prior years: | | | | |
| Malaysian income tax | 136 | (92) | - | - |
| Foreign tax | (773) | - | - | - |
| | (637) | (92) | - | - |
| | 2,010 | 5,490 | - | (121) |

9. TAXATION (CONTD.)

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Profit / (loss) before taxation | 22,182 | (32,046) | 9,099 | (10,646) |
| Taxation at Malaysian statutory tax rate of 28% | 6,211 | (8,973) | 2,547 | (2,981) |
| Effect of income subject to tax rate of 20% | (67) | (47) | - | - |
| Effect of different tax rates in other countries | (1,431) | (3,716) | - | - |
| Effect on opening deferred tax of reduction in foreign income tax rate | 41 | - | - | - |
| Effect of income not subject to tax | (10,097) | (8,523) | (4,546) | (2,131) |
| Effect of expenses not deductible for tax purposes | 14,623 | 18,527 | 1,895 | 4,898 |
| Effect of utilisation of current year's reinvestment allowances | (478) | (136) | - | - |
| Effect of utilisation of previously unrecognised tax losses, unabsorbed capital allowances, and other deductible temporary differences | (6,410) | (248) | - | (36) |
| Deferred tax assets not recognised in respect of current year's tax losses, unabsorbed capital allowances, and other deductible temporary differences | 266 | 8,878 | 104 | 262 |
| Over provision of deferred tax in prior years | (11) | (180) | - | (133) |
| Over provision of tax expense in prior years | (637) | (92) | - | - |
| Tax expense for the year | 2,010 | 5,490 | - | (121) |
| Deferred tax assets have not been recognised in respect of the following items: | | | | |
| Unused tax losses | 49,995 | 43,553 | 354 | 264 |
| Unabsorbed capital allowances | 7,057 | 6,517 | 39 | 38 |
| Others | 17,238 | 30,363 | 13 | - |
| | 74,290 | 80,433 | 406 | 302 |

10. EARNINGS / (LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year by the weighted average number of ordinary shares in issue during the financial year.

| | Group | |
|--|--------|----------|
| | 2004 | 2003 |
| Net earnings/(loss) for the year (RM'000) | 12,976 | (40,887) |
| Weighted average number of ordinary shares in issue ('000) | 90,364 | 90,097 |
| Basic earnings/(loss) per share (sen) | 14.4 | (45.4) |

No diluted earnings/(loss) per share is disclosed as there are no potential ordinary shares of the Company as at balance sheet date.

11. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land and buildings RM'000 | Short term leasehold land and buildings RM'000 | Long term leasehold land and buildings RM'000 | Plant and equipment RM'000 | Office equipment RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|--|---|--|---|----------------------------------|-------------------------------|-------------------------------------|-----------------------------|---|-----------------|
| Cost | | | | | | | | | |
| At 1 May 2003 | 62,834 | 3,842 | 15,865 | 71,268 | 6,662 | 5,092 | 6,654 | 3,329 | 175,546 |
| Exchange differences | 2,639 | - | - | 786 | 14 | (3) | (1) | - | 3,435 |
| Additions | 228 | 38 | - | 12,578 | 915 | 45 | 683 | 503 | 14,990 |
| Disposals/ Write offs | (550) | - | - | (6,533) | (545) | (202) | (474) | - | (8,304) |
| Reclassification | 2,956 | - | - | (66) | 2 | 64 | - | (2,956) | - |
| At 30 April 2004 | 68,107 | 3,880 | 15,865 | 78,033 | 7,048 | 4,996 | 6,862 | 876 | 185,667 |
| Accumulated depreciation | | | | | | | | | |
| At 1 May 2003 | 13,147 | 1,678 | 3,120 | 48,053 | 4,859 | 4,553 | 5,738 | - | 81,148 |
| Exchange differences | 987 | - | - | 415 | 11 | 3 | - | - | 1,416 |
| Depreciation charge for the year | 1,274 | 166 | 305 | 5,229 | 671 | 174 | 476 | - | 8,295 |
| Disposals/ Write offs | - | - | - | (3,605) | (262) | (78) | (394) | - | (4,339) |
| Reclassification | 21 | - | - | 10 | 2 | (32) | (1) | - | - |
| At 30 April 2004 | 15,429 | 1,844 | 3,425 | 50,102 | 5,281 | 4,620 | 5,819 | - | 86,520 |
| Net book value | | | | | | | | | |
| At 30 April 2004 | 52,678 | 2,036 | 12,440 | 27,931 | 1,767 | 376 | 1,043 | 876 | 99,147 |
| At 30 April 2003 | 49,687 | 2,164 | 12,745 | 23,215 | 1,803 | 539 | 916 | 3,329 | 94,398 |
| Charge for year 2003 | | | | | | | | | |
| | 1,225 | 166 | 305 | 5,899 | 727 | 266 | 491 | - | 9,079 |

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

| | Freehold buildings RM'000 | Long term leasehold land and buildings RM'000 | Plant and machinery RM'000 | Motor vehicles RM'000 | Office equipment RM'000 | Furniture and fittings RM'000 | Total RM'000 |
|-------------------------------------|---------------------------------|--|----------------------------------|-----------------------------|-------------------------------|-------------------------------------|-----------------|
| Company | | | | | | | |
| Cost | | | | | | | |
| At 1 May 2003 | 699 | 1,216 | 109 | 1,067 | 255 | 134 | 3,480 |
| Additions | - | - | - | - | 4 | 1 | 5 |
| Disposals/Write offs | - | - | - | (56) | - | - | (56) |
| At 30 April 2004 | 699 | 1,216 | 109 | 1,011 | 259 | 135 | 3,429 |
| Accumulated depreciation | | | | | | | |
| At 1 May 2003 | 122 | 143 | 109 | 1,067 | 253 | 128 | 1,822 |
| Depreciation charge for the year | 14 | 12 | - | - | 2 | 3 | 31 |
| Disposals/Write offs | - | - | - | (56) | - | - | (56) |
| At 30 April 2004 | 136 | 155 | 109 | 1,011 | 255 | 131 | 1,797 |
| Net book value | | | | | | | |
| At 30 April 2004 | 563 | 1,061 | - | - | 4 | 4 | 1,632 |
| At 30 April 2003 | 577 | 1,073 | - | - | 2 | 6 | 1,658 |
| Charge for year 2003 | 14 | 12 | - | - | 1 | 4 | 31 |

During the year, the Group acquired plant and equipment in the following manner:

| | Group | | Company | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Cash payments | 11,063 | 11,612 | 5 | - |
| Hire purchase arrangements | 3,927 | 26 | - | - |
| | 14,990 | 11,638 | 5 | - |

11. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Net book values of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

| | Group | |
|---------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Plant and equipment | 4,131 | 1,678 |
| Motor vehicles | 421 | 316 |
| | 4,552 | 1,994 |

The net book values of property, plant and equipment pledged for borrowings as referred to in Note 30 are as follows:

| | Group | |
|-----------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Freehold land and buildings | 32,707 | 34,412 |
| Plant and equipment | 2,926 | 2,478 |
| | 35,633 | 36,890 |

The strata titles for certain buildings with net book value of RM1,224,000 (2003: RM1,252,000) in certain subsidiary companies have yet to be issued by the relevant authorities.

12. DEFERRED EXPENDITURE

| | Group | |
|---------------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Cost of technical know-how | | |
| At beginning of year | 185 | 228 |
| Reversal | (17) | - |
| Amortisation for the year | (40) | (43) |
| At end of year | 128 | 185 |
| Product development expenditure | | |
| At beginning of year | 229 | 551 |
| Exchange differences | 25 | 52 |
| Amortisation for the year | (254) | (374) |
| At end of year | - | 229 |
| | 128 | 414 |

13. INVESTMENT IN SUBSIDIARY COMPANIES

| | Company | |
|-------------------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Unquoted shares at cost | 113,906 | 113,906 |
| Less: Accumulated impairment losses | (85,266) | (85,266) |
| | 28,640 | 28,640 |

Certain shares in overseas subsidiary companies are pledged as security for credit facilities granted to Dunham-Bush (Europe) plc. ("DB Europe") as disclosed in Note 30. DB Europe is a subsidiary company of Dunham-Bush International (Cayman) Limited which in turn is a wholly-owned subsidiary company of the Company.

Details of subsidiary companies are as follows:

| Name of Subsidiary Companies | Country of Incorporation | Equity Interest Held (%) | | Principal Activities |
|---|--------------------------|--------------------------|--------|--|
| | | 2004 | 2003 | |
| (a) Subsidiary companies of Dunham-Bush (Malaysia) Bhd. | | | | |
| Dunham-Bush Industries Sdn. Bhd. | Malaysia | 100.00 | 100.00 | Manufacturing and trading of air-conditioning and refrigeration equipment for commercial and industrial application. |
| Dunham-Bush Topaire Sdn. Bhd. (formerly known as Topaire Sdn. Bhd.) | Malaysia | 85.40 | 85.40 | Manufacturing and trading of small commercial and residential air-conditioning products. |
| Topgroup Polacel Sdn. Bhd. | Malaysia | 100.00 | 100.00 | Designing, engineering and manufacturing of wet cooling towers of mechanical draft type for commercial and industrial application. |
| Anemostat Topgroup Sdn. Bhd. | Malaysia | 86.46 | 86.46 | Manufacturing and trading of air diffusion, air distribution, air filtration and sound attenuation products. |
| Dunham-Bush Sales & Services Sdn. Bhd. | Malaysia | 100.00 | 100.00 | Sales, distribution and installation of large commercial air-conditioning and refrigeration equipment. |

13. INVESTMENT IN SUBSIDIARY COMPANIES (CONTD.)

| Name of Subsidiary Companies | Country of Incorporation | Equity Interest Held (%) | | Principal Activities |
|---|--------------------------------|--------------------------|--------------------|---|
| | | 2004 | 2003 | |
| (a) Subsidiary companies of Dunham-Bush (Malaysia) Bhd. (Contd.) | | | | |
| Dunham-Bush Parts & Services Sdn. Bhd. | Malaysia | 100.00 | 100.00 | Air-conditioning services, after sales services, repair and retrofitting of air-conditioning and refrigeration equipment and systems, sales of related spare parts, and training of customers' personnel. |
| Topgroup Data-Aire Sdn. Bhd. | Malaysia | 85.00 | 85.00 | Temporarily ceased operations. |
| Topaire Sales & Services Sdn. Bhd. | Malaysia | 60.00 | 60.00 | Trading and servicing of commercial and residential air-conditioning and refrigeration equipment. |
| Topgroup M & E Service Sdn. Bhd. | Malaysia | 60.00 | 60.00 | Air-conditioning services, sales of spare parts and provision of training for customers personnel and after sales service. |
| Hartford Compressors Yantai Co. Limited ** | The People's Republic of China | 55.00 | 55.00 | Assembly and trading of compressors. |
| Dunham-Bush International (Cayman) Limited | Cayman Islands | 100.00 | 100.00 | Investment holding. |
| Dunham-Bush Holdings (HK) Limited** | Hong Kong | 100.00 | 100.00 | Dormant. |
| Dunham-Bush International Limited ** | Hong Kong | 100.00 | 100.00 | Sales, installation, servicing and repairing of air-conditioning and refrigeration products. |
| Dunham-Bush International Pte. Ltd.** | Singapore | 100.00 | 100.00 | Distribution and trading of air-conditioning and refrigeration equipment for commercial and industrial application. |
| Dunham-Bush Yantai Co. Ltd.** | The People's Republic of China | 55.00 | 55.00 | Manufacturing and trading of air-conditioning and refrigeration equipment for commercial and industrial application. |
| Dunham-Bush Industries De Mexico S.A. De C.V. ** | Mexico | 99.86[^] | 99.86 [^] | Dormant. |

[^] The total equity interest held by the Group is 100%. The remaining equity interest of 0.14% is held by Dunham-Bush International (Cayman) Limited.

13. INVESTMENT IN SUBSIDIARY COMPANIES (CONTD.)

| Name of Subsidiary Companies | Country of Incorporation | Equity Interest Held (%) | | Principal Activities |
|---|--------------------------|--------------------------|--------|---|
| | | 2004 | 2003 | |
| (b) Subsidiary companies of Dunham-Bush International (Cayman) Limited | | | | |
| Dunham-Bush Inc.* | United States of America | 100.00 | 100.00 | Trading of commercial and industrial heating, ventilating and air-conditioning products. |
| Dunham-Bush (Europe) plc.** | United Kingdom | 51.00 | 51.00 | Investment holding. |
| Dunham-Bush De Mexico S.A. De C.V. ** | Mexico | 100.00 | 100.00 | Marketing and trading of air-conditioning and refrigeration machinery and equipment. |
| Hartford Compressors Inc. * | United States of America | 100.00 | 100.00 | Manufacturing and trading of compressors and parts. |
| Dunham-Bush North America Inc. ** | United States of America | 100.00 | 100.00 | Dormant. |
| (c) Subsidiary company of Topgroup M & E Service Sdn. Bhd. | | | | |
| Topgroup Parts & Services (Kuantan) Sdn. Bhd. | Malaysia | 70.00 | 70.00 | Air-conditioning services and sale of spare parts. |
| (d) Subsidiary companies of Dunham-Bush International Limited | | | | |
| Top-Aire Air-Conditioning (China) Limited ** | Hong Kong | 100.00 | 100.00 | Sale and distribution of air-conditioning and refrigeration equipment. |
| Dunham-Bush Services Company Limited ** | Hong Kong | 90.00 | 90.00 | Dormant. |
| (e) Subsidiary companies of Dunham-Bush (Europe) plc. | | | | |
| Dunham-Bush Limited ** | United Kingdom | 100.00 | 100.00 | Manufacturing and sale of commercial and industrial heating, ventilating, air-conditioning and refrigeration equipment. |
| Dunham-Bush AP Limited | United Kingdom | 100.00 | 100.00 | Dormant. |
| Dunham-Bush Engineering Ltd.** | United Kingdom | 100.00 | 100.00 | Dormant. |

13. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

| Name of Subsidiary Companies | Country of Incorporation | Equity Interest Held (%) | | Principal Activities |
|--|--------------------------|--------------------------|--------|---|
| | | 2004 | 2003 | |
| (f) Subsidiary companies of Dunham-Bush International Pte. Ltd. | | | | |
| Dunham-Bush Sales and Services (S) Pte. Ltd. ** | Singapore | 100.00 | 100.00 | Sales, distribution and installation of commercial and residential air-conditioning products. |
| Dunham-Bush International (Europe) BV @ | The Netherlands | 100.00 | 100.00 | Sales, distribution and installation of commercial and residential air-conditioning products. |
| Dunham-Bush International (Africa) (Pty.) Ltd.** | South Africa | 100.00 | 100.00 | Sales, distribution and installation of commercial and residential air-conditioning products. |
| Dunham-Bush International Brasil S.C. LTDA # | Brazil | 100.00 | 100.00 | In the process of voluntarily liquidation. |

(g) Subsidiary company of Dunham-Bush Industries De Mexico S.A. De C.V.

| | | | | |
|--|--------|---------------|--------|----------|
| Dunham-Bush Industrias S.A. De C.V. ** | Mexico | 100.00 | 100.00 | Dormant. |
|--|--------|---------------|--------|----------|

The company had lodged applications to the relevant authorities in Brazil to voluntarily liquidate the said company in prior year.

* Audited by affiliate of Ernst & Young.

** Audited by firms of auditors other than Ernst & Young.

@ Compilation report prepared by independent accountants, not required to be audited by law of country of incorporation.

14. INVESTMENT IN ASSOCIATED COMPANIES

| | Group | |
|----------------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Unquoted shares at cost | 233 | 233 |
| Share of post-acquisition losses | (233) | (233) |
| | - | - |

Details of the associated companies are as follows:

| Name of Associated Companies | Country of Incorporation | Equity Interest Held (%) | | Principal Activities |
|--|--------------------------|--------------------------|-------|----------------------|
| | | 2004 | 2003 | |
| (a) Associated company of Dunham-Bush International Limited | | | | |
| Top-Aire Air-Conditioning (HK) Limited ** | Hong Kong | 30.00 | 30.00 | Dormant. |

14. INVESTMENT IN ASSOCIATED COMPANIES (CONTD.)

| Name of Associated Companies | Country of Incorporation | Equity Interest Held (%) | | Principal Activities |
|--|--------------------------|--------------------------|-------|--|
| | | 2004 | 2003 | |
| (b) Associated company of Dunham-Bush International Pte. Ltd. | | | | |
| Dunham-Bush International (Thailand) Ltd. ** | Thailand | 49.00 | 49.00 | Sales, distribution and installation of air-conditioning and refrigeration products. |

** Audited by firms of auditors other than Ernst & Young.

15. GOODWILL ON CONSOLIDATION

| | Group | |
|----------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| At beginning of year | - | 11,002 |
| Impairment losses | - | (11,002) |
| At end of year | - | - |

16. INVENTORIES

| | Group | |
|------------------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| At cost: | | |
| Raw materials and components parts | 75,388 | 76,232 |
| Goods-in-transit | 3,309 | 8,213 |
| Work-in-progress | 16,709 | 17,254 |
| Finished goods | 28,979 | 29,442 |
| | 124,385 | 131,141 |
| At net realisable value: | | |
| Raw materials and components parts | - | 161 |
| Finished goods | 63 | 63 |
| | 63 | 224 |
| | 124,448 | 131,365 |

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM253,707,000 (2003: RM252,097,000).

17. TRADE RECEIVABLES

| | Group | |
|---|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Trade receivables | 87,459 | 81,301 |
| Less: Allowances for doubtful debts | (14,968) | (13,142) |
| | 72,491 | 68,159 |
| Due from customers on contracts (Note 18) | 2,217 | 2,720 |
| Retention sums on contracts (Note 18) | 1,236 | 2,332 |
| | 75,944 | 73,211 |

The Group's normal trade credit term ranges between 7 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivables of the Group is an amount of RM191,000 (2003: Nil) due from Yantai Moon Co. Ltd. a substantial shareholder of both Dunham-Bush Yantai Co. Ltd. and Hartford Yantai Co. Ltd., which are subsidiary companies of the Company.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

18. DUE FROM CUSTOMERS ON CONTRACTS

| | Group | |
|--|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Construction contract costs incurred to date | 58,524 | 58,635 |
| Attributable profits | 554 | 227 |
| | 59,078 | 58,862 |
| Less: Progress billings | (56,861) | (56,142) |
| | 2,217 | 2,720 |
| Due from customers on contracts (Note 17) | 2,217 | 2,720 |
| Retention sums on contracts, included in trade receivables (Note 17) | 1,236 | 2,332 |
| | 719 | 9,709 |
| Contract revenue recognised as revenue | 719 | 9,709 |
| Contract costs recognised as expense | 392 | 9,620 |

19. OTHER RECEIVABLES

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Deposits | 465 | 1,981 | 9 | 11 |
| Prepayments | 4,665 | 7,053 | - | - |
| Staff advances | 298 | 298 | - | 15 |
| Club membership | 463 | 463 | 225 | 225 |
| Others | 3,175 | 3,474 | 38 | 18 |
| | 9,066 | 13,269 | 272 | 269 |
| Less: Allowances for doubtful debts | (242) | (168) | - | - |
| | 8,824 | 13,101 | 272 | 269 |

Included within other receivables of the Group of the previous financial year is an amount due from a shareholder of an associated company amounting to RM90,000. The amount was unsecured, has no fixed terms of repayment and was interest free.

20. DUE FROM SUBSIDIARY COMPANIES

| | Company | |
|-------------------------------------|-----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Due from subsidiary companies | 140,725 | 129,407 |
| Less: Allowances for doubtful debts | (37,301) | (37,022) |
| | 103,424 | 92,385 |

The amounts due from subsidiary companies are unsecured, have no fixed terms of repayment and are interest free except for amounts due from certain subsidiary companies amounting to RM70,026,000 (2003: RM64,570,000) which bear interest at rates between 5.00% and 9.00% (2003: 5.00% and 9.00%) per annum.

21. DUE FROM ASSOCIATED COMPANY

| | Group | | Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Due from associated company | 1,571 | 1,602 | 14 | 14 |
| Less: Allowances for doubtful debts | (1,518) | (1,543) | - | - |
| | 53 | 59 | 14 | 14 |

The associated company indebtedness are unsecured, have no fixed terms of repayment and are interest free.

22. HOLDING AND RELATED COMPANIES

The related companies refer to companies in the Berjaya Group Berhad group.

The amounts due from ultimate holding and related companies are unsecured, interest free and have no fixed terms of repayment.

The amounts due to related companies are unsecured, have no fixed terms of repayment and are interest free except for an amount due to a related company amounting to RM2,859,000 (2003: RM2,672,000) which bears interest at a rate at between 9.00% and 9.27% (2003: between 9.27% and 9.71%) per annum.

The amount due to the intermediate holding company is unsecured, has no fixed terms of repayment and is interest free except for an amount of RM3,417,000 (2003: RM2,940,000) which bears interest at rates between 8.23% and 9.03% (2003: 8.27% and 8.75%) per annum.

23. SHORT TERM INVESTMENTS

| | Group | |
|---------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Quoted shares in Malaysia | | |
| - at cost | 250 | 250 |
| - at market value | 138 | 121 |

24. FIXED DEPOSITS

| | Group | | Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Deposits with: | | | | |
| Licensed banks | 2,511 | 5,058 | 1,000 | - |
| Licensed financial institution | 702 | 223 | - | - |
| | 3,213 | 5,281 | 1,000 | - |

Fixed deposits with licensed banks of the Group amounting to RM865,000 (2003: RM937,000) are pledged to banks for credit facilities granted to certain subsidiary companies as referred to in Note 30.

The weighted average effective interest rates of the short term deposits with licensed financial institutions at the balance sheet date were as follows:

| | Group | |
|--------------------------------|-----------|-----------|
| | 2004 % | 2003 % |
| Licensed banks | 1.7 | 3.5 |
| Licensed financial institution | 2.7 | 2.7 |

24. FIXED DEPOSITS (CONTD.)

The average maturities of deposits as at the end of the financial year were as follows:

| | Group | |
|----------------|--------------|--------------|
| | 2004 Days | 2003 Days |
| Licensed banks | 180 | 180 |

The short term deposit with licensed financial institution has no maturity date and is a highly liquid investment that is readily convertible into cash with insignificant risk of changes in value.

The deposits with licensed bank of the Company had a weighted average interest rate of 1.2% and an average maturity date of 30 days.

25. TRADE PAYABLES

The normal trade credit terms granted to the Group ranges between 30 to 90 days.

26. OTHER PAYABLES

| | Group | | Company | |
|-------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Accruals | 26,626 | 18,555 | 5,022 | 561 |
| Deposits from customers | 13,879 | 12,648 | - | - |
| Others | 2,316 | 6,417 | 66 | 227 |
| | 42,821 | 37,620 | 5,088 | 788 |

Included in deposits from customers of the Group is an amount of RM239,000 (2003: RM1,141,000) due to Yantai Moon Co. Ltd., a substantial shareholder of both Dunham-Bush Yantai Co. Ltd. and Hartford Compressors Yantai Co. Ltd., which are subsidiary companies of the Company.

27. RETIREMENT BENEFIT OBLIGATIONS

Subsidiary companies of the Group operate a defined benefits plan for their employees. Under the Scheme, eligible employees are entitled to retirement benefits between 1.5% to 1.67% of the monthly pensionable salary for every year of service on attainment of the retirement age of 65.

The amounts recognised in the balance sheet are determined as follows:

| | Group | |
|---|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Present value of funded defined benefit obligations | 69,100 | 79,679 |
| Fair value of plan assets | (52,195) | (42,329) |
| | 16,905 | 37,350 |
| Unrecognised actuarial gains | 4,847 | - |
| Net liability | 21,752 | 37,350 |

27 RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

| | Group | |
|---|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Analysed as: | | |
| Current | 3,015 | 10,484 |
| Non Current: | | |
| Later than 1 year but not later than 2 years | 2,977 | 4,611 |
| Later than 2 years but not later than 5 years | 5,971 | 13,376 |
| Later than 5 years | 9,789 | 8,879 |
| | 18,737 | 26,866 |
| | 21,752 | 37,350 |

The amounts recognised in the income statement are as follows:

| | | |
|---|-----------------|--------|
| Net actuarial (gain)/loss | (3,744) | 2,976 |
| Current service cost | 1,400 | 358 |
| Interest cost | 1,730 | 2,342 |
| (Write back of)/provision for pension due to closure of plant | (12,489) | 8,856 |
| | (13,103) | 14,532 |

The charge for the year has been included in the general and administration costs.

The actual return on the plan assets of the Group was RM7,135,000 (2003: RM5,412,000 negative returns).

Movements in the net liability in the current year were as follows:

| | Group | |
|------------------------------------|-----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| At 1 May | 37,350 | 13,673 |
| Recognised in the income statement | (13,103) | 14,532 |
| Contribution paid | (4,165) | (5,176) |
| Exchange differences | 1,670 | 62 |
| Prior year adjustment (Note 36) | - | 14,259 |
| | 21,752 | 37,350 |

Principal actuarial assumptions used:

| | 2004 % | 2003 % |
|-----------------------------------|------------------|-----------|
| Discount rate | 5.6 - 6.0 | 5.4 - 6.8 |
| Expected return on plan assets | 6.0 - 8.0 | 6.6 - 8.0 |
| Expected rate of salary increases | 3.6 - 4.5 | 4.0 - 4.5 |
| Future pension increase | 3.1 | 2.5 |

28. PROVISIONS FOR LIABILITY

| | Group | |
|---|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Warranty | | |
| At beginning of year | 21,956 | 17,836 |
| Additional provision during the year | 9,551 | 13,900 |
| Utilisation of provision during the year | (6,866) | (9,770) |
| Reversal of provision | (9,013) | - |
| Exchange differences | 44 | (11) |
| At end of year | 15,672 | 21,955 |
| Current | 9,128 | 13,627 |
| Non-current: | | |
| Later than 1 year but not later than 2 years | 6,544 | 4,801 |
| Later than 2 years but not later than 5 years | - | 3,527 |
| | 6,544 | 8,328 |
| | 15,672 | 21,955 |

The Group gives between two to five years warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision for warranty is recognised for all products under warranty at the balance sheet date based on past experience on the level of repairs and returns.

29. HIRE PURCHASE AND FINANCE LEASE PAYABLES

| | Group | |
|---|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Minimum Lease Payments: | | |
| Not later than 1 year | 1,402 | 729 |
| Later than 1 year and not later than 5 years | 3,654 | 451 |
| | 5,056 | 1,180 |
| Less: Future finance charges | (1,084) | (177) |
| Present value of hire purchase and finance lease payables | 3,972 | 1,003 |
| Present Value of Hire Purchase and Finance Lease Payables: | | |
| Not later than 1 year | 1,108 | 618 |
| Later than 1 year and not later than 5 years | 2,864 | 385 |
| | 3,972 | 1,003 |

The hire purchase and finance lease liabilities bore interest at the balance sheet date of between 6.23% and 12.50% (2003: 8.87% and 17.50%) per annum.

30. BANK BORROWINGS

| | Group | |
|---|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Short Term Borrowings | | |
| Secured: | | |
| Bank overdrafts | 16,170 | 16,270 |
| Advances under factoring | 6,998 | 7,241 |
| Current portion of long term loan | 1,500 | 1,500 |
| | 24,668 | 25,011 |
| Unsecured: | | |
| Bank overdrafts | 3,241 | 4,533 |
| Trade financing | 34,182 | 41,617 |
| Short term loans | 4,431 | 4,067 |
| Current portion of long term loan | 1,000 | 167 |
| | 42,854 | 50,384 |
| | 67,522 | 75,395 |
| Long Term Borrowings | | |
| Secured: | | |
| Non-current portion of long term loan | 3,000 | 4,500 |
| Unsecured: | | |
| Non-current portion of long term loan | 3,357 | 2,120 |
| | 6,357 | 6,620 |
| Total Term Borrowings | | |
| Bank overdrafts | 19,411 | 20,803 |
| Trade financing | 34,182 | 41,617 |
| Advances under factoring | 6,998 | 7,241 |
| Short term loans | 4,431 | 4,067 |
| Long term loan | 8,857 | 8,287 |
| | 73,879 | 82,015 |
| Maturity of borrowings: | | |
| Within one year | 67,522 | 75,395 |
| More than 1 year and less than 2 years | 2,500 | 2,500 |
| More than 2 years and less than 5 years | 3,857 | 4,120 |
| | 73,879 | 82,015 |

30. BANK BORROWINGS (CONTD.)

The bank overdrafts bear interest at rates between 5.75% and 8.90% (2003: 6.00% and 8.90%) per annum.

The trade financing bears interest at rates between 2.85% and 8.50% (2003: 2.88% and 8.40%) per annum.

The advances under factoring arrangement bear interest at rates between 5.25% and 6.00% (2003: 5.50%) per annum.

Short term loans bear interest at rates between 1.36% and 1.37% (2003: 1.24% and 5.84%) per annum.

The term loans bear interest at rates ranging between 8.40% and 9.40% (2003: 7.50% and 8.90%) per annum.

The bank overdrafts and advances under factoring arrangement are secured by one or more of the following:

- (i) fixed and floating charge over certain property, plant and equipment of certain subsidiary companies as disclosed in Note 11;
- (ii) charge on the shares of certain subsidiary companies as disclosed in Note 13;
- (iii) charge on fixed deposits of certain subsidiary companies as disclosed in Note 24;
- (iv) corporate guarantee by the Company as disclosed in Note 34; and
- (v) corporate guarantee by certain subsidiary companies and a substantial shareholder of a subsidiary company of the Company.

The term loans are secured by the following:

- (i) fixed and floating charge over certain property, plant and equipment of certain subsidiary companies as disclosed in Note 11;
- (ii) charge on the shares of certain subsidiary companies as disclosed in Note 13;
- (iii) corporate guarantee by the Company as disclosed in Note 34.

31. SHARE CAPITAL

| | Group/Company | | | |
|--|---------------------------------------|--------------|----------------|----------------|
| | Number of Ordinary Shares of RM1 each | | Amount | |
| | 2004 '000 | 2003 '000 | 2004 RM'000 | 2003 RM'000 |
| Authorised: | | | | |
| At beginning of year/end of year | 500,000 | 500,000 | 500,000 | 500,000 |
| Issued and fully paid: | | | | |
| At beginning of year | 90,364 | 88,331 | 90,364 | 88,331 |
| Issued and fully paid up during the year | - | 2,033 | - | 2,033 |
| At end of year | 90,364 | 90,364 | 90,364 | 90,364 |

32. DEFERRED TAXATION

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| At beginning of year | 2,461 | 2,390 | - | 133 |
| Transfer to income statements (Note 9) | 106 | 71 | - | (133) |
| At end of year | 2,567 | 2,461 | - | - |
| The deferred taxation arises from: | | | | |
| Property, plant and equipment | 2,192 | 2,203 | - | - |
| Others | 375 | 258 | - | - |
| | 2,567 | 2,461 | - | - |

33. COMMITMENTS

| | Group | |
|-------------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Capital expenditure: | | |
| Approved and contracted for: | | |
| Property, plant and equipment | 1,347 | 3,641 |
| Other expenditure: | | |
| Approved and contracted for: | | |
| Others | 760 | 760 |
| | 2,107 | 4,401 |

The future minimum rental commitments of more than one year under non-cancellable leases are summarised below.

| | Group | |
|---|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Amounts payable within: | | |
| 1 year after balance sheet date | 4,102 | 4,116 |
| More than 1 year but not later than 5 years | 13,697 | 21,061 |
| More than 5 years | 108,454 | 111,468 |
| | 126,253 | 136,645 |

34. CONTINGENT LIABILITIES

| | Company | |
|--|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Corporate guarantee given to banks for credit facilities granted to subsidiary companies: | | |
| Secured | 9,616 | 10,830 |
| Unsecured | 41,265 | 48,827 |
| Unsecured corporate guarantee given for tenancy agreement entered into by a subsidiary company | - | 10,862 |
| | 50,881 | 70,519 |

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Commission charged to subsidiary companies | - | - | 52 | 49 |
| Gross dividend from subsidiary companies | - | - | 10,119 | 2,569 |
| Interest charged to subsidiary companies | - | - | 5,493 | 5,184 |
| Interest charged by related company | 264 | 250 | 264 | 250 |
| Management fees charged to subsidiary companies | - | - | 1,404 | 1,404 |
| Management fees charged by intermediate holding company | 180 | 180 | 180 | 180 |
| Rent of premises charged to subsidiary company | - | - | 480 | 480 |
| Sales to related companies | 1,670 | 2,155 | - | - |
| Sales to ultimate holding company | 5 | 10 | - | - |
| Interest charged by intermediate holding company | 293 | 251 | 293 | 251 |

| Nature of Transactions | Group | |
|---|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Sales of goods to Berjaya Times Square Sdn. Bhd. | 117 | - |
| Sales of goods to Berjaya TS Management Sdn. Bhd. | 29 | - |
| Sales of goods to Cosmo's World Theme Park Sdn. Bhd. (Formerly known as TS Retailtainment Sdn. Bhd.) | 31 | - |

All other significant inter-company transactions have been disclosed in the cash flow statements.

Berjaya Times Square Sdn. Bhd., Berjaya TS Management Sdn. Bhd. and Cosmo's World Theme Park Sdn. Bhd. (formerly known as TS Retailtainment Sdn. Bhd.) were deemed to be related parties by virtue of the interests of Tan Sri Dato' Tan Chee Sing in these companies.

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

36. PRIOR YEAR ADJUSTMENT AND COMPARATIVES

The change in accounting policy in respect of MASB 29 as discussed in Note 2(l) has been applied retrospectively and the effects of these changes are as follows:

| | Before effect of adopting MASB 29 | Effect of adopting MASB 29 | After effect of adopting MASB 29 |
|--------------------------|---|----------------------------------|--|
| Group | | | |
| INCOME STATEMENTS | | | |
| Net profit for the year | 12,087 | 889 | 12,976 |

| | As previously reported | Arising from prior year adjustments | As restated |
|--------------------------------|---------------------------|---|----------------|
| Group | | | |
| BALANCE SHEET | | | |
| Current Liabilities | | | |
| Retirement benefit obligations | 9,387 | 1,097 | 10,484 |
| Non-Current Liabilities | | | |
| Retirement benefit obligations | 13,704 | 13,162 | 26,866 |
| Reserves | | | |
| Accumulated losses | 162,213 | 14,259 | 176,472 |

The opening balance of accumulated losses for the year ended 30 April 2003 has not been restated as it is impracticable to do so.

Additionally, certain comparative figures have been reclassified to conform with the current year's presentation.

37. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest bearing debt; the Group had no substantial long term interest bearing assets as at 30 April 2004. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits which yield better returns than cash at bank.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

37. FINANCIAL INSTRUMENTS (CONTD.)

(c) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly United States dollar, Singapore dollar, Sterling pound, Euro, Thai baht, Chinese renminbi and Japanese yen. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

| | Net Functional Assets/(Liabilities) Held in Non Functional Currency | | | | | | Total RM'000 |
|--------------------------|---|----------------|---------------|---------------|---------------|---------------|-----------------|
| | RM RM'000 | REN RM'000 | HKD RM'000 | SGD RM'000 | ZAR RM'000 | EUR RM'000 | |
| At 30 April 2004: | | | | | | | |
| USD | 6,435 | - | 504 | 266 | 815 | 1,331 | 9,351 |
| SGD | 7 | - | - | - | - | - | 7 |
| EUR | (62) | - | - | - | (18) | - | (80) |
| JPY | - | (4,431) | - | - | - | - | (4,431) |
| | 6,380 | (4,431) | 504 | 266 | 797 | 1,331 | 4,847 |
| At 30 April 2003: | | | | | | | |
| USD | 2,521 | - | 1,106 | 806 | 1,026 | 2,521 | 7,980 |
| SGD | 38 | - | - | - | - | - | 38 |
| GBP | - | - | - | - | - | 10 | 10 |
| REN | - | - | 205 | - | - | - | 205 |
| BHT | - | - | - | 90 | - | - | 90 |
| JPY | - | (4,067) | - | - | - | - | (4,067) |
| EUR | (107) | - | - | - | - | - | (107) |
| | 2,452 | (4,067) | 1,311 | 896 | 1,026 | 2,531 | 4,149 |

37. FINANCIAL INSTRUMENTS (CONTD.)

(c) Foreign Exchange Risk (Contd.)

As at balance sheet date, the Group has entered into forward foreign exchange contracts with the following notional amounts and maturities:

| Currency | 2004 | | 2003 | |
|--|-------------------------|---------------------------------|-------------------------|---------------------------------|
| | Within 1 Year RM'000 | Total Notional Amount RM'000 | Within 1 Year RM'000 | Total Notional Amount RM'000 |
| At 30 April: | | | | |
| Forward contracts used to hedge trade payables | | | | |
| United States dollar | 2,535 | 2,535 | 863 | 863 |
| | 2,535 | 2,535 | 863 | 863 |

(d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(f) Fair Value

The aggregate fair values of financial liability which is not carried at fair value on the balance sheet of the Group as at the end of the financial year are represented as follows:

| | 2004 | | 2003 | |
|--|---------------------------|----------------------|---------------------------|----------------------|
| | Carrying Amount RM'000 | Fair Value RM'000 | Carrying Amount RM'000 | Fair Value RM'000 |
| At 30 April: | | | | |
| Financial Liability: | | | | |
| Hire purchase and finance lease payables | 3,972 | 4,013 | 1,003 | 1,065 |

37. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Value (Contd.)

It is not practical to estimate the fair value of amounts due from/to related and holding companies due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

It is also not practical to estimate the fair value of the forward foreign exchange contracts without incurring excessive time and costs, however, the fair value of these contracts are not anticipated to be material.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Marketable Securities

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(iii) Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

38. SIGNIFICANT EVENTS DURING THE YEAR

Private Placement of 9,036,000 Ordinary Shares

On 12 December 2003, the Company proposed a private placement of 9,036,000 new ordinary shares of RM1.00 each representing about 10% of the issued and paid-up share capital ("the Placement"). The proceeds from the Placement will be utilised for working capital requirements of the Company.

Approvals from the Ministry of International Trade and Industry and Securities Commission have been obtained on 23 March 2004 and 23 April 2004 respectively. As at 18 August 2004, the private placement which is pending completion, has been fixed at RM1.10 per share.

Write Back of Pension Provision

On 20 February 2004, the Company announced that its subsidiary company, Dunham-Bush Inc ("DB-Inc") had entered into a settlement agreement with the Sheet Metal Workers' National Pension Fund ("SMWNPF") for USD300,000 in three instalments as full settlement of all liabilities of DB-Inc to the SMWNPF. DB-Inc closed its chillers manufacturing facility in the United States of America on 16 October 2001. The Group had in the past made a provision of USD5.3 million in respect of liabilities to the SMWNPF, of which contribution to the fund (including interest) of USD1.7 million had already been made. As a result of the settlement, the Group has written back approximately USD3.3 million (approximately RM12.5 million) of its pension provision.

39. SEGMENTAL INFORMATION

(a) Geographical Segments:

The Group is organised on a worldwide basis into three major geographical segments:

- (i) Asia
- (ii) North America
- (iii) Europe

Other geographical segments include South Africa and Cayman Islands.

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

(b) Business Segments:

No segmental information is presented based on business segment as the Group's principal activities are those of manufacturing, servicing and trading of commercial and residential air-conditioning, refrigeration and related equipment.

At 30 April 2004

| | Asia RM'000 | North America RM'000 | Europe RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|-----------------------------------|----------------|----------------------------|------------------|------------------|------------------------|------------------------|
| Revenue | | | | | | |
| External sales | 237,424 | 38,930 | 65,895 | 16,489 | - | 358,738 |
| Inter-segment sales | 138,408 | 33,204 | 8 | - | (171,620) | - |
| Total revenue | 375,832 | 72,134 | 65,903 | 16,489 | (171,620) | 358,738 |
| Results | | | | | | |
| Segment results | 25,912 | (11,617) | 2,704 | 7,156 | | 24,155 |
| Unallocated corporate expenses | | | | | | (4,921) |
| Profit from operations | | | | | | 19,234 |
| Results from investing activities | | | | | | 7,968 |
| Finance costs | | | | | | (5,020) |
| Taxation | | | | | | (2,010) |
| Profit after taxation | | | | | | 20,172 |
| Minority interests | | | | | | (7,196) |
| Net profit for the year | | | | | | 12,976 |
| Assets | | | | | | |
| Segment assets | 254,343 | 32,572 | 38,471 | 12,932 | | 338,318 |
| Unallocated corporate assets | | | | | | 4,147 |
| Consolidated total assets | | | | | | 342,465 |

39. SEGMENTAL INFORMATION (CONTD.)

At 30 April 2004

| | Asia RM'000 | North America RM'000 | Europe RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|----------------|----------------------------|------------------|------------------|------------------------|------------------------|
| Liabilities | | | | | | |
| Segment liabilities | 80,293 | 25,051 | 28,445 | 3,622 | | 137,411 |
| Unallocated corporate liabilities | | | | | | 81,579 |
| Consolidated total liabilities | | | | | | 218,990 |
| Other Information | | | | | | |
| Capital expenditure | 12,501 | 2,419 | 20 | 50 | | 14,990 |
| Depreciation | 5,412 | 1,622 | 1,216 | 45 | | 8,295 |
| Amortisation | 40 | - | 254 | - | | 294 |
| Non-cash expenses other than depreciation, amortisation and impairment losses | 3,756 | (11,810) | 1,556 | 692 | | (5,806) |

At 30 April 2003

| | | | | | | |
|-----------------------------------|---------|----------|--------|-------|-----------|----------|
| Revenue | | | | | | |
| External sales | 248,559 | 44,498 | 64,427 | 5,430 | - | 362,914 |
| Inter-segment sales | 135,237 | 61,545 | 45 | - | (196,827) | - |
| Total revenue | 383,796 | 106,043 | 64,472 | 5,430 | (196,827) | 362,914 |
| Results | | | | | | |
| Segment results | 19,651 | (16,415) | (747) | 4,916 | | 7,405 |
| Unallocated corporate expenses | | | | | | (4,328) |
| Profit from operations | | | | | | 3,077 |
| Results from investing activities | | | | | | (30,311) |
| Finance costs | | | | | | (4,812) |
| Taxation | | | | | | (5,490) |
| Loss after taxation | | | | | | (37,536) |
| Minority interests | | | | | | (3,351) |
| Net loss for the year | | | | | | (40,887) |
| Assets | | | | | | |
| Segment assets | 251,499 | 44,825 | 38,149 | 7,915 | | 342,388 |
| Unallocated corporate assets | | | | | | 3,600 |
| Consolidated total assets | | | | | | 345,988 |
| Liabilities | | | | | | |
| Segment liabilities | 69,223 | 49,567 | 26,666 | 1,783 | | 147,239 |
| Unallocated corporate liabilities | | | | | | 87,350 |
| Consolidated total liabilities | | | | | | 234,589 |

39. SEGMENTAL INFORMATION (CONTD.)

At 30 April 2003

| | Asia RM'000 | North America RM'000 | Europe RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|--|----------------|----------------------------|------------------|------------------|------------------------|------------------------|
| Other Information | | | | | | |
| Capital expenditure | 9,740 | 1,543 | 331 | 24 | | 11,638 |
| Depreciation | 5,718 | 2,283 | 1,040 | 38 | | 9,079 |
| Amortisation | 42 | - | 375 | - | | 417 |
| Impairment losses | - | 2,090 | - | - | | 2,090 |
| Non-cash expenses other than depreciation, amortisation and impairment losses | 2,043 | 5,937 | 11,269 | 343 | | 19,592 |

Sales by Market:

The following table shows the distribution of the Group's consolidated sales by geographical market, regardless of where the goods were produced.

| | Group Revenue by Geographical Market | |
|--------------------------------|--|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Malaysia | 72,995 | 98,507 |
| The People's Republic of China | 116,467 | 106,029 |
| United States of America | 40,082 | 42,684 |
| United Kingdom | 60,365 | 54,253 |
| Others | 68,829 | 61,441 |
| | 358,738 | 362,914 |

The segment information are prepared in accordance to MASB 22 - Segment Reporting. Comparatives have been restated to conform with current year's presentation.

The Group is organised on a worldwide basis and presents its segmental information based on geographical locations of assets. Information based on business segment is not presented because the Group's principal activities are those of manufacturing, servicing and trading of commercial and residential air-conditioning, refrigeration and related equipment.

All inter-segment transactions were carried out in the normal course of business and established under negotiated terms.

Unallocated assets/liabilities include items relating to investing and financing activities and items that cannot be reasonably allocated to individual segment. These include mainly corporate assets, tax recoverable/payable, bank borrowings, hire purchase and finance lease payables.

Other non cash items include mainly unrealised gain and loss on foreign exchange, gain and loss of disposal of property, plant and equipment, allowances for doubtful debts and provision for diminution in value on goodwill.

List of Landed Properties

As At 30 April 2004

| Location of Properties | Age of Building (Years) | Net Book Value @ 30.04.04 RM'000 | Size of Property | Tenure (Freehold/ Leasehold -expiring on) | Description and Existing use | Date of Acquisition |
|--|-------------------------|----------------------------------|---|---|--|---|
| Lot 6, 8 & 10, Jalan P/7, Seksyen 13 Kawasan Perindustrian Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan | 16 | 1,772 | Land - 3 acres Building - 8,261 sq. m. | Leasehold - Lot 6 expiring on 16.10.2018 Leasehold - Lot 8 & 10 expiring on 25.02.2018 | Industrial land with factory cum office & warehouse | Lot 6 19.01.1990 Lot 8 & 10 02.06.1988 |
| Lot 12, Jalan P/7, Seksyen 13 Kawasan Perindustrian Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan | 12 | 6,084 | Land - 1 acre Building - 8,795 sq. m. | Leasehold expiring on 29.09.2086 | Industrial land with factory cum office & warehouse | 07.02.1991 |
| Lot 14, Jalan P/7, Seksyen 13 Kawasan Perindustrian Bangi 43650 Bandar Baru Bangi Selangor Darul Ehsan | 11 | 5,581 | Land - 2.05 acres Building - 10,436 sq. m. | Leasehold expiring on 29.09.2086 | Industrial land with factory cum office & warehouse | 03.10.1991 |
| Lot 5755-6 & 8, Kidamai Industrial Park Bukit Angkat, 43000 Kajang Selangor Darul Ehsan | 6 | 34,188 | Land - 11.84 acres Buildings - 27,774 sq. m. | Freehold | Industrial land with factory cum office & warehouse | Lot 6 11.04.1995 Lot 8 25.01.1996 |
| No. C402 To C420 (19 units) Lot 6750 & Lot 6659 Taman Kajang Utama 43000 Kajang Selangor Darul Ehsan | 9 | 450 | 55 sq. m. each | Freehold | Low cost flat for staff quarters | 07.09.1994 |
| Sunway Lagoon View Resort Condominium A-23-03, Lorong PJS 11/26A Bandar Sunway 46150 Petaling Jaya Selangor Darul Ehsan | 6 | 774 | 264 sq. m. | Leasehold expiring on 01.04.2097 | Penthouse for rental | 18.07.2000 |
| 81-16-2, Punchak Ria Lima MK17 Batu Ferringhi 11100 Penang | 12 | 271 | 216 sq. m. | Freehold | Condominium for rental | 01.04.1993 |
| 81-6-7, Punchak Ria Lima MK17 Batu Ferringhi 11100 Penang | 12 | 291 | 216 sq. m. | Freehold | Condominium for rental | 05.01.1996 |

| Location of Properties | Age of Building (Years) | Net Book Value @ 30.04.04 RM'000 | Size of Property | Tenure (Freehold/ Leasehold -expiring on) | Description and Existing use | Date of Acquisition |
|--|-------------------------|---|--|---|--|---------------------|
| EUROPEAN HEADQUARTERS 8, Downley Road Havant Hampshire England PO9 2JD | 27 | 16,235 (Approximately £2,411,587) | Land - 4.32 acres Building - 9,990 sq. m. | Freehold | Industrial land with factory cum office & warehouse | 06.01.1995 |
| D42# Noble City Laishan District Yantai The People's Republic of China | 8 | 264 (Approximately USD69,462) | Building - 258 sq. m. | Leasehold expiring on 15.08.2045 | Residential house | 15.08.1995 |
| No. 4, Lengkok Kikik 2 Taman Inderawasih 18600 Prai, Penang | 8 | 429 | 279 sq. m. | Freehold | Warehouse cum office | 05.06.1996 |
| 62, Jalan Permas 9/13 Bandar Baru Permas Jaya 81750 Johor Bahru Johor Darul Takzim | 8 | 524 | 279 sq. m. | Freehold | Warehouse cum office | 22.06.1996 |
| 23, (PTD 39947) Jalan Berjaya 8/6 Taman Berjaya 81200 Tampoi, Johor Bahru Johor Darul Takzim | 5 | 291 | 204 sq. m. | Freehold | Warehouse cum office | 10.11.1999 |

Revaluation Policy

The Group does not adopt a policy of regular revaluation. All landed properties are stated at cost, less accumulated depreciation (if applicable).

Material Contracts

Other than as disclosed in Notes 22, 26 and 35 of the Financial Statements, there are no material contracts entered into by Dunham-Bush (Malaysia) Bhd and its subsidiary companies involving directors and major shareholders which were still subsisting as at 30 April 2004 or if not then subsisting, entered into since the end of the previous financial year.

List of Regional Offices and Factories

REGIONAL OFFICES

Head Office:

Dunham-Bush (Malaysia) Bhd

Lot 5755-6, Kidamai Industrial Park,
Bukit Angkat, 43000 Kajang
Selangor Darul Ehsan
Malaysia

Tel : 603 - 8733 9898
Fax : 603 - 8734 2178/6178
Website : www.dunham-bush.com
Email : dbm@dunham-bush.com.my

Regional Offices:

Malaysia

Dunham-Bush Sales & Services Sdn Bhd

Lot 5755-6, Kidamai Industrial Park,
Bukit Angkat, 43000 Kajang
Selangor Darul Ehsan
Malaysia

Tel : 603 - 8733 9898
Fax : 603 - 8734 2178/6178
Email : localsales@dunham-bush.com.my

Topaire Sales & Services Sdn Bhd

Lot 8, Jalan P/7, Seksyen 13,
43650 Bandar Baru Bangi
Selangor Darul Ehsan
Malaysia

Tel : 603 - 8925 2022
Fax : 603 - 8925 5605/8926 7780
Email : topaire@tm.net.my

Asia Pacific

Dunham-Bush International Pte Ltd

146B, Paya Lebar Road
#05-01, Ace Building
Singapore 409017

Tel : 65 - 6842 2012
Fax : 65 - 6842 2013
Email : dbintl@mbox3.singnet.com.sg

Dunham-Bush Sales & Services (S) Pte Ltd

146B, Paya Lebar Road
#05-01, Ace Building
Singapore 409017

Tel : 65 - 6842 2009
Fax : 65 - 6842 2010
Email : dunhambh@pacific.net.sg

China

Dunham-Bush International Limited (Shanghai Representative Office)

Room 2104, 21st Floor, No 2,
Shengyuan Building,
No 5, Fan Yu Road,
Shanghai 200050

Tel : 86 - 21 - 6212 4469/5612/7291
Fax : 86 - 21 - 6240 8241
Email : accounts - dbac@sh163.net
sales - dbappl@sh163.net

Middle-East

Dunham-Bush Middle-East (Dubai Representative Office)

P.O. Box 30922
Aweer, Dubai, UAE

Tel : 971 - 4 - 333 1533
Fax : 971 - 4 - 333 1491
Email : dbme@emirates.net.ae

Europe

Dunham-Bush International (Europe) BV

Algolweg 9-7
3821 BG Amersfoort
The Netherlands

Tel : 31 - 33 - 453 5010
Fax : 31 - 33 - 455 4237
Email : info@dunham-bush-europe.com

USA

Dunham-Bush Inc

6255, South Valley Pike
Mount Crawford VA 22801
P.O. Box 20000
Harrisonburg VA 22801 USA

Tel : 1 - 540 - 434 0711
Fax : 1 - 540 - 434 2448
Email : billrial3@aol.com

South America

Dunham-Bush de Mexico SA de CV

Praga No. 33, Col. Juarez
Deleg. Cuauhtemoc
DF 06600 Mexico

Tel : 52 - 55 - 5208 1037/5511 4423
Fax : 52 - 55 - 5511 3315
Email : wponce@dunham-bush.com.mx

South Africa

Dunham-Bush International (Africa) (Pty) Ltd

Block D, Castle Walk Corporate Park
C/O Nossob & Swakop Street
Erasmuskloof, South Africa
Tel : 27 - 12 - 347 5359
Fax : 27 - 12 - 347 5358
Email : dbintl@mweb.co.za

Hong Kong & Macau

Dunham-Bush International Limited

Flat 2, 22/F, Fai King House
King Ming Court, Tseung Kwan O,
Hong Kong
Tel : 852 - 2331 9638
Fax : 852 - 2331 9021
Email : dbintlhk@ctimail.com

Thailand

Dunham-Bush International (Thailand) Ltd

42 Tower, 10th Floor,
65, Sukhumvit Soi 42
Sukhumvit Road, Phrakonong
Klongtoey, Bangkok 10110, Thailand
Tel : 662 - 712 3156/7
Fax : 662 - 712 3158
Email : dbintlth@inet.co.th

FACTORIES

Dunham-Bush Industries Sdn Bhd

Lot 5755-6, Kidamai Industrial Park
Bukit Angkat, 43000 Kajang
Selangor Darul Ehsan
Malaysia
Tel : 603 - 8733 9898
Fax : 603 - 8734 2178/6178
Email : dbm@dunham-bush.com.my

Dunham-Bush Topaire Sdn Bhd (Formerly Known as Topaire Sdn Bhd)

Lot 8, Jalan P/7, Seksyen 13
43650 Bandar Baru Bangi
Selangor Darul Ehsan
Malaysia
Tel : 603 - 8925 9688
Fax : 603 - 8925 4833
Email : topaire@dunham-bush.com.my

USA

Hartford Compressors Inc

179, South Street, West Hartford
CT 06110 USA
Tel : 1 - 860 - 249 8671
Fax : 1 - 860 - 548 1705
Email : bkuan@hartfordcompressors.com

United Kingdom

Dunham-Bush Limited

European Headquarters
8, Downley Road
Havant, Hampshire
England P09 2JD
Tel : 44 - 2392 - 477 700
Fax : 44 - 2392 - 488 705
Email : info@dunham-bush.co.uk

China

Dunham-Bush Yantai Co Ltd

APEC Industrial Park
Yantai, Shandong
PRC 264002
Tel : 86 - 535 - 658 8999
Fax : 86 - 535 - 658 1999
Email : dbyt@public.ytptt.sd.cn

Hartford Compressors Yantai Co Ltd

No.8, Yanfu Road
APEC Industrial Park
Yantai, Shandong
PRC 264002
Tel : 86 - 535 - 658 8999
Fax : 86 - 535 - 658 1999
Email : dbyt@public.ytptt.sd.cn

Recurrent Related Party Transactions of a Revenue or Trading Nature

For The Year Ended 30 April 2004

The aggregate value of transactions conducted pursuant to shareholders' mandate during the financial year ended 30 April 2004 were as follows:-

| Description | Nature of Transactions | Amount Transacted during the financial year RM'000 |
|--|--|--|
| Transactions with related companies | | |
| i) Berjaya Group Berhad ("BGroup") and its unlisted direct subsidiary companies:- | | |
| BGroup | Contract of service agreement, repairing and supply of air-conditioning equipments | 6 |
| Berjaya Registration Services Sdn Bhd | Receipt of share registration services and related expenses | 20 |
| Novacomm Integrated Sdn Bhd | Agency service for advertisement and publicity | 3 |
| Inter-Pacific Trading Sdn Bhd | Supply of stationery | 13 |
| Convenience Shopping Sdn Bhd | Contract of service agreement, repairing and supply of air-conditioning equipments | 701 |
| SecureXpress Services Sdn Bhd | Contract of service agreement, repairing and supply of air-conditioning equipments | 11 |
| Berjaya Soutex Sdn Bhd | Supply of air-conditioning equipments | 34 |
| ii) Cosway Corporation Berhad ("Cosway") and its unlisted subsidiary companies:- | | |
| Cosway | Management fees payable for services rendered that include, inter-alia, the provision of finance, corporate, secretarial and general administrative services | 507 |
| Singer (Malaysia) Sdn Bhd | Supply of air-conditioning equipment under an OEM agreement | 54 |
| Stephens Properties Sdn Bhd | Contract of service agreement and repairing of air-conditioning | 3 |
| Cosway (M) Sdn Bhd | Contract of service agreement, repairing and supply of air-conditioning | 4 |
| iii) Berjaya Capital Berhad ("BCapital") and its unlisted subsidiary company:- | | |
| Prime Credit Leasing Sdn Bhd | Equipment leasing | 2,395 |

| Description | Nature of Transactions | Amount Transacted during the financial year RM'000 |
|--|--|---|
| iv) Berjaya Land Berhad ("BLand") and its unlisted subsidiary companies:- | | |
| Berjaya Golf Resort Berhad | Contract of service agreement, repairing and supply of air-conditioning | 37 |
| Kota Raya Complex Management Sdn Bhd | Contract of service agreement, repairing and supply of air-conditioning | 62 |
| Aras Klasik Sdn Bhd | Contract of service agreement, repairing and supply of air-conditioning | 22 |
| Noble Circle Management Sdn Bhd | Contract of service agreement, repairing and supply of air-conditioning | 585 |
| Berjaya Megamall Management Sdn Bhd | Contract of service agreement, repairing and supply of air-conditioning | 61 |
| Berjaya Air Sdn Bhd | Contract of service agreement, repairing and supply of air-conditioning | 2 |
| Sinar Merdu Sdn Bhd | Contract of service agreement, repairing and supply of air-conditioning | 39 |
| Bukit Kiara Resort Berhad | Contract of service agreement, repairing and supply of air-conditioning | 15 |
| Tioman Island Resort Berhad | Contract of service agreement, repairing and supply of air-conditioning | 30 |
| Berjaya Resort (Sabah) Sdn Bhd | Contract of service agreement, repairing and supply of air-conditioning | 9 |
| Klasik Mewah Sdn Bhd | Contract of service agreement, repairing and supply of air-conditioning | 13 |
| v) Berjaya Sports Toto Berhad ("BToto") and its unlisted subsidiary company:- | | |
| Sport Toto Malaysia Sdn Bhd | Contract of service agreement, repairing and supply of air-conditioning | 5 |
| vi) Transactions with related parties | | |
| Berjaya Times Square Sdn Bhd (1) | Supply of air-conditioning equipments, contract of services agreement and repairing of air-conditioning equipments | 119 |
| Berjaya TS Management Sdn Bhd (1) | Supply of air-conditioning equipments | 29 |
| Cosmo's World Theme Park Sdn Bhd (formerly known as TS Retailtainment Sdn Bhd) (1) | Supply of air-conditioning equipments | 32 |

| Description | Nature of Transactions | Amount Transacted during the financial year RM'000 |
|---|---|---|
| vi) Transactions with related parties (Contd.) | | |
| DiGi Telecommunications Sdn Bhd (2) | Rental of roof base station & electricity consumed, contract of service agreement, repairing and supply of air-conditioning | 115 |
| Quasar Carriage Sdn Bhd (3) | Cars repairs and maintenance services | 9 |
| Hyumal Motor Sdn Bhd (4) | Cars repairs and maintenance services | 21 |
| LEDtronics Sdn Bhd ("LEDtronics") (5) | Distributor and/or agent for LEDtronics for sale outside Malaysia | 20 |
| Yantai Moon Group ("YMC") (6) | Supply of parts and components, rental payment | 13,043 |
| YMC | Sales of compressors and air-conditioning equipments | 1,622 |

Notes:-

Tan Sri Dato' Seri Vincent Tan Chee Yioun ("TSVT") is the Chairman/Chief Executive Officer and Major Shareholder of BGroup, the ultimate holding company of the Company, BCapital, Cosway and BLand. He is also the Chief Executive Officer of BToto and a Major Shareholder of BToto. The relationship of the other related parties are as follows:-

- (1) TSVT is the Chairman and Major Shareholder of Berjaya Times Square Sdn Bhd. Berjaya TS Management and Cosmo's World Theme Park Sdn Bhd (formerly known as TS Retailtainment Sdn Bhd) are the subsidiary companies of Berjaya Times Square Sdn Bhd.
- (2) DiGi Telecommunications Sdn Bhd is a wholly owned subsidiary of DiGi.Com Berhad ("DiGi"). TSVT is the Chairman and a Major Shareholder of DiGi.
- (3) BGroup owns 15% equity interest in Quasar Carriage Sdn Bhd.
- (4) BGroup owns 20% in Hyumal Motor Sdn Bhd.
- (5) Mr. Yeo Sek Chiong is the Managing Director of Dunham-Bush (Malaysia) Bhd and also a director of LEDtronics, where his spouse has equity interest.
- (6) YMC is a company controlled by the National Assets Administration Authority of the City of Yantai, Shandong Province, The People's Republic of China. YMC is the Chinese partner of DBM in the People's Republic of China in respect of Dunham-Bush Yantai Co Ltd and Hartford Compressors Yantai Co Ltd.

Statistics on Shareholdings

As At 18 August 2004

ANALYSIS OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|-----------------------|---------------------|---------------|-------------------|---------------|
| Less than 100 | 579 | 14.83 | 35,017 | 0.04 |
| 100 - 1,000 | 1,335 | 34.19 | 1,147,346 | 1.27 |
| 1,001 - 10,000 | 1,800 | 46.11 | 5,219,375 | 5.78 |
| 10,001 - 100,000 | 149 | 3.82 | 3,853,342 | 4.26 |
| 100,001 - 4,518,223 | 39 | 1.00 | 45,990,794 | 50.89 |
| 4,518,224* and Above | 2 | 0.05 | 34,118,596 | 37.76 |
| Total | 3,904 | 100.00 | 90,364,470 | 100.00 |

Notes:- 1. There is only one class of shares in the paid-up capital of the Company. Each share entitles the holder to one vote.

2. * Denotes 5% of the issued share capital.

THIRTY LARGEST SHAREHOLDERS

As At 18 August 2004

| No. | Name | No. of Shares | % |
|-----|---|---------------|-------|
| 1 | Noble Karaoke Equipment Sdn Bhd | 18,306,888 | 20.26 |
| 2 | AMMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Noble Karaoke Equipment Sdn Bhd (6/168-6)</i> | 15,811,708 | 17.50 |
| 3 | Berjaya General Insurance Berhad | 4,240,444 | 4.69 |
| 4 | Inter-Pacific Securities Sdn Bhd <i>IVT (9C55)</i> | 4,179,933 | 4.63 |
| 5 | Amsec Nominees (Tempatan) Sdn Bhd <i>Amfinance Berhad For Noble Karaoke Equipment Sdn Bhd</i> | 3,400,000 | 3.76 |
| 6 | AMMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Noble Karaoke Equipment Sdn Bhd (BK 6/186-4)</i> | 3,200,000 | 3.54 |
| 7 | EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account For Noble Karaoke Equipment Sdn Bhd (MIMB)</i> | 2,970,000 | 3.29 |
| 8 | Affin-ACF Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Noble Karaoke Equipment Sdn Bhd</i> | 2,300,000 | 2.55 |
| 9 | Eng Securities Sdn Bhd <i>IVT A01</i> | 2,248,414 | 2.49 |
| 10 | M & A Nominee (Tempatan) Sdn Bhd <i>Insas Credit & Leasing Sdn Bhd For Noble Karaoke Equipment Sdn Bhd</i> | 2,200,000 | 2.43 |
| 11 | Cosway Corporation Berhad | 1,697,364 | 1.88 |
| 12 | Wong Hah | 1,386,000 | 1.53 |
| 13 | Siew Yau Wai @ Siew Ah Way | 1,380,325 | 1.53 |
| 14 | Chang Yock Chai | 1,336,400 | 1.48 |
| 15 | Southern Finance Berhad <i>Pledged Securities Account For Tan Sri Dato' Seri Vincent Tan Chee Yioun</i> | 1,335,800 | 1.48 |
| 16 | M & A Nominee (Tempatan) Sdn Bhd <i>Insas Credit & Leasing Sdn Bhd For Cosway Corporation Berhad</i> | 1,277,944 | 1.41 |
| 17 | Yeo Sek Chiong | 1,270,000 | 1.41 |
| 18 | Eng Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Pantai Cemerlang Sdn Bhd</i> | 998,000 | 1.10 |
| 19 | Bank Kerjasama Rakyat Malaysia Berhad <i>Pledged Securities Account For Noble Karaoke Equipment Sdn Bhd</i> | 900,000 | 1.00 |
| 20 | Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Kamal Bin Mohamad Noor (3329TTDI)</i> | 877,743 | 0.97 |

| No. | Name | No. of Shares | % |
|-----|---|---------------|-------|
| 21 | HSBC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Sunline M&E Services Sdn Bhd (301-167573-089)</i> | 849,000 | 0.94 |
| 22 | PAB Nominee (Tempatan) Sdn Bhd <i>Pledged Securities Account For Sunline M&E Services Sdn Bhd (Central)</i> | 849,000 | 0.94 |
| 23 | Cimsec Nominees (Tempatan) Sdn Bhd <i>Danaharta Managers Sdn Bhd For Noble Karaoke Equipment Sdn Bhd (BLand Bhd)</i> | 800,000 | 0.89 |
| 24 | Chan Phang Fei | 739,430 | 0.82 |
| 25 | Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Tan Han Kook (AT0062)</i> | 729,500 | 0.81 |
| 26 | Choong Khoon Yen | 582,817 | 0.64 |
| 27 | Southern Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Ang Eng Chew</i> | 523,000 | 0.58 |
| 28 | OSK Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Lim Yock Yee</i> | 522,217 | 0.58 |
| 29 | Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account For Noble Karaoke Equipment Sdn Bhd</i> | 519,663 | 0.58 |
| 30 | Wong Ah Loy | 400,000 | 0.44 |
| | | 77,831,590 | 86.13 |

SUBSTANTIAL SHAREHOLDERS

As At 18 August 2004

| | ← No. of Shares → | | | |
|---|-------------------|-------|-----------------|-------|
| | Direct Interest | % | Deemed Interest | % |
| 1 Inter-Pacific Capital Sdn Bhd | - | - | 6,428,347 (a) | 7.11 |
| 2 Berjaya Capital Berhad | - | - | 10,967,945 (b) | 12.14 |
| 3 Bizurai Bijak (M) Sdn Bhd | - | - | 10,967,945 (c) | 12.14 |
| 4 Noble Karaoke Equipment Sdn Bhd | 51,970,977 | 57.51 | - | - |
| 5 Cosway Corporation Berhad | 1,697,364 | 1.88 | 51,970,977 (d) | 57.51 |
| 6 Garima Holdings Sdn Bhd | - | - | 53,668,341 (e) | 59.39 |
| 7 Juara Sejati Sdn Bhd | 173,238 | 0.19 | 53,668,341 (f) | 59.39 |
| 8 Berjaya Group Berhad | - | - | 64,809,524 (g) | 71.72 |
| 9 Tan Sri Dato' Seri Vincent Tan Chee Yioun | 1,415,800 | 1.57 | 64,809,524 (h) | 71.72 |

Notes:-

- (a) Deemed interested by virtue of its 100% interest in Eng Securities Sdn Bhd and Inter-Pacific Securities Sdn Bhd.
(b) Deemed interested by virtue of its interest in Inter-Pacific Capital Sdn Bhd, Berjaya General Insurance Berhad and Prime Credit Leasing Sdn Bhd.
(c) Deemed interested by virtue of its interest in Berjaya Capital Berhad.
(d) Deemed interested by virtue of its 100% interest in Noble Karaoke Equipment Sdn Bhd.
(e) Deemed interested by virtue of its interest in Cosway Corporation Berhad.
(f) Deemed interested by virtue of its interest in Cosway Corporation Berhad.
(g) Deemed interested by virtue of its 100% interest in Garima Holdings Sdn Bhd and Juara Sejati Sdn Bhd, and its deemed interest in Berjaya Capital Berhad.
(h) Deemed interested by virtue of his interest in Berjaya Group Berhad.

Statement of Directors' Shareholdings

As At 18 August 2004

THE COMPANY

| | ← Number of Ordinary Shares of RM1.00 each → | | | |
|--|--|------|-----------------|---|
| | Direct Interest | % | Deemed Interest | % |
| Tan Sri Dato' Mohamed Yusoff Bin Mohamed | 366,167 | 0.41 | - | - |
| Yeo Sek Chiong | 1,270,000 | 1.41 | - | - |
| Kamal Bin Mohamad Noor | 928,150 | 1.03 | - | - |

ULTIMATE HOLDING COMPANY BERJAYA GROUP BERHAD

| | ← Number of Ordinary Shares of RM1.00 each → | | | |
|-----------------------------|--|------|-----------------|------|
| | Direct Interest | % | Deemed Interest | % |
| Tan Sri Dato' Tan Chee Sing | 36,181,000 | 2.41 | 679,000 | 0.05 |
| Freddie Pang Hock Cheng | 7,500 | 0.00 | - | - |
| Chua Tee Hock | 60,000 | 0.00 | - | - |

| | ← RM1.00 Nominal Amount of 5% Irredeemable Convertible Unsecured Loan Stocks 1999/2009 → | | | |
|-----------------------------|---|------|-----------------|---|
| | Direct Interest | % | Deemed Interest | % |
| Tan Sri Dato' Tan Chee Sing | 18,090,500 | 4.28 | - | - |
| Chua Tee Hock | 5,000 | 0.00 | - | - |

| | ← Number of Warrants → | | | |
|-----------------------------|------------------------|------|-----------------|---|
| | Direct Interest | % | Deemed Interest | % |
| Tan Sri Dato' Tan Chee Sing | 71,142,000 | 2.78 | - | - |

RELATED COMPANIES BERJAYA LAND BERHAD

| | ← Number of Ordinary Shares of RM1.00 each → | | | |
|-----------------------------|--|------|-----------------|------|
| | Direct Interest | % | Deemed Interest | % |
| Tan Sri Dato' Tan Chee Sing | 239,721 | 0.03 | 11,461,250 | 1.32 |

| | ← RM1.00 Nominal Amount of 5% Irredeemable Convertible Unsecured Loan Stocks 1999/2009 → | | | |
|-----------------------------|---|---|-----------------|------|
| | Direct Interest | % | Deemed Interest | % |
| Tan Sri Dato' Tan Chee Sing | - | - | 2,509,000 | 0.28 |

BERJAYA CAPITAL BERHAD

| | ← Number of Ordinary Shares of RM1.00 each → | | | |
|-----------------------------|--|------|-----------------|---|
| | Direct Interest | % | Deemed Interest | % |
| Tan Sri Dato' Tan Chee Sing | 87,332 | 0.02 | - | - |
| Freddie Pang Hock Cheng | 10,000 | 0.00 | - | - |

Save as disclosed, none of the other Directors in office have any interest in the shares and debenture of the Company and its related corporations as at 18 August 2004.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Nineteenth Annual General Meeting of the Company will be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 14 October 2004 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive and adopt the audited financial statements of the Company for the year ended 30 April 2004 and the Directors' and Auditors' Reports thereon. Resolution 1
2. To approve the payment of Directors' Fees of RM29,000.00 for the year ended 30 April 2004. Resolution 2
3. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:-
 - a) Freddie Pang Hock Cheng Resolution 3
 - b) Tay Thiam Siew Resolution 4
 - c) Faizal Bin Dato' Abdul Aziz Resolution 5
4. To re-appoint Tan Sri Dato' Mohamed Yusoff Bin Mohamed as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company pursuant to Section 129(6) of the Companies Act, 1965. Resolution 6
5. To re-appoint Messrs Ernst & Young as Auditors and to authorise the Directors to fix their remuneration. Resolution 7
6. As special business:-

To consider and, if thought fit, pass the following ordinary resolutions:-

i) Authority to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965

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

Resolution 8

ii) Proposed Renewal of the Shareholders' Mandate For Recurrent Related Party Transactions of a Revenue or Trading Nature

"THAT subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad and all other applicable laws, guidelines, rules and regulations, approval be and is hereby given to the Company and/or its subsidiaries to renew and enter into recurrent related party transactions of a revenue or trading nature from time to time, which are necessary for day-to-day operations and are on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of shareholders of the Company.

AND THAT such authority shall commence upon the passing of this Ordinary Resolution and shall continue to be in force until:-

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

AND FURTHER THAT authority be and is hereby given to the Directors of the Company and its subsidiaries to complete and do all such acts and things (including executing such documents as may be required) to give effect to such transactions as authorised by this Ordinary Resolution."

Resolution 9

By Order of the Board

SU SWEE HONG
Secretary

Kuala Lumpur
22 September 2004

NOTES:-

(A) APPOINTMENT OF PROXY

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) proxy only to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint one (1) proxy in respect of each securities account.
3. The instrument appointing a proxy, shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Company's Registered Office, 11th Floor Menara Berjaya, KL Plaza, 179 Jalan Bukit Bintang, 55100 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

(B) ORDINARY RESOLUTIONS 3, 4, 5 and 6:-

The particulars of Directors who stand for re-election/re-appointment are set out in the relevant pages of the Annual Report as follows:-

| <u>Name of Director</u> | <u>Directors' Profile</u> | <u>Directors' Shareholdings</u> |
|---|---------------------------|---------------------------------|
| 1. Freddie Pang Hock Cheng | 4 | 92 |
| 2. Tay Thiam Siew | 4 | 92 |
| 3. Faizal Bin Dato' Abdul Aziz | 5 | 92 |
| 4. Tan Sri Dato' Mohamed Yusoff Bin Mohamed | 3 | 92 |

The details of Directors' attendance at Board Meetings are set out on Page 24 of the Annual Report.

(C) SPECIAL BUSINESS

1. Resolution 8 is proposed pursuant to Section 132(D) of the Companies Act, 1965 and if passed, will give the Directors of the Company, from the date of the above general meeting, authority to issue and allot shares from the unissued capital of the Company for such purposes as the Directors may deem fit and in the interest of the Company. This authority, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.
2. Resolution 9 if passed will renew and approve the Shareholders' Mandates on Recurrent Related Party Transactions and to allow the Company and its subsidiaries to enter into Recurrent Related Party Transactions in accordance with Paragraph 10.09 of Bursa Securities Listing Requirements. The explanatory notes on Resolution 9 is set out in the Circular to Shareholders dated 22 September 2004 attached to the Annual Report.

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Form of Proxy

DUNHAM-BUSH (MALAYSIA) BHD

(Company No: 129358-X)
(Incorporated In Malaysia)

I/We _____
(Name in full)

I.C. or Company No. _____ CDS Account No. _____
(New and Old I.C. Nos. or Company No.)

of _____
(Address)

being a member of DUNHAM-BUSH (MALAYSIA) BHD hereby appoint:-

_____ I.C. No. _____
(Name in full) (New and Old I.C. Nos.)

of _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf, at the Nineteenth Annual General Meeting of the Company to be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 14 October 2004 at 10.30 a.m. or any adjournment thereof.

This proxy is to vote on the resolutions set out in the Notice of the Meeting as indicated with an "X" in the appropriate spaces. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.

| | For | Against |
|---|-----|---------|
| RESOLUTION 1 - To receive and adopt the Audited Financial Statements. | | |
| RESOLUTION 2 - To approve payment of Directors' Fees. | | |
| RESOLUTION 3 - To re-elect Freddie Pang Hock Cheng as Director. | | |
| RESOLUTION 4 - To re-elect Tay Thiam Siew as Director. | | |
| RESOLUTION 5 - To re-elect Faizal Bin Dato' Abdul Aziz as Director. | | |
| RESOLUTION 6 - To re-appoint Tan Sri Dato' Mohamed Yusoff Bin Mohamed as Director. | | |
| RESOLUTION 7 - To re-appoint Auditors. | | |
| RESOLUTION 8 - To approve authority to allot and issue shares. | | |
| RESOLUTION 9 - To renew shareholders' mandate for Recurrent Related Party Transactions. | | |

| |
|--|
| |
|--|

No. of Shares

Signature of Shareholder

Signed this _____ day _____ of _____, 2004.

Notes:-

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) proxy only to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint one (1) proxy in respect of each securities account.
3. The instrument appointing a proxy, shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Company's Registered Office, 11th Floor Menara Berjaya, KL Plaza, 179 Jalan Bukit Bintang, 55100 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Fold this flap for sealing

Affix Stamp

The Company Secretary
DUNHAM-BUSH (MALAYSIA) BHD.
11th Floor, Menara Berjaya
KL Plaza, 179 Jalan Bukit Bintang
55100 Kuala Lumpur

2nd fold here

1st fold here

For further information, please contact:

The Company Secretary
11th Floor, Menara Berjaya
KL Plaza, 179 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : 03 - 2935 8888
Fax : 03 - 2935 8043
<http://www.dunham-bush.com>
<http://www.berjaya.cc>

