FACB Industries Incorporated Berhad 48850-K | annual report 2004

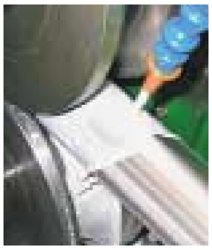
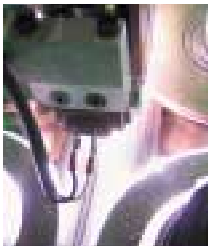




maximizing Our Strength

FACB Industries Incorporated Berhad 48850-K
annual report 2004






Contents

Our strength

- quality
- researching & creating
- innovating

As a formidable player in the steel and bedding industry, the Group has long been associated with product and export excellence. We continue to research, develop, innovate and express our creativity in our products and services. And as a means to optimise the resources within the Group, we also extend the same quality and principles in our work ethics.

With our steel business expanding to China, we see no boundaries, only opportunities.

Being the market leader in Malaysia, the Group's stainless steel division exports more than 70% of its welded pipes and fittings to over 50 countries worldwide.

Recognition of Quality

TUV Certificate, awarded in 1995, certifies our stainless steel products according to DIN Standard. It serves as a competitive advantage for marketing our products internationally.

Human Resource Minister Award 2003 by Pembangunan Sumber Manusia Berhad ("PSMB") in recognition of Kanzen Kagu Sdn Bhd ("KKSB")'s significant contributions in human resource development throughout the year 2002.

Selangor Product Excellence Award 2002 by Selangor State Government recognises KKSB's highest standard of quality products in Selangor State Industries.

Pressure Equipment Directive Certification was awarded by TUV in 2002 for compliance with the directive requirements on stainless steel products, especially for the European Union market.

Export Excellence Award 1998 by Ministry of International Trade and Industry ("MITI") is in recognition of Kanzen Tetsu Sdn Bhd ("KTSB")'s excellence in exporting its products to more than 50 countries worldwide.

Product Excellence Award 2001 granted by MITI is in recognition of KTSB's excellent products range with superior international quality.

NPC Productivity Award 2001 awarded by National Productivity Corporation for KTSB's outstanding productivity achievement, high efficiency, well trained human resource and management dedication.

Notice of Meeting and Book Closure

NOTICE IS HEREBY GIVEN that the Twenty Fifth Annual General Meeting of the Company will be held at Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur, on Wednesday, 8th December, 2004 at 10.00 a.m. for the following purposes:

agenda

As Ordinary Business:

1. To receive and adopt the Audited Financial Statements for the year ended 30th June, 2004 together with the Reports of Directors and Auditors thereon. *Resolution 1*

2. To approve a final dividend of 3% less tax for the year ended 30th June, 2004. *Resolution 2*

3. To approve Directors' fees of RM150,000/- for the year ended 30th June, 2004. *Resolution 3*

4. To consider and, if thought fit, pass a resolution that pursuant to Section 129(6) of the Companies Act, 1965, Dato' Sulaiman bin Sujak be re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company. *Resolution 4*

5. To re-elect the following Directors who are retiring pursuant to Article 80 of the Company's Articles of Association:
   (i) Dato' Dr. Abdul Razak bin Abdul *Resolution 5*
   (ii) Mr Leong Choong Wah *Resolution 6*

6. To re-appoint Messrs Moore Stephens as Auditors of the Company and to authorise the Directors to fix their remuneration. *Resolution 7*

As Special Business:

7. To consider and, if thought fit, pass the following Ordinary Resolutions:

   a. Authority to Allot and Issue Shares pursuant to Section 132D of the Companies Act, 1965 *Resolution 8*

   "THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10 per centum of the Issued Share Capital of the Company for the time being."

   b. Proposed Renewal of Authority for Share Buy-Back *Resolution 9*
   (The text of the above resolution together with the details of the Proposal are set out in the Circular to Shareholders dated 9th November, 2004 which is enclosed together with this Annual Report.)

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

notice of book closure

NOTICE IS ALSO HEREBY GIVEN that Register of Members will be closed on 22nd December, 2004 to determine shareholders' entitlement to the dividend payment.

The final dividend of 3% less tax, if approved by the shareholders at the forthcoming Annual General Meeting, will be paid on 19th January, 2005 to shareholders whose names appear in the Records of Depositors on 21st December, 2004.

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

a. Shares transferred into the Depositor's Securities account before 4.00 p.m. on 21st December, 2004 in respect of ordinary transfers.

b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Lee Boo Tian, LS 007987
Group Company Secretary

Kuala Lumpur
9th November, 2004

notes

Proxy:

(i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.

(ii) Subject to the Companies Act 1965, where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.

(iii) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation, either under its common seal or the hand of an officer or attorney duly authorised.

(iv) The Form of Proxy must be completed, signed and deposited at the Company's Registered Office not less than 48 hours before the time set for the Meeting or adjourned meeting.

Explanatory Notes on Special Business

1. **Resolution pursuant to Section 132D of the Companies Act, 1965**
   The Ordinary Resolution 8 proposed under Agenda 7(a) above if passed will empower the Directors to issue shares up to 10% of the issued capital of the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied by the Company in general meeting, shall expire at the next Annual General Meeting of the Company.

2. **Resolution pursuant to Proposed Renewal of Authority for Share Buy-Back**
   The Ordinary Resolution 9 proposed under Agenda 7(b) above if passed is to give authority to the Directors to purchase the Company's own shares. This authority will expire at the next Annual General Meeting of the Company unless earlier revoked or varied by an ordinary resolution of the Company at a general meeting. Further information is set out in the Circular to Shareholders which is despatched together with this Annual Report.

statement accompanying notice of annual general meeting

1. **Directors standing for re-election**
   Details of attendance of Board Meetings held during the financial year ended 30th June, 2004 for the Directors standing for re-election are as follows:

Dato' Sulaiman bin Sujak	-	Attended all Board Meetings held at the Registered Office on 21st November, 2003, 25th February, 2004 and 24th June, 2004 at 10.00 a.m., 2.15 p.m. and 2.15 p.m. respectively
Dato' Dr. Abdul Razak bin Abdul	-	Attended two Board Meetings held at the Registered Office on 25th February, 2004 and 24th June, 2004 at 2.15 p.m. and 2.15 p.m. respectively
Leong Choong Wah	-	Attended all Board Meetings held at the Registered Office on 21st November, 2003, 25th February, 2004 and 24th June, 2004 at 10.00 a.m., 2.15 p.m. and 2.15 p.m. respectively

   Other particulars of the above Directors are set out on pages 8 and 9 of this Annual Report.

2. **Place, Date & Hour of Meeting**
   The Twenty Fifth Annual General Meeting of FACB Industries Incorporated Berhad will be held at Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 8th December, 2004 at 10.00 a.m.

Corporate Information

board of directors
Dato' Sulaiman bin Sujak
Chairman

Tan Sri Dr. Chen Lip Keong
President and Chief Executive Officer

Puan Sri Lee Chou Sarn

Dato' Dr. Abdul Razak bin Abdul

Datuk Wan Kassim bin Ahmed

Mr Leong Choong Wah

Tuan Haji Harun bin Haji Faudzar

Mr Chua Tiam Wee
(Alternate Director to Puan Sri Lee Chou Sarn)

group company secretary
Mr Lee Boo Tian
LS 007987

audit committee
Datuk Wan Kassim bin Ahmed
Chairman, Independent Non-Executive Director

Mr Leong Choong Wah
Non-Independent Executive Director

Tuan Haji Harun bin Haji Faudzar
Independent Non-Executive Director

nomination committee
Dato' Sulaiman bin Sujak
Chairman, Non-Independent Non-Executive Director

Datuk Wan Kassim bin Ahmed
Independent Non-Executive Director

Tuan Haji Harun bin Haji Faudzar
Independent Non-Executive Director

remuneration committee
Datuk Wan Kassim bin Ahmed
Chairman, Independent Non-Executive Director

Dato' Dr. Abdul Razak bin Abdul
Non-Independent Executive Director

Tuan Haji Harun bin Haji Faudzar
Independent Non-Executive Director

registered office
MNI Twins, Tower 1
Level 13, 11 Jalan Pinang
50450 Kuala Lumpur
Tel : 603 2162 0060
Fax : 603 2162 0062

share registrar
Semangat Corporate Resources Sdn Bhd
(formerly known as Lipkland Management and Consultancy Sdn Bhd)
2nd Floor, 118 Jalan Semangat
46300 Petaling Jaya,
Selangor Darul Ehsan
Tel : 603 7968 1001
Fax : 603 7958 8013

auditors
Moore Stephens
8A, Jalan Sri Semantan Satu
Damansara Heights
50490 Kuala Lumpur

principal bankers
Malayan Banking Berhad

OCBC Bank (Malaysia) Berhad

Standard Chartered Bank Malaysia Berhad

stock exchange listing
Bursa Malaysia Securities Berhad, Main Board

researching & creating

Our adage is simple, never stop learning and creating solutions.

Our ongoing research establishes a platform for us to always outdo ourselves and create better products and services.

Every well-solved customer problem in turn creates a loyal and trusting customer base.

We encourage balance. As we create inventive and innovative ideas, we are also searching for ways to greater product understanding through research and development, stronger management and customer support.

Directors' Profiles

DATO' SULAIMAN BIN SUJAK
Chairman
Non-Independent Non-Executive Director, Malaysian, aged 70
Dato' Sulaiman bin Sujak was appointed to the Board on 1st October, 1988 and as Chairman on 1st July, 2002. He also serves as Chairman of the Nomination Committee.

Dato' Sulaiman is a graduate of Royal Air Force College, Cranwell, England and Royal College of Defence Studies, London. He has served the Royal Air Force and the Royal Malaysian Air Force and is the first Malaysian Air Force Chief.

He was an Advisor (now known as Assistant Governor) to Bank Negara Malaysia and was the Director, Commercial Division of Kumpulan Guthrie. He was also the Deputy Chairman of Malaysian Airlines System Berhad.

Dato' Sulaiman is currently a Director of HSBC Bank Malaysia Berhad. He is also a Director of Nationwide Express Courier Services Berhad and Cycle & Carriage Bintang Berhad.

TAN SRI DR. CHEN LIP KEONG
President and Chief Executive Officer
Non-Independent Executive Director, Malaysian, aged 57
Tan Sri Dr. Chen Lip Keong was appointed to the Board and as President and Chief Executive Officer on 3rd August, 1994.

Tan Sri Dr. Chen graduated with a Bachelor of Medicine and Surgery in 1973 from University of Malaya. He has more than 26 years of corporate, managerial and business experience since 1976.

Currently, Tan Sri Dr. Chen is also the President and Chief Executive Officer of both Karambunai Corp Bhd and Petaling Tin Berhad.

PUAN SRI LEE CHOU SARN
Non-Independent Executive Director, Malaysian, aged 57
Puan Sri Lee Chou Sarn was appointed to the Board on 17th March, 1997.

After graduating from University of Malaya with a Bachelor of Economics in 1971, Puan Sri Lee worked for 13 years in the Statistics Department for the Government of Malaysia before she ventured into business. She has been a shareholder and a Director of Lipkland Holdings Sdn Bhd, an investment holding company since December 1982. She was also a Director of Karambunai Corp Bhd from 1994 to 2001.

DATO' DR. ABDUL RAZAK BIN ABDUL
Non-Independent Executive Director, Malaysian, aged 54
Dato' Dr. Abdul Razak bin Abdul was appointed to the Board on 12th April, 1994. Dato' Dr. Abdul Razak also serves as a member of the Remuneration Committee.

After graduating with a Master of Business Administration (Finance) in 1973, Dato' Dr. Abdul Razak obtained his Ph.D (International Business) in 1979. He commenced his career as a lecturer in Institut Teknologi MARA ("ITM") in 1973 and became the Head of ITM's School of Business in 1981. He has been actively involved in the insurance industry since 1983 and has vast experience in managing insurance companies. He was a Director of Petaling Tin Berhad from 1991 to 1992 and 1997 to 2000.

Currently, Dato' Dr. Abdul Razak is also a Director of Mutiara Goodyear Development Berhad, Wonderful Wire & Cable Berhad and Kejuruteraan Samudra Timur Berhad.

DATUK WAN KASSIM BIN AHMED
Independent Non-Executive Director, Malaysian, aged 55
Datuk Wan Kassim bin Ahmed was appointed to the Board on 29th March, 2002. Datuk Wan Kassim also serves as Chairman of both Audit and Remuneration Committees and as a member of the Nomination Committee.

Datuk Wan Kassim graduated with a Bachelor of Economics from University of Malaya in 1973. He began his career with Messrs Kassim Chan, an audit firm in 1973 before joining Bank Bumiputra Malaysia Berhad. He then joined Shamelin Berhad for 10 years before starting his own management consultancy firm, United Kadila Sdn Bhd in 1984. He served as a Councilor for the Petaling Jaya Town Council between 1987 and 1991 and as a Board member of the Malaysian Tourist Development Board from 1992 to 1996. He was Executive Chairman of Inter-Fresh (Malaysia) Sdn Bhd between 1988 to 2001 and also the Chairman of Kawalan Warisan Rantau Sdn Bhd from 1993 to 2001.

Currently, Datuk Wan Kassim is also a Director of Karambunai Corp Bhd, Petaling Tin Berhad, Octagon Consolidated Berhad and Hartamas Group Berhad.

LEONG CHOONG WAH

Non-Independent Executive Director, Malaysian, aged 36

Mr Leong Choong Wah was appointed to the Board on 2nd January, 2002. Mr Leong also serves as a member of the Audit Committee and Chief Financial Officer.

Mr Leong is a qualified Accountant and a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and Malaysian Institute of Accountants ("MIA"). He has extensive experience of over 15 years in the fields of financial management, corporate planning and accounting, having worked in Price Waterhouse, now known as PriceWaterhouse Coopers and other companies listed on Bursa Malaysia.

HAJI HARUN BIN HAJI FAUDZAR

Independent Non-Executive Director, Malaysian, aged 51

Tuan Haji Harun bin Haji Faudzar was appointed to the Board on 1st July, 2002. Tuan Haji Harun also serves as a member of the Audit, Remuneration and Nomination Committees.

Tuan Haji Harun graduated with a Bachelor of Business Administration from Western Michigan University, majoring in Finance and Economics. He also holds a Diploma in Business Studies from Universiti Institut Teknologi MARA ("UiTM"), Malaysia.

Prior to his appointment, he was with Timah Langat Berhad and Amanah International Finance Berhad. He has extensive knowledge and vast working experience in the field of finance. He was primarily responsible for the financial operation of a mixed development project known as Taman Permata in Bukit Mertajam in 1984, which was completed in 1990. Subsequently, he was also actively involved in other development projects.

Tuan Haji Harun is currently Chairman/Executive Director of Mutiara Goodyear Development Berhad. He is also a Director of Karambunai Corp Bhd and Hartamas Group Berhad.

CHUA TIAM WEE

Alternate Director to Puan Sri Lee Chou Sarn, Malaysian, aged 50

Mr Chua Tiam Wee was appointed as an alternate director to Puan Sri Lee Chou Sarn on 1st July, 2002. He also serves as the Chief Operating Officer.

Mr Chua graduated from University of Malaya with a Bachelor of Engineering (Honours) degree in 1978 and obtained his Master in Business Administration in 1994. He began his career as an engineer in Malaysian Tobacco Co. Berhad and subsequently served in the Hong Leong Group, Berjaya Kawat Manufacturing Sdn Bhd and P.T. Sampoerna JL Sdn Bhd in various positions.

He joined Kanzen Tetsu Sdn Bhd, a subsidiary of the Company as its General Manager & Operations in 1992. He was the Chairman of ERW Steel Pipe Group and Executive Committee Member of Malaysian Iron and Steel Industry Federation.

OTHER INFORMATION

a. Family Relationship:
Tan Sri Dr. Chen Lip Keong is the spouse of Puan Sri Lee Chou Sarn. Save as disclosed above, none of the Directors have any family relationship with any Director of the Company.

b. Conflict of Interest:
Save as disclosed in item 12 under Other Compliance Statements on page 34, none of the Directors have any conflict of interest with the Company.

c. Conviction of Offences:
None of the Directors have any conviction for offences within the past 10 years other than traffic offences, if any.

d. Karambunai Corp Bhd is formerly known as FACB Resorts Berhad.

Chairman's Statement

Dear shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of FACB Industries Incorporated Berhad ("FACBII" or "the Group" or "the Company") for the financial year ended 30th June, 2004.

financial review

The Group recorded an increased revenue of RM253.2 million as compared to the previous year's revenue of RM206.0 million and Group profit before tax of RM14.1 million as compared to RM10.7 million in the previous year.

The commendable performance is mainly attributed to the improved performance of its steel division, the core business activity of the Group.

dividend

The Board is pleased to recommend the payment of a final dividend of 3% less tax for the financial year ended 30th June, 2004, subject to the approval of the shareholders at the Twenty Fifth Annual General Meeting.

corporate developments

During the financial year under review, the following corporate events have taken place in the Group:

a. On 16th December, 2003, the Company through its wholly owned subsidiary, Kanzen Tetsu Sdn Bhd ("KTSB") signed a joint venture agreement with Arcelor Stainless International ("ASI") to form a strategic joint venture company named Kanzen Stainless Processors Sdn Bhd ("KSP"). ASI is owned by the Arcelor Group which is currently the world's largest steel producer. KTSB and ASI have a stake of 70% and 30% equity interest in KSP respectively.

   KSP operates a unique stainless steel service center in the existing steel division's plant in Shah Alam, Selangor Darul Ehsan. It shall provide shearing of stainless steel coils into a wide range of products such as plates, sheets and strips for the local and ASEAN markets as well as slitting services.

New Milestone in the Group's Stainless Steel Operations
Dato' Sulaiman bin Sujak - Chairman of FACBII exchanging Kanzen Stainless Processors Sdn Bhd's Joint Venture agreement with Mr Michel Le Page - Chairman and CEO of Arcelor Stainless International, witnessed by Y.B. Dato' Chua Jui Meng (the former Minister of Health) during the Joint Venture Signing Ceremony.

b. On 17th May, 2004, the Company announced to Bursa Malaysia that the Securities Commission ("SC") had granted an approval to the Company for an extension of time up to and including 27th October, 2004 to complete the implementation of its corporate exercise which includes a rights with warrants issue, bonus issue and employees' share option scheme to raise gross proceeds of up to approximately RM213 million.

c. On 17th September, 2004, the Company announced to Bursa Malaysia that its subsidiary, Kanzen Energy Ventures Sdn Bhd ("KEV") had entered into a joint venture agreement with Jiangyin Electricity Investment Company and Jiangyin Binjiang Group for the formation of Jiangyin Chengdong Power Supply Co. Ltd ("JCPS") to undertake the setting up of a heat and power plant in Jiangyin, Jiangsu Province, China. KEV shall hold 30% equity interest in the registered capital of JCPS.

share buy-back

At the Extraordinary General Meeting held on 16th April, 2004, the Company obtained an approval from its shareholders to purchase its own shares up to a maximum of 10% of its issued and paid-up ordinary share capital. The Company first executed the purchase of its own shares on 22nd April, 2004 and has to-date purchased over 1% of its issued and paid-up ordinary shares. The average purchase price per share is below the par value of RM1.00 and its net tangible assets as at 30th June, 2004 of RM2.32 per share. The Company would utilise its available financial resources to purchase its ordinary shares and realise the potential benefits in the future.

future outlook

The demand for the steel products across a wide range of industries remains encouraging. On the international front, the stainless steel industry continues to experience a healthy growth with an annual average rate ranging from 5% to 5.5% which surpasses the world's average gross domestic production of approximately 3.5%. The world stainless steel production output is expected to reach another peak this year at around 22.6 million tons, up by 6.1% compared to 2003.

As for the local market, Malaysia's per capita stainless steel consumption has risen from 3.6kg per capita in 1998 to 6.0kg per capita in 2002 which is still lagging compared to more industrialised countries such as Taiwan with 36kg and 46kg per capita in 1998 and 2002 respectively. With the Malaysian Government's plan to spend more than RM50 billion over the next 50 years on water projects which include replacement and upgrade of pipelines, storage tanks and water treatment plants, there is tremendous room for growth in the pipe and steel industry in Malaysia.

The continued economic growth and the spill-over effects geared towards Beijing Olympic 2008 Games would augur well for the prospects of the Group's operations in China.

As for bedding and property development, the performance is expected to be satisfactory.

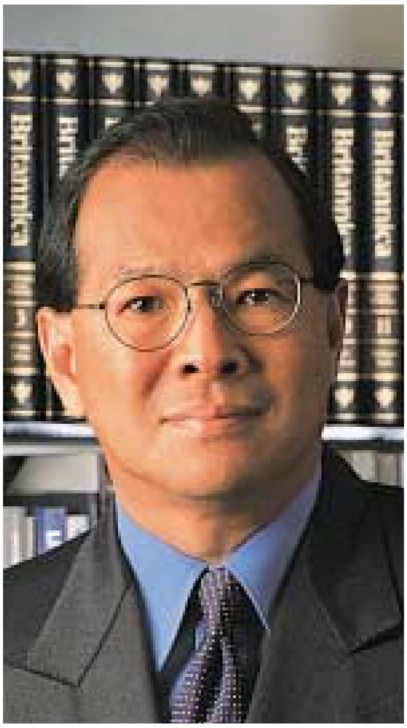
acknowledgement

On behalf of the Board, I wish to express our appreciation to the Management and Staff under the leadership of Y Bhg Tan Sri Dr. Chen Lip Keong for their collective efforts, hard work and unwavering dedication and loyalty to the Group. To Government authorities and agencies, business associates and bankers, we thank them for their continuing support, guidance and assistance to the various businesses of the Group.

Last but not least, to our valued shareholders and customers who have been very supportive of our efforts, I extend our sincere gratitude and appreciation for your support and confidence in the Group.

Dato' Sulaiman bin Sujak
Chairman
12th October, 2004

Dear shareholders,



I am pleased to report on our Group's performance and operations for the financial year ended 30th June, 2004.

financial highlights

During the financial year ended 30th June, 2004, the Group recorded a profit before tax of RM14.1 million which was achieved against a revenue of RM253.2 million, an increase of 32% and 23% respectively as compared to the results of the previous financial year ended 30th June, 2003. The Group's financial position is further strengthened with the shareholders equity of RM183.2 million as at 30th June, 2004.

The improved performance was attributed to the steel division which benefited from the recent upward trend in the raw material price of stainless as well as carbon steel. The stainless steel price increased by approximately 50% to USD2,300 from USD1,500 per metric ton whereas the carbon steel hot rolled raw material price rose approximately 35% from USD420 to USD560 per metric ton during the financial year.

operations overview

The year 2004 marked the complete construction of a new stainless steel welded pipes and butt-weld fittings plant in Tianjin Port Free Trade Zone and the commencement of its subsidiary, Kanzen TPCO Limited ("KTPCO")'s operations of the said new plant. The plant is targeted to have an annual production capacity of 5,000 metric tons and 360 metric tons of stainless steel pipes and fittings respectively. Leveraging on the Group's technical expertise and quality brand of "Kanzen Tetsu", KTPCO is strategically positioned in Tianjin, China to supply its products to a wide spectrum of industries such as oil and gas, petrochemical, pulp and paper as well as food and beverage which require stringent quality products.

In realizing the Group's upstream expansion plan to broaden its steel operations and further enhance its future revenue and income streams, Kanzen Stainless Processors Sdn Bhd ("KSP") was strategically formed. KSP is primarily involved in the business of processing and shearing of stainless steel coils as well as providing

Testimony of our Investment in China
Y.A.B. Dato' Seri Abdullah Haji Ahmad Badawi, Prime Minister of Malaysia officiating the commemoration of FACBII's 20th Anniversary in China on 28th May, 2004.

slitting services. Given that KSP is 30% equity owned by the world's largest steel producer, the Arcelor Group, which has experience in operating service centers, KSP is expected to contribute towards the future growth of the Group. In April 2004, KSP commenced its slitting operations whereas the shearing operation is expected to begin by the end of this year.

As for the local stainless steel division, the plant in Shah Alam continued to operate at almost full capacity. The division continued to maintain its position as a market leader in Malaysia and one of the leading manufacturers of stainless steel welded pipes and butt-weld fittings in the world with an annual production capacity of 18,000 metric tons and 1,320 metric tons respectively. In addition, the division remained a significant exporter with up to 75% of its stainless steel products being exported to over 50 countries.

The Group will continue to focus on the expansion of its steel operations as its main activity and tap into all available opportunities.

The "Commemoration of 20 years of FACBII's presence in China" on 28th May, 2004 is a testimony of the Group's long term investment in China. The celebration was officiated by the Honourable Prime Minister of Malaysia, Yang Amat Berhormat Dato' Seri Abdullah Haji Ahmad Badawi. It was held in conjunction with the Prime Minister's first official visit to China and the "Showcase Malaysia in China 2004 Exhibition" in Beijing.

The other core business activity, the local bedding division has maintained its positive contribution to the Group's profitability for the financial year ended 30th June, 2004. With an aggressive, committed and dedicated team constantly exploring and executing innovative marketing approaches, its performance is expected to improve.

The Bandar Sierra Phase 3A1 residential project comprising 448 units of apartments has brought in satisfactory sales. With its location along the high growth education belt of Kota Kinabalu which has been earmarked as the future educational, manufacturing and administrative hub for Sabah, the performance of Bandar Sierra Phase 3A1 is expected to improve.

conclusion

The Group recognises the potential offered in the steel industry and is making every effort to gain greater leverage by embarking on strategic expansions to enhance its competitiveness and tap into opportunities which have good yields.

After years of prudent management practices, the Group would continue to focus on further strengthening its position as one of the market leaders in its core business activities with greater emphasis on exports. The Group will continue to place emphasis on excellence in product quality, productivity, innovative activities and human resource development.

While the performance of the Group will be affected by the pace of the local and global economy, the Group is cautiously optimistic that the Group will stay profitable in the ensuing years.

acknowledgement

On behalf of the Management, I would like to take this opportunity to express our utmost gratitude to our Board of Directors and the Audit Committee for their guidance, all the staff for their commitments, all our valued local and overseas customers, suppliers, business associates and bankers for their support throughout the financial year.

Tan Sri Dr. Chen Lip Keong
President and CEO
12th October, 2004

Steel Division - China

03.05.2003

Commencement of works for KTPCO Phase 1 factory building and machinery foundation works at Tianjin Port Free Trade Zone, China.

11.06.2003

Site inspection during pilling stage by shareholder representatives and supervising consultants.

29.10.2003

Works in progress at coil storage yard located at south entrance of the factory.

29.10.2003

Erection of scaffoldings and brickworks in progress for water treatment and acid pickling plant.

March 2004

An overview of KTPCO plant upon completion, serving China and international markets.

Artist impression of Kanzen TPCO ("KTPCO")'s factory

08.11.2003

Electrical installation and roof covering works in progress at main factory building.

18.12.2003

Construction of company name signboard at south entrance gate and fencing.

01.01.2004

An overview of stainless steel pipes forming section in progress after the completion of commissioning and test run.

10.03.2004

Testing and commisioning in progress at 60 degree cutting machine for stainless steel butt-weld fittings.

List of Properties
as at 30th June, 2004

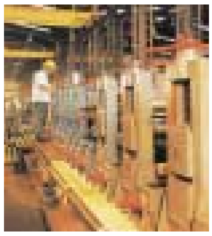
Location / Address	Description	Area M²	Approximate age (year)	Existing use	Tenure	Net book value RM'000	Year of last revaluation/ acquisition*
K8 Lot PLO 25 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	4,047	26	Factory Premises	Leasehold for 60 years expiring in 2038	964	1991
Lot 22 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	6,070	24	Factory Premises	Leasehold for 60 years expiring in 2040	1,234	1991
Lot 24 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	4,046	24	Factory Premises	Leasehold for 60 years expiring in 2040	481	1991
PLO 97 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	6,070	18	Sales Office & Factory Premises	Leasehold for 60 years expiring in 2046	1,044	1991
Lot 4 Persiaran Perusahaan Seksyen 23 Bandar Shah Alam 40000 Shah Alam Selangor Darul Ehsan	Land & Building	81,520	14	Factory & Office Premises	Leasehold for 99 years expiring in 2098	41,699	1992
Lot D4-D5 Tianjin Port Free Trade Zone Extended Area, Tianjin The People's Republic of China	Land & Building	50,000	1	Factory & Office Premises	Leasehold for 50 years expiring in 2053	22,394	2003*
Country Lease No. 015414972 Mile 13, Tuaran Road District of Kota Kinabalu, Sabah	Land held for property development	516,541	–	Under development	Leasehold for 999 years expiring in 2905	45,280	1997*

review of operations

FACB Industries Incorporated Berhad (“FACBII“ or “the Group“ or “the Company“)’s core business activities consist of steel (both stainless and carbon), China and bedding operations, with the steel operations being the major contributor to the Group’s performance.

Steel Operations



stainless steel - Malaysia

The stainless steel division performed well with an increased revenue of 35% while profit before tax improved by 3.5 times compared to the previous year.

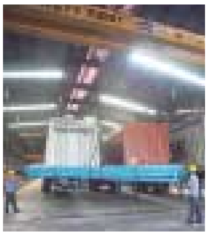
Following the expansion programme in early 2003 that increased the annual production capacity to 18,000 metric tons for stainless steel welded pipes, our division continued to operate at almost full capacity due to the positive market developments. The improved performance of this division was mainly due to the upward stainless steel raw material price trend. Profit margin improved as stocks were purchased earlier at lower cost.

In the local market, the division continued to maintain its position as the market leader. The demand for stainless steel welded pipes in the water piping industry remains very encouraging following the implementation of Jabatan Kerja Raya ("JKR")'s Tender Specification for stainless steel water meter position in various residential and commercial projects. While Klang Valley remains the most active area in using stainless steel welded pipes in the water piping system, other States' water authorities have stepped up efforts to adopt stainless steel welded pipes and fittings in their respective projects.

The export division continues to strengthen its leading supplier position in the traditional international markets such as United Kingdom, Canada, South Africa, United States of America, Australia, etc. At the same time we have intensified our sales activities and strengthened our sales and marketing network in ASEAN markets such as Singapore, Indonesia, Thailand, Philippines and Vietnam.

Moving forward, in tandem with the Malaysian Government's efforts to improve the country's water distribution system, billions of ringgit worth of investment on various water infrastructure projects including upgrading of old pipelines is expected to be spent in the coming years. Hence, we anticipate vast market potential in the Malaysian water industry. We shall continue to explore the various diameters of stainless steel welded pipes and fittings usage in the water distribution system from the service reservoir to various residential and commercial projects such as high rise buildings, industrial projects and housing. The response for large diameter stainless steel pipes and fittings from various State Water Authorities and relevant parties is particularly encouraging.

In view of the current competitive business environment and steady growth of stainless steel industry both in the domestic and international markets, the stainless steel division will have to continuously embark on various expansion programmes in order to achieve greater economies of scales and remain competitive in the dynamic global business environment.

steel division - China

With a total investment of approximately USD12 million for the 1st phase, the division successfully completed the construction of its plant in January 2004. The manufacturing facilities are equipped with advanced welding technologies from Taiwan, United States of America, Germany and Italy.

The successful commissioning of the 1st phase of machineries in April 2004 enabled the plant to produce stainless steel welded pipes and butt-weld fittings with an annual production capacity of 5,000 and 360 metric tons respectively.

The new start-up in Tianjin is completed in a timely manner for the division to capture the opportunities available from the impending 2008 Beijing Olympic Games. In addition, the division will also explore opportunities available from the Northern Region of China where large numbers of chemical plants and oil refinery plants are approved to be upgraded and modernised, to the Southern Region where projects are currently being explored by the government in order to resolve the water scarcity. With this current scenario, the division has developed sales and marketing strategies to target this huge consumption of stainless steel pipes.

stainless steel service center - Malaysia

The center is primarily involved in the cut-to-length operations (“CTL“), essentially catering for a niche market for stainless steel plates up to 12mm thickness and 2m width and slitting operations (“STL“) to slit steel coils to specific width with thickness ranging from 0.6mm to 4.5mm. The operations of the center are located in the existing steel division’s plant in Shah Alam. The STL operations has commenced in April 2004 while the CTL operations is expected to kick-off by end 2004. The annual production capacity for CTL and STL operations shall be 24,000 and 96,000 metric tons respectively.

The total cost of investment for the service center is approximately USD7.0 million or equivalent to RM26.6 million.

The main customer base and application areas shall include among others the high growth industries such as oil and gas, oleo-chemical, petro-chemical, food and beverage, engineering and fabrication industries. This strategic joint venture shall open the door for FACBII Group to team-up with Arcelor Group, the biggest producer of steel in the world.

Barring any unforeseen circumstances, given the uniqueness of the stainless steel service center further supported by the strengths of its shareholders, the division is poised for FACBII’s pursuit of growth to greater heights.

Steel Operations




carbon steel division - Malaysia

The financial year ended 30th June, 2004 was yet another challenging year for the carbon steel division. Despite facing stiff market competition, the division registered an increase in revenue of 14% whereas profit before tax improved by 1.5 times compared to the previous financial year.

The commendable performance was a result of its strategic and systematic business planning which enabled the division to respond quickly and more efficiently to customer requirements and market changes coupled with the upsurge of hot rolled and cold rolled carbon steel coil price towards the second half of the financial year under review.

During the year, demand of carbon steel products from building construction section has shown slight improvement compared with the preceding year. Nevertheless, the division continued expanding its market base especially to the East Coast of Peninsular Malaysia while maintaining its position as one of the main suppliers of carbon steel pipes to major scaffolding manufacturers in Malaysia.

The division also received the Human Resource Minister Award 2003 for the category of Small and Medium Size Industry under the manufacturing sector. The award was presented by Yang Berhormat Datuk Dr. Haji Abdul Latiff bin Ahmad, Deputy Minister of Human Resources on 21st October, 2003 in conjunction with the National HRD Conference and Exhibition 2003.

The carbon steel division will continue to pursue intensive research and development to further enhance its product quality to meet customer expectations and develop new product range in order for the division to be at the forefront of the industry.

China Operations

Overall, the performance of the bedding and non-bedding sectors have improved both in terms of sales and profit before tax against the results of the preceding financial year.

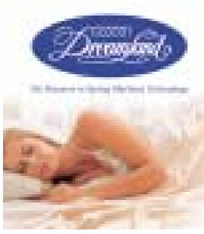
After the successful fighting of the SARS outbreak in July 2003, the performance of the bedding business, especially in Shanghai has recovered. As the consumer demand for private housing is experiencing a healthy increase, our bedding business should show both improvement in sales and profitability in tandem with the above increase in demand. Riding on the success and recognition of the "Aristocrat" brand as a famous brand in Shanghai for 9 consecutive years, Shanghai Dreamland is expected to perform well in the bedding business.

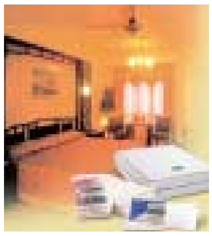
Export sales, especially for Tianjin and Qingdao, have also surpassed expectations. The Tianjin export of leather beds are now on sales in some major exclusive retail chains, such as Harrod's and Courts Mammoth in the United Kingdom. With these track records, we expect that the performance of the export sales would improve in the ensuing year.

However, the performance of the power plant in Jiangyin has been affected by the unprecedented increase in coal price from about Rmb310/ton in early 2004 to about Rmb600/ton in June 2004. Despite the increase, the power plant remained profitable albeit profit before tax fell by 32%. The doubling of the price of coal in 2004 is expected to ease off in 2005.

Moving forward, the gradual adoption of the best strategies and action plans by the weaker joint venture companies should also provide a stronger base for sales and profit growth.

Bedding Operations



Despite the volatility of the raw material price as well as the extremely keen market competition, the bedding division has again managed to turn in a satisfactory performance for the year.

The consistency of its Dreamland Chiropractic mattresses strategies helped to further consolidate its market leadership position in the Malaysian mattress market. The successful Chiropractic range of products are again expected to continue to lead the way in driving sales volume as well as margin percentage for the dealers division in the coming financial year.

Mass merchant sales were satisfactory with good growth rates against the previous year. With increasing distribution networks as well as product range, the division is expected to perform well thus further improving its market leadership position in the bedding accessories segment.

Dreamland project business and sales via Amway recorded impressive growth for the year. With its patented Miracoil Spring System, Dreamland has continued to set the benchmark for quality bedding for other mattress manufacturers to follow in the hotels, hospitals and other institutional sectors.

The future outlook for the bedding division remains bright and the critical focus for the new financial year shall be to implement new initiatives to drive the business further as well as continue to generate higher shareholders' return on investment. However, to ensure the division maintains its market leadership position, continuous investments in research and development of new and innovative products as well as concerted efforts to improve brand equity remain the key priorities of the bedding division.

innovating

For us, technology is merely a starting point.

It acts as a springboard towards creating synergies in science, business and industry. It is the initiative and the innovative ways of our people that create results - better products, sophisticated customer solutions and better investment expansions.

Audit Committee Report

composition

Current members of the Audit Committee, their respective designations and directorships are as follows:

Chairman
Datuk Wan Kassim bin Ahmed
Independent Non-Executive Director

Members
Tuan Haji Harun bin Haji Faudzar
Independent Non-Executive Director

Mr Leong Choong Wah
Non-Independent Executive Director

terms of reference

Purpose
The primary objective of the Audit Committee (as a standing committee of the Board) is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.

Reporting Responsibilities
The Audit Committee will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on any audit and financial reporting matters as it may think fit.

Attendance At Meetings
The Head of Finance, the Head of Internal Audit and a representative of External Audit shall normally attend meetings. The Company Secretary shall be the Secretary of the Committee. Other officers may be invited to brief the Committee on issues that are incorporated into the agenda.

Frequency Of Meetings
The Committee will meet as frequently as the Chairman shall decide, with due notice of issues to be discussed and should record its conclusions whilst discharging its duties and responsibilities.

Quorum
The quorum for a meeting shall be two (2) members of whom a majority shall be independent Directors.

Authority
The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee may, with the approval of the Board, consult legal or other professionals where they consider it necessary to discharge their duties.

duties

The duties of the Audit Committee include the following:
- To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal.
- To discuss with the external auditor before the audit commences, the nature and scope of the audit.

- To review the quarterly and year end financial statement of the Board, focusing on:
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.
- To discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of management, where necessary).
- To review the external auditor's management letter and management's response.
- To review the adequacy of the scope, authority and resources of internal audit function.
- To review the internal audit programmes and results, ensuring that appropriate action is taken on the recommendations of the internal audit function.
- To review any appraisal or assessment of the performance of members of the internal audit function.
- To approve any appointments or termination of senior staff members of the internal audit function.
- To consider any related party transactions that may arise within the Company or Group.
- To consider the major findings of internal investigations and management's response.

details of meetings

The Audit Committee met four times during the financial year ended 30th June, 2004 and details of attendance are as follows:

Datuk Wan Kassim bin Ahmed	4/4
Tuan Haji Harun bin Haji Faudzar	4/4
Mr Leong Choong Wah	4/4

summary of audit committee activities

In discharging its responsibilities for the financial year, the Audit Committee, in particular:

- Reviewed the quarterly and year end financial statements and made recommendation to the Board.
- Assessed the overall coverage of both internal and external audit.
- Deliberated over the internal audit reports, ensuring that appropriate actions are taken by management.
- Discussed and reviewed with the external auditors the results of their examination, their auditors' report and management letters in relation to the audit and accounting issues arising from the audit.
- Reviewed the Company's compliance with regards to the Bursa Malaysia Securities Listing Requirements.

summary of internal audit activities

The Audit Committee of the Board is supported by an Internal Audit Department. The department reports functionally to the Audit Committee and is independent of the activities they audit. During the financial year, the Internal Audit Department conducted, inter alia, the following activities:

- Formulated and agreed with the Audit Committee on the audit plan, strategy and scope of work.
- Reviewed compliance with internal policies and procedures, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's internal control systems.
- Analysed and assessed key business systems, report findings, and made recommendations to improve effectiveness and efficiency.
- Followed up on internal audit reports to ascertain whether matters which requires addressing have been rectified and corrective actions taken are effective.
- Assisted on the implementation of the Malaysian Code on Corporate Governance.
- Other on-going assurance and advisory work to the Board and management.

This report is made in accordance with a resolution of the Board of Directors dated 12th October, 2004.

Corporate Governance Statement

pursuant to paragraph 15.26(a) and (b) of Bursa Malaysia Securities Listing Requirements

The Board of Directors of FACB Industries Incorporated Berhad is committed to its fiduciary responsibility for sound corporate governance in its business practices. Towards this end, the Board supports the recommendations advocated in the Malaysian Code on Corporate Governance ("the Code").

In particular, the Company has complied with Part 2, "Best Practices in Corporate Governance", of the Code whereas the ensuing paragraphs narrates how the Company has applied Part I, "Principles of Corporate Governance", of the Code.

directors

The Board

An effective Board leads and controls the Company. Board members' judgement has a bearing on strategies, performances, resources and standards. Three (3) Board Meetings were held during the financial year ended 30th June, 2004 with details of attendance presented on page 31 under Other Compliance Statements of this Annual Report. All Directors have attended the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad. The Directors also attend Continuing Education Programmes to further enhance their skills and knowledge where relevant.

Board Balance

The Board currently consists of seven (7) members; comprising four (4) Executive Directors and three (3) Non-Executive Directors. Among the Non-Executive Directors two (2) are independent, hence, the Board's composition meets the Bursa Malaysia Securities Listing Requirements. Meanwhile, the existing composition reflects a commitment towards achieving a requisite mix of skills and experience in various business and financial competencies. Executive Directors have direct responsibilities for business operations whereas Non-Executive Directors are responsible for bringing independent, objective judgement to bear on Board decisions. The profiles of the Directors are set out on pages 8 and 9 of this Annual Report.

To ensure a balance of power and authority, the roles of Chairman and Chief Executive Officer are distinct and separate. The Board has also formally identified Datuk Wan Kassim bin Ahmed as the senior independent Non-Executive Director, to whom concerns may be conveyed.

Supply Of Information

All Directors have full and timely access to information, with Board papers distributed in advance of meetings. These Board papers include the agenda and information covering areas of strategic, operational, financial and compliance matters. The Board has unrestricted access to all staff for any information pertaining to the Group's affairs.

Furthermore, Directors have access to the advice and the services of the Company Secretary and under appropriate circumstances may seek independent professional advice at the Company's expense, in furtherance of their duties.

Appointments To The Board

A Nomination Committee with appropriate terms of reference, was established by the Board on 24th June, 2002. The Committee comprising wholly of Non-Executive Directors, a majority of whom are independent, are as follows:

1. Dato' Sulaiman bin Sujak (*Chairman)*
2. Datuk Wan Kassim bin Ahmed
3. Tuan Haji Harun bin Haji Faudzar

This Committee is responsible, inter-alia, for making recommendations to the Board on new nominees for the Board including Board Committees and for assessing directors on an ongoing basis. The Nomination Committee also reviews the Board's required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board.

Re-election

In accordance with the Company's Articles of Association, all Directors are subject to retirement from office at least once in each three (3) years, but shall be eligible for re-election. This provision is in line with para 7.28(2) of the Bursa Malaysia Securities Listing Requirements.

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

directors' remuneration

Procedure

A Remuneration Committee with appropriate terms of reference, was established by the Board on 24th June, 2002. The Committee comprising a majority of Non-Executive Directors, are as follows:

1. Datuk Wan Kassim bin Ahmed (*Chairman)*
2. Dato' Dr. Abdul Razak bin Abdul
3. Tuan Haji Harun bin Haji Faudzar

The Level And Make-up Of Remuneration

The Committee's duty is to, inter-alia, make recommendations to the Board on the remuneration for directors with the underlying objective of attracting and retaining directors needed to run the Company successfully. In particular, the remuneration is structured to commensurate with the skills and responsibilities expected of the directors. The level of remuneration also reflects the experience and time demanded of directors to discharge their duties.

While discharging duties, the Directors concerned shall abstain from discussion of their own remuneration.

Disclosure

The details of Directors' remuneration for the financial year are summarised in page 32 under Other Compliance Statements of this Annual Report.

Corporate Governance Statement

pursuant to paragraph 15.26(a) and (b) of Bursa Malaysia Securities Listing Requirements

shareholders

Dialogue Between Company And Investors

The Company acknowledges the importance of communication with investors. Major corporate developments and events are duly and promptly announced via appropriate communication channels.

In particular, dissemination of information includes the distribution of Annual Reports, announcement of quarterly financial performances, issuance of circulars, press releases and holding of press conferences.

The AGM

The AGM is the principal platform for dialogue with shareholders, wherein, the Board presents the operations and performance of the Group. During the meeting, shareholders are given every opportunity to enquire and comment on matters relating to the Group's business. The Chairman and members of the Board are available to respond to shareholders' queries during this meeting.

accountability and audit

Financial Reporting

The Board is responsible for ensuring a balanced and understandable assessment of the Company's position and prospects in its quarterly and annual reports. The Audit Committee assists the Board by reviewing the disclosure information to ensure completeness, accuracy and validity. A full Directors' Responsibility Statement is set out in page 31 under Other Compliance Statements of this Annual Report.

Internal Control

The Statement on Internal Control set out in pages 29 and 30 of this Annual Report provides an overview of the Company's approach in maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets.

Relationship With The Auditors

The Board via the establishment of an Audit Committee, maintains a formal and transparent relationship with the Company's auditors. The role of the Audit Committee in relation to the auditors are detailed in pages 24 to 25 of the Audit Committee Report in this Annual Report.

This statement is made in accordance with a resolution of the Board of Directors dated 12th October, 2004.

Internal Control Statement

pursuant to paragraph 15.27(b) of Bursa Malaysia Securities Listing Requirements

The Malaysian Code on Corporate Governance ("the code") states that the Board of listed companies should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets. The Bursa Malaysia Securities Listing Requirements require listed companies' directors to include a statement in its annual report on the state of internal controls of the Group. In making this statement on internal control it is essential to address the Principles and Best Practices in the code which relate to internal control.

responsibility

The Board has overall stewardship responsibility for the Group's system of internal control and for reviewing its adequacy and integrity to safeguard shareholders' investment and the Group's assets. However, it should be noted that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The associated companies have not been dealt with as part of the Group for the purpose of this statement.

internal control systems

The embedded control system is designed to facilitate achievement of the Group's business objectives. It comprises the underlying control environment, control processes, communication and monitoring systems which manifest themselves as follows:

- Organisational structure with formally defined lines of responsibility, delegation of authority, segregation of duties and information flow. The Board has delegated to Executive Management the implementation of the systems of internal control but still maintain full control and direction over appropriate strategic, financial, organisational and compliance issues. The Executive Management convenes regularly to meet its strategic business agenda thus ensuring that the Board, properly apprised, maintains effective supervision over the entire operations.
- Well documented internal operating policies and procedures have been established, periodically reviewed and kept updated in accordance with changes in the operating environment.
- Comprehensive budgeting process for all operating units with periodical monitoring of performance so that major variances are followed up and management action taken.
- Functional limits of authority for revenue and capital expenditure of all operating units. These commitment authority thresholds, working in tandem with budgeting and payment controls, serve to facilitate the approval process whilst keeping potential exposure in check.
- Detailed justification and approval process for major expenditures to ensure congruence with company's strategic objectives.
- Framework for computerised information systems to streamline hardware and software regulations and guidelines for system integrity, effectiveness and efficiency.
- Independent appraisals by internal auditors to ensure ongoing compliance with policies, procedures and legislations whilst assessing the effectiveness of the Group's system of financial, operational and compliance controls.

risk management framework

Besides primary ownership over effectiveness of the Group's internal control systems, the Board recognises its responsibility over the principal risks of various aspects of the Group's business. For long term viability of the Group, it is crucial to achieve a critical balance between risks incurred and potential returns.

In response to the above challenge, the Group has established an in-house structured risk management framework thereby, laying the foundation for an ongoing process for identifying, evaluating, treating, reporting and monitoring the significant risks faced by the Group.

Taking cognisance of the control and cultural environment, the Group has adopted an approach which involves the creation of an adequately mandated Risk Advisory Committee to drive the process whilst focusing on critical business agenda on the Board's behalf. A Risk Advisory Committee comprising senior management personnel responsible, inter alia, for internal policy communications, acquiring risk management skills, developing skills through education and training, and ensuring adequate scale of recognition, rewards and sanctions was set up on 1st March, 2002.

With the above foundation in place, the Risk Advisory Committee commenced formal establishment of key business units' objectives supporting the Group's strategic mission. Brainstorming sessions were held to assess the risks affecting its business objectives. In particular, the Risk Advisory Committee identified and categorized the key business risks to highlight its source, event and consequences thereafter, scored the risks to reflect both, the likelihood of its occurrence and the magnitude of its impact. These were captured in a risk register for facilitating subsequent treatment and monitoring.

Based on this risk register, appropriate treatments with designated ownership have been instituted. The Board has also established a review process to continuously monitor the Group's significant risks and by extension, instilling a risk management culture within the Group.

internal audit

An in-house Internal Audit function supports the Audit Committee, and by extension, the Board, by providing reasonable independent assurance on the effectiveness of the Group's system of internal control.

In particular, Internal Audit appraises and contributes towards improving the Group's risk management and control systems and reports to the Audit Committee on a quarterly basis. The internal audit work plan which reflects the risk profile of the Group's major business sectors is routinely reviewed and approved by the Audit Committee.

internal control issues

Management maintains an ongoing commitment to strengthen the Group's control environment and processes. During the year, there were no material losses caused by breakdown in internal control.

This statement is made in accordance with a resolution of the Board of Directors dated 12th October, 2004.

Other Compliance Statements

1. **directors' responsibility statement**

   Pursuant to Paragraph 15.27(a) of Bursa Malaysia Securities Listing Requirements

   The Directors are required by Malaysian company law to prepare for each accounting period financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of the profit or loss for that period. In preparing the financial statements the Directors are required to select and apply consistently suitable accounting policies and make reasonable and prudent judgements and estimates. Applicable accounting standards also have to be followed and a statement made to that effect in the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. The Directors are responsible for ensuring proper accounting records are kept which discloses with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. They are also responsible for taking reasonable steps to safeguard the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2. **directors' attendance at board meetings**

   During the financial year, the Board held three (3) formal meetings. The attendance of Directors at the Board Meetings is as follows:

	Board Meetings		
Directors	at 21.11.2003	at 25.02.2004	at 24.06.2004
Dato' Sulaiman bin Sujak	√	√	√
Tan Sri Dr. Chen Lip Keong	√	√	√
Puan Sri Lee Chou Sarn	√	√	√
Dato' Dr. Abdul Razak bin Abdul	x	√	√
Datuk Wan Kassim bin Ahmed	√	√	√
Leong Choong Wah	√	√	√
Haji Harun bin Haji Faudzar	√	√	√
Chua Tiam Wee (Alternate Director to Puan Sri Lee Chou Sarn)	√	√	√

√	Attended
x	Not attended

3. **directors' remuneration**

The aggregate remuneration of Directors for the financial year is categorised as follows:

In RM	Executive	Non-Executive
Fees	–	150,000
Salaries & Other Emoluments	1,398,464	–
Benefits In Kind	64,467	–
Total	**1,462,931**	**150,000**

The number of Directors whose remuneration falls within the following bands are as follows:

	No. of Directors	
Range of remuneration (In RM)	Executive	Non-Executive
Below 50,000	–	1
50,001 to 100,000	–	2
100,001 to 150,000	1	–
150,001 to 200,000	-	–
200,001 to 250,000	1	–
250,001 to 300,000	–	–
300,001 to 350,000	2	–
350,001 to 400,000	1	–
Total	**5**	**3**

The above disclosure is in compliance with Bursa Malaysia Securities Listing Requirements. Nevertheless, it represents a departure from the Principles of Corporate Governance of the Code, which prescribes individual disclosure of directors' remuneration packages. The Board is of the opinion that individual disclosure would impinge upon the directors' reasonable right to privacy and would not significantly enhance shareholders' understanding.

4. utilisation of proceeds

The Securities Commission vide its letter dated 8th April, 2003 approved the utilisation of the balance proceeds of RM29.1 million arising from the previous rights issue exercise for the purpose of working capital and investment in Kanzen TPCO Ltd ("KTPCO"). KTPCO, a subsidiary of the Company in Tianjin, China, is principally involved in the manufacturing and distribution of stainless steel welded pipes and fittings.

5. share buy-back

The followings are details on the purchase by the Company of its own shares since shareholders' approval on 16th April, 2004:

Date of Purchase	Number of Shares Purchased	Purchase Price (RM)			Total Consideration* (RM)
		Highest	Lowest	Average	
April 2004	524,500	1.08	0.91	1.01	533,134
May 2004	307,800	1.05	0.88	0.96	298,325
June 2004	41,400	0.93	0.88	0.90	37,453
July 2004	10,100	0.95	0.89	0.90	9,175
August 2004	194,800	0.90	0.85	0.88	173,014
September 2004	25,300	0.92	0.88	0.89	22,790
Total	**1,103,900**				**1,073,891**

* total consideration is inclusive of brokerage, clearing fee and stamp duty.

As at 30th September, 2004, the Company has bought back 1,103,900 shares and these are presently held as treasury shares.

The Company has neither made any resale nor any cancellation of its treasury shares.

6. options, warrants or convertible securities

During the financial year, the Company did not issue any option, warrant or convertible securities. However, on 5th June, 2002 and 21st June, 2002, the Company announced to Bursa Malaysia Securities Berhad its proposal to implement the followings:

(i) Renounceable rights issue of up to 212,906,250 new ordinary shares of RM1.00 each in the Company ("Rights Shares") together with up to 170,325,000 free detachable warrants ("Warrants") at an issue price to be determined later, on the basis of 5 Rights Shares together with 4 Warrants for every 2 existing ordinary shares held in the Company ("Proposed Rights Issue with Warrants");

(ii) Bonus Issue of up to 42,581,250 new ordinary shares of RM1.00 each in the Company ("Bonus Shares") to be credited as fully paid-up on the basis of 1 Bonus Share for every 5 Rights Shares subscribed under the Proposed Rights Issue with Warrants; and

(iii) Establishment of Employees' Share Option Scheme.

(Hereinafter collectively be referred to as "the Proposal")

The Proposal is subject to the shareholders' approval prior to the implementation.

7. American Depository Receipt (ADR) or Global Depository Receipt (GDR)

During the financial year, the Company did not sponsor any ADR or GDR programme.

8. sanctions and / or penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

9. non-audit fees

The non-audit fees payable to the external auditors for the financial year amounts to RM16,350.

10. variation in results

There is no variance between the results for the financial year and the unaudited results previously announced.

11. profit guarantee

During the year, there was no profit guarantee given by the Company.

12. material contracts involving directors and substantial shareholders

(i) On 31st March, 1997, a subsidiary Beribu Ukiran Sdn Bhd ("BUSB") entered into an agreement with Dapan Holdings Sdn Bhd ("DHSB"), a subsidiary of Karambunai Corp Bhd* ("KCB"), to acquire a portion of land for development measuring 127.64 acres in the District of Kota Kinabalu, Sabah.

On the same date, the Company and KCB entered into a shareholders agreement and they hold 60% and 40% equity interests respectively in BUSB.

The purchase consideration to acquire the land is RM45,280,000. The status and other details of the sale and purchase are stated in note 24 of the financial statements which appears on page 82 of this Annual Report.

(ii) On 13th November, 2002, BUSB entered into a Project Management and Marketing Agreement with DHSB for the development of Bandar Sierra Phase 3A1 ("Project"). The Project shall cover an area measuring approximately 13.47 acres of the land in item (i) above.

The total consideration for the appointment of DHSB as the project manager will be based on 2% of the total construction cost of the Project. As for the concurrent appointment of marketing manager, the total consideration shall be at 2% of the total selling price of the Project.

DHSB shall act as the project and marketing manager to construct the residential properties and conduct the necessary marketing activities to market and sell all units in respect of the Project.

(iii) Tan Sri Dr. Chen Lip Keong, Datuk Wan Kassim bin Ahmed and Tuan Haji Harun bin Haji Faudzar are directors of KCB whereas Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong. Accordingly, these directors who are Directors of the Company are deemed interested in items (i) and (ii) above.

There were no other material contracts entered into by the Company and its subsidiaries involving Directors' and substantial shareholders' interests other than as disclosed above.

* Karambunai Corp Bhd is formerly known as FACB Resorts Berhad.

13. revaluation policy

The Company does not have a policy of regular revaluation of its landed properties.

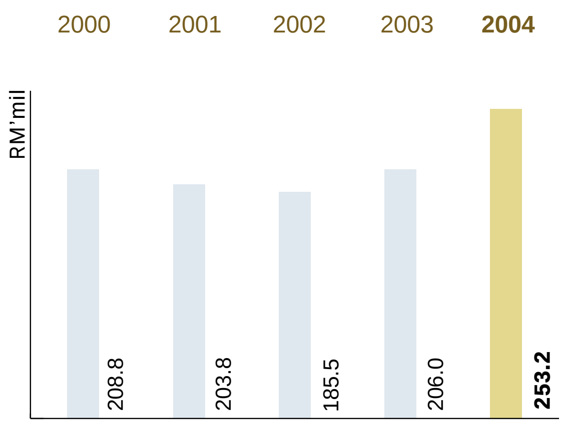
14. recurrent related party transactions of a revenue nature

There were no material recurrent related party transactions of a revenue nature during the year.

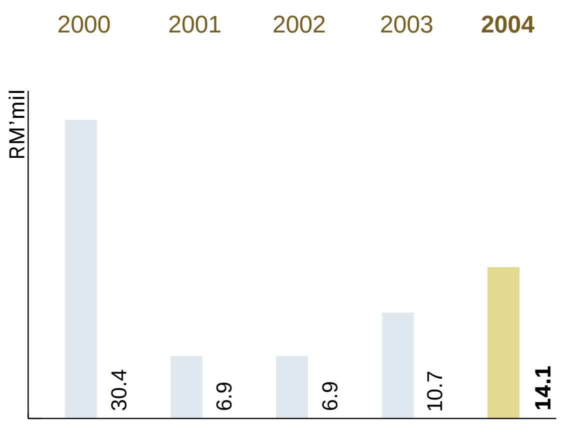
These statements are made in accordance with a resolution of the Board of Directors dated 12th October, 2004.

Financial Highlights

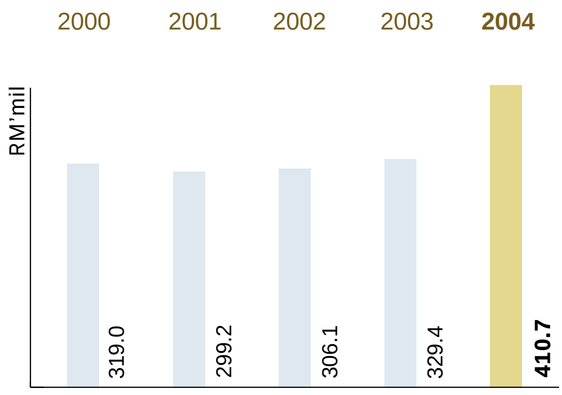
In RM'000			2000	2001	2002	2003	**2004**
Revenue			208,786	203,798	185,493	206,036	**253,154**
Profit before taxation			30,369	6,852	6,941	10,709	**14,097**
Total assets			319,019	299,205	306,120	329,444	**410,738**
Shareholders' equity			164,019	167,065	169,594	175,213	**183,219**
In RM							
Net tangible assets per share			1.93	1.96	1.99	2.23	**2.32**
In sen							
Net earnings per share			20.81	5.02	2.97	8.08	**11.86**
In percentage							
Dividend rate	-	Gross	1.00	3.00	2.00	2.00	**3.00**
	-	Net	1.00	2.16	1.44	1.44	**2.16**



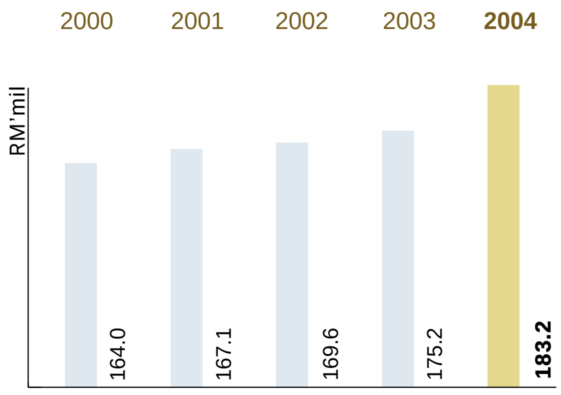
revenue



profit before taxation



total assets



shareholders' equity

Financial Statements

Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 30th June, 2004.

principal activities

The Company is principally engaged in investment holding and provision of management, cash and treasury services to its subsidiary companies. The principal activities of the subsidiary companies are disclosed in note 5 to the financial statements. There have been no significant changes in the nature of these activities during the year.

results

In RM	Group	Company
Net profit attributable to shareholders	**10,079,636**	**8,928**

dividends

During the year, the Company paid a final dividend of 2% per share less 28% taxation amounting to RM1,226,340/- (1.44 sen per share) in respect of the financial year ended 30th June, 2003 as mentioned in the Directors' Report of that year.

At the forthcoming annual general meeting, a final dividend in respect of the financial year ended 30th June, 2004 of 3% on 84,288,800 ordinary shares less 28% taxation amounting to a net dividend of RM1,820,638/- (2.16 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 30th June, 2005.

reserves and provisions

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

bad and doubtful debts

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provisions for doubtful debts, and have satisfied themselves that all known bad debts have been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

current assets

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

contingent and other liabilities

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 in respect of the Group or of the Company which has arisen since the end of the financial year.

No contingent liability or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

change of circumstances

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

items of an unusual nature

In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

issue of shares

During the year, no new issue of shares was made by the Company.

shares repurchased

During the financial year, the Company repurchased 873,700 of its issued and fully paid ordinary shares from the open market at an average price of RM0.99 per share. The total cash consideration paid for the repurchased including transaction costs was RM868,912/-. Details of shares repurchased are as disclosed in note 22 to the financial statements.

directors of the company

The Directors in office since the date of the last report are:

Y.Bhg. Dato' Sulaiman bin Sujak
Y.Bhg. Tan Sri Dr. Chen Lip Keong
Y.Bhg. Puan Sri Lee Chou Sarn (F)
Y.Bhg. Dato' Dr. Abdul Razak bin Abdul
Y.Bhg. Datuk Wan Kassim bin Ahmed
Leong Choong Wah
Haji Harun bin Haji Faudzar
Chua Tiam Wee *(Alternate director to Y.Bhg. Puan Sri Lee Chou Sarn)*

directors' interests

According to the register of directors' shareholding, the interest of the Directors in office as at the end of the financial year in the shares of the Company during the financial year were as follows:

	Number of Ordinary Shares of RM1/- Each			
	At 1.7.03	Bought	Sold	At 30.6.04
Indirect Interest *				
Y.Bhg. Tan Sri Dr. Chen Lip Keong	17,430,493	–	–	17,430,493
Y.Bhg. Puan Sri Lee Chou Sarn	17,430,493	–	–	17,430,493

* Being shares held through corporations in which the Directors are deemed interested.

By virtue of their substantial indirect interest in the shares of the Company, the Directors as disclosed above are also deemed to have an interest in the shares of the subsidiary companies to the extent of the shareholdings of the Company.

None of the other Directors held any shares whether direct or indirect in the Company or its related corporations during the financial year.

directors' benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed as Directors' remuneration and benefits-in-kind in note 29(a)(i) to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest. Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

significant events

Significant events arising during the financial year are disclosed in note 40 to the financial statements.

subsequent events

Significant events arising subsequent to the financial year end are disclosed in note 41 to the financial statements.

auditors

The auditors, Messrs. Moore Stephens, have expressed their willingness to continue in office.

On Behalf of the Board

Dato' Dr. Abdul Razak bin Abdul **Leong Choong Wah**

Kuala Lumpur
12th October, 2004

Statement by Directors

We, the undersigned, being two of the Directors of the Company, state that in the opinion of the Directors, the accompanying financial statements as set out on pages 44 to 114, are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30th June, 2004 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date.

On Behalf of the Board

Dato' Dr. Abdul Razak bin Abdul **Leong Choong Wah**

Kuala Lumpur
12th October, 2004

Statutory Declaration

I, Leong Choong Wah, NRIC No.: 680519-10-6613, being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 44 to 114 are to the best of my knowledge and belief, 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 at)
Kuala Lumpur in the Federal Territory)
this 12th day of October, 2004.) **Leong Choong Wah**

Before me

No. W. 128
Haron Hashim
Commissioner for Oaths

Report of the Auditors

To the members of **FACB INDUSTRIES INCORPORATED BERHAD**
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 44 to 114. The preparation of the financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been prepared 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 matters required by Section 169 of the Companies Act, 1965, to be dealt with in the financial statements of the Group and of the Company; and

  (ii) the state of affairs of the Group and of the Company as at 30th June, 2004 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date;

and

(b) the accounting and other records and the registers required by the Companies Act, 1965, to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in note 5 to the financial statements, being financial statements that are included in consolidated financial statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for these purposes. The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Section 174(3) of the Companies Act, 1965.

Moore Stephens
Chartered Accountants
(AF.0282)

Au Tai Wee
1551/01/05 (J)
Partner

Kuala Lumpur
12th October, 2004

Balance Sheets

as at 30th June, 2004

In RM	Note	Group 2004	Group 2003	Company 2004	Company 2003
NON-CURRENT ASSETS					
Property, plant and equipment	3	**112,241,136**	72,299,319	**144,841**	224,254
Land held for property development	4	**47,978,015**	47,459,293	**–**	–
Investment in subsidiary companies	5	**–**	–	**44,275,639**	44,275,639
Interest in associated companies	6	**9,780,006**	10,269,263	**–**	–
Other investment	7	**57,510**	57,510	**57,510**	57,510
Deferred tax assets	8	**150,000**	126,000	**–**	–
		170,206,667	130,211,385	**44,477,990**	44,557,403
CURRENT ASSETS					
Property development costs	9	**6,972,718**	6,963,453	**–**	–
Inventories	10	**130,444,459**	85,615,152	**–**	–
Trade receivables	11	**53,607,679**	50,742,543	**–**	–
Other receivables, deposits and prepayments	12	**15,894,889**	4,971,290	**73,538**	784,805
Tax assets	13	**2,598,372**	2,345,101	**1,893,010**	1,735,117
Amounts owing by subsidiary companies	14	**–**	–	**99,020,082**	99,314,325
Amounts owing by associated companies	15	**3,718,781**	2,343,997	**–**	–
Deposits with licensed financial institutions	16	**16,309,220**	23,088,904	**5,866,241**	7,753,416
Cash and bank balances		**10,985,646**	23,162,643	**728,912**	13,167
		240,531,764	199,233,083	**107,581,783**	109,600,830
CURRENT LIABILITIES					
Trade payables	17	**17,207,742**	9,979,128	**–**	–
Other payables and accruals	18	**52,754,864**	35,849,607	**276,036**	328,704
Amount owing to a subsidiary company	14	**–**	–	**40,532**	–
Bank overdrafts	19	**73,070**	962,554	**–**	–
Other borrowings	20	**102,347,260**	55,073,654	**12,500,000**	12,500,000
Taxation		**2,148,811**	1,809,609	**–**	–
		174,531,747	103,674,552	**12,816,568**	12,828,704
NET CURRENT ASSETS		**66,000,017**	95,558,531	**94,765,215**	96,772,126
		236,206,684	225,769,916	**139,243,205**	141,329,529

In RM	Note	Group 2004	Group 2003	Company 2004	Company 2003
CAPITAL AND RESERVES					
Share capital	21	**85,162,500**	85,162,500	**85,162,500**	85,162,500
Reserves	22	**98,056,106**	90,050,895	**54,080,705**	56,167,029
SHAREHOLDERS' EQUITY		**183,218,606**	175,213,395	**139,243,205**	141,329,529
MINORITY INTEREST		**29,462,824**	22,339,480	**–**	–
NEGATIVE GOODWILL	23	**12,747,082**	14,307,949	**–**	–
NON-CURRENT LIABILITIES					
Long term payable	24	**–**	2,830,000	**–**	–
Term loans	25	**2,124,275**	3,959,908	**–**	–
Hire purchase payables	26	**342,897**	77,184	**–**	–
Deferred tax liabilities	8	**8,311,000**	7,042,000	**–**	–
		10,778,172	13,909,092	**–**	–
		236,206,684	225,769,916	**139,243,205**	141,329,529

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Income Statements

for the year ended 30th June, 2004

In RM	Note	Group 2004	Group 2003	Company 2004	Company 2003
Revenue	27	**253,153,541**	206,036,330	**2,000,000**	6,000,000
Direct operating costs	28	**(209,730,380)**	(173,153,303)	**–**	–
Gross profit		**43,423,161**	32,883,027	**2,000,000**	6,000,000
Other operating revenue		**2,970,940**	3,527,362	**528,020**	803,096
Selling and distribution costs		**(7,822,011)**	(7,448,682)	**–**	–
Administrative costs		**(17,914,931)**	(15,396,445)	**(504,138)**	(605,385)
Other operating costs		**(4,469,883)**	(1,510,721)	**(748,635)**	(7,293)
Profit from operations		**16,187,276**	12,054,541	**1,275,247**	6,190,418
Finance costs		**(3,687,262)**	(2,537,206)	**(864,212)**	(671,233)
Share of associated companies results		**1,597,053**	1,191,650	**–**	–
Profit before taxation	29	**14,097,067**	10,708,985	**411,035**	5,519,185
Taxation	30	**(3,681,023)**	(2,474,159)	**(402,107)**	(1,777,640)
Profit after taxation but before minority interest		**10,416,044**	8,234,826	**8,928**	3,741,545
Minority interest		**(336,408)**	(1,357,057)	**–**	–
Net profit attributable to shareholders		**10,079,636**	6,877,769	**8,928**	3,741,545
Earnings per ordinary share (sen)	31	**11.86**	8.08		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Statements of Changes in Equity

for the year ended 30th June, 2004

In RM	Share Capital	Share Premium	Revaluation Reserve	Reserves of Subsidiary Companies*	Translation Reserve	Retained Profits	Treasury Shares	Total Shareholders' Equity
	← Non-Distributable				→	Distributable		
Group								
At 1.7.02	85,162,500	28,989,335	–	130,262	971,741	54,340,288	–	169,594,126
Dividends	–	–	–	–	–	(1,226,340)	–	(1,226,340)
Transfer	–	–	–	12,549	–	(12,549)	–	–
Translation loss #	–	–	–	–	(32,160)	–	–	(32,160)
Net profit for the year	–	–	–	–	–	6,877,769	–	6,877,769
At 30.6.03	**85,162,500**	**28,989,335**	**–**	**142,811**	**939,581**	**59,979,168**	**–**	**175,213,395**
Dividends (note 32)	**–**	**–**	**–**	**–**	**–**	**(1,226,340)**	**–**	**(1,226,340)**
Transfer	**–**	**–**	**–**	**(6,014)**	**–**	**6,014**	**–**	**–**
Translation gain #	**–**	**–**	**–**	**–**	**20,827**	**–**	**–**	**20,827**
Shares repurchased (note 22)	**–**	**–**	**–**	**–**	**–**	**–**	**(868,912)**	**(868,912)**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**10,079,636**	**–**	**10,079,636**
At 30.6.04	**85,162,500**	**28,989,335**	**–**	**136,797**	**960,408**	**68,838,478**	**(868,912)**	**183,218,606**
Company								
At 1.7.02	85,162,500	28,989,335	4,424,349	–	–	20,238,140	–	138,814,324
Dividends	–	–	–	–	–	(1,226,340)	–	(1,226,340)
Net profit for the year	–	–	–	–	–	3,741,545	–	3,741,545
At 30.6.03	**85,162,500**	**28,989,335**	**4,424,349**	**–**	**–**	**22,753,345**	**–**	**141,329,529**
Dividends (note 32)	**–**	**–**	**–**	**–**	**–**	**(1,226,340)**	**–**	**(1,226,340)**
Shares repurchased (note 22)	**–**	**–**	**–**	**–**	**–**	**–**	**(868,912)**	**(868,912)**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**8,928**	**–**	**8,928**
At 30.6.04	**85,162,500**	**28,989,335**	**4,424,349**	**–**	**–**	**21,535,933**	**(868,912)**	**139,243,205**

* The reserves of the subsidiary companies incorporated in The People's Republic of China are maintained in accordance with the regulatory requirements there and are not distributable as cash dividends.

\# This is in respect of net (loss)/gain not recognised in the Income Statement.

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

Cash Flow Statements

for the year ended 30th June, 2004

In RM	Note	Group 2004	Group 2003	Company 2004	Company 2003
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit Before Taxation		**14,097,067**	10,708,985	**411,035**	5,519,185
Adjustments for:					
Allowance for diminution in value of other investment		**–**	2,690	**–**	2,690
Allowance for doubtful debts		**535,994**	375,545	**–**	–
Bad debts written off		**160,408**	–	**36,900**	–
Deferred expenditure written off		**646,599**	–	**646,599**	–
Depreciation of property, plant and equipment		**6,629,458**	5,417,717	**56,292**	61,677
Dividend revenue		**–**	–	**(2,000,000)**	(6,000,000)
Interest expense		**3,054,999**	1,900,240	**694,212**	506,233
Interest revenue		**(375,245)**	(840,576)	**(528,020)**	(803,096)
Write down of inventories		**1,364,452**	475,550	**–**	–
Amortisation of negative goodwill		**(1,560,867)**	(1,300,723)	**–**	–
(Gain)/Loss on disposal of property, plant and equipment		**(129,719)**	2,603	**5,372**	4,400
Gain on disposal of a subsidiary company		**–**	(27,699)	**–**	–
Property, plant and equipment written off		**36,811**	18,422	**36,341**	203
Share of associated companies results		**(1,597,053)**	(1,191,650)	**–**	–
Allowance for doubtful debts no longer required		**(291,585)**	(723,581)	**–**	–
Unrealised loss/(gain) on foreign exchange		**1,473**	(5,303)	**–**	–
Operating Profit/(Loss) Before Working Capital Changes		**22,572,792**	14,812,220	**(641,269)**	(708,708)
Increase in property development costs		**(9,265)**	(1,779,190)	**–**	–
Increase in inventories		**(46,193,759)**	(15,539,116)	**–**	–
(Increase)/Decrease in trade and other receivables		**(14,784,500)**	1,296,651	**372,372**	(297,768)
Increase/(Decrease) in trade and other payables		**21,263,314**	(5,701,330)	**(93,198)**	(223,713)
Cash Used In Operations		**(17,151,418)**	(6,910,765)	**(362,095)**	(1,230,189)
Interest received		**371,805**	904,419	**183,416**	737,111
Income tax paid		**(2,075,377)**	(3,027,992)	**–**	(600,002)
Interest paid		**(3,014,469)**	(1,887,470)	**(653,682)**	(500,736)
Net Cash Used In Operating Activities		**(21,869,459)**	(10,921,808)	**(832,361)**	(1,593,816)

In RM	Note	Group 2004	Group 2003	Company 2004	Company 2003
CASH FLOWS FROM INVESTING ACTIVITIES					
Repayments from/(Advances to) subsidiary companies		**–**	–	**294,243**	(35,760,438)
Acquisition of subsidiary company, net of cash acquired	33(i)(a)	**3**	–	**–**	–
Disposal of a subsidiary company, net of cash disposed	33(ii)(b)	**–**	115,775	**–**	–
Dividend received		**–**	–	**1,440,000**	4,320,000
Dividend received from associated companies		**1,008,316**	1,158,369	**–**	–
Expenses incurred for land held for property development		**(518,722)**	(2,349,134)	**–**	–
Purchase of property, plant and equipment	34	**(46,339,654)**	(9,038,747)	**(19,542)**	(26,759)
Proceeds from disposal of property, plant and equipment		**254,651**	4,300	**950**	2,500
Repayment from associated companies		**4,127**	–	**–**	–
Subscription of shares in a subsidiary company		**–**	–	**–**	(1)
Net Cash (Used In)/Generated From Investing Activities		**(45,591,279)**	(10,109,437)	**1,715,651**	(31,464,698)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from subsidiary company		**–**	–	**40,532**	–
Drawdown of bankers' acceptance		**55,630,504**	44,770,000	**–**	–
Drawdown of foreign currency loans		**48,352,882**	19,559,079	**–**	–
Drawdown of term loans		**18,680,324**	4,403,000	**–**	–
Drawdown of revolving credit		**–**	12,500,000	**–**	12,500,000
Dividend paid		**(1,226,340)**	(1,226,340)	**(1,226,340)**	(1,226,340)
Proceeds from minority interest on subscription of shares in subsidiary companies		**6,208,565**	6,390,981	**–**	–
Purchase of treasury shares		**(868,912)**	–	**(868,912)**	–
Repayment of hire purchase payables		**(52,361)**	(1,316)	**–**	–
Repayment of time loan		**–**	(200,000)	**–**	–
Repayment of foreign currency loans		**(32,414,820)**	(4,085,030)	**–**	–
Repayment of bankers' acceptance		**(41,357,504)**	(46,441,000)	**–**	–
Repayment of term loans		**(3,525,339)**	(3,155,164)	**–**	–
Dividend paid to minority shareholder by a subsidiary company		**(73,033)**	(87,381)	**–**	–
Net Cash Generated From/(Used In) Financing Activities		**49,353,966**	32,426,829	**(2,054,720)**	11,273,660

Cash Flow Statements

for the year ended 30th June, 2004

In RM	Note	Group 2004	Group 2003	Company 2004	Company 2003
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(18,106,772)**	11,395,584	**(1,171,430)**	(21,784,854)
EFFECTS OF EXCHANGE RATE CHANGES		**–**	67,546	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR					
As previously reported		**45,288,993**	33,806,740	**7,766,583**	29,551,437
Effects of exchange rate changes on cash and cash equivalents		**39,575**	19,123	**–**	–
As restated		**45,328,568**	33,825,863	**7,766,583**	29,551,437
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	35	**27,221,796**	45,288,993	**6,595,153**	7,766,583

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

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

1. general information

The Company is a public limited company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad (formerly known as Kuala Lumpur Stock Exchange). The registered office and principal place of business is located at MNI Twins, Tower 1, Level 13, 11 Jalan Pinang, 50450 Kuala Lumpur.

The principal activities of the Company are investment holding and provision of management, cash and treasury services to its subsidiary companies. The principal activities of the subsidiary companies are disclosed in note 5 to the financial statements. There have been no significant changes in the nature of these activities during the year.

The financial statements were authorised for issue in accordance with the Board of Directors' resolution dated 12th October, 2004.

2. significant accounting policies

The significant accounting policies adopted by the Group and the Company are consistent with those adopted in previous years except for the adoption of new applicable accounting standard as follows:

Retrospective application

MASB 29 : Employee Benefits

No prior year adjustment is recognised as there is no material impact on the prior years' financial statements.

Arising from adoption of this new standard, the accounting policy on employee benefits is disclosed in note 1(p) to the financial statements.

(a) Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified to include the revaluations of certain investments in subsidiary companies and certain land and buildings of the Group, unless otherwise indicated in the summary of significant accounting policies.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary companies which are disclosed in note 5 to the financial statements made up to the end of the financial year.

Intragroup balances, transactions and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless cost cannot be recovered.

The financial statements of subsidiary companies acquired or disposed off during the financial year are included in the consolidated financial statements based on the acquisition method from the effective date of acquisition or up to the effective date of disposal respectively.

2. significant accounting policies (cont'd)

(b) Basis of Consolidation (cont'd)

Gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill on acquisition and exchange differences.

(c) Goodwill or Negative Goodwill on Consolidation

Goodwill or negative goodwill on consolidation represents the difference between the purchase consideration and the fair value of the Group's share of net assets of subsidiary companies at the effective date of acquisition. Goodwill or negative goodwill on consolidation is amortised over a period of between ten and twenty years or the expected useful life, whichever is shorter.

Goodwill on consolidation is written down when there is an impairment in its carrying value.

(d) Subsidiary Company

A subsidiary company is a company in which the Group has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies, which are eliminated on consolidation, are stated at cost or Directors' valuation less accumulated impairment losses, if any, in the Company's financial statements. An impairment loss is recognised when there is an impairment in the value of the investment determined on an individual basis and is charged to income statement as an expense. The difference between net disposal proceeds and its carrying amount is charged or credited to income statement upon disposal of the investment.

The Group does not adopt a policy of regular revaluation on such investments. The last revaluation was performed solely for a corporate exercise undertaken by the Group in 1992.

(e) Associated Company

An associated company is defined as a company, not being a subsidiary company, in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investment in associated companies are stated at cost less accumulated impairment losses, if any, in the Company's financial statements.

The Group's interest in associated companies is stated at cost plus adjustments for post-acquisition changes in the Group's share of net assets of the associated companies. The Group's share of post-acquisition results of the associated companies is accounted for using the equity method of accounting in the income statement.

The Group's share of post-acquisition losses is restricted to the carrying value of the investment in associated companies. Should the associated companies subsequently report profits, the Group will only resume to recognise its share of profits after its share of profits equals to its share of losses previously not recognised.

Where audited financial statements of the associated companies are not co-terminous with those of the Group, the share of results is based on the unaudited management financial statements made up to the financial year end of the Group.

(f) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any.

Leasehold land is amortised over their remaining lease periods ranging from 50 to 99 years.

Depreciation of other property, plant and equipment is calculated on the straight line method to write off the cost or revalued amount of the property, plant and equipment over their estimated useful lives.

The principal annual rates used for this purpose are:

Buildings	2%
Plant and machinery	9% - 18%
Office equipment, furniture, fittings, renovations and motor vehicles	10% - $33^1/_3$%

Leasehold land and buildings stated at valuation are based on valuations by professional valuers on an open market value basis. The Group does not adopt a policy of regular revaluation of such properties.

The valuations of the leasehold land and buildings have not been updated and continue to be stated at their last revalued amount less accumulated depreciation and accumulated impairment losses, if any. This is in accordance with the transitional provisions issued by the Malaysian Accounting Standards Board on adoption of International Accounting Standard No. 16 (Revised) on Property, Plant and Equipment.

Construction in progress is stated at cost and no depreciation is provided. Upon completion of construction, the cost will be transferred to the relevant class of property, plant and equipment and depreciate accordingly to the depreciation policy of the Group.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

2. significant accounting policies (cont'd)

(g) Impairment of Assets

The carrying amounts of assets other than inventories, assets arising from construction contracts, deferred tax assets, assets arising from employee benefits and financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of net selling price and the value in use, which is measured by reference to discounted future cash flows expected to arise from continuing use of the asset and from its disposal at the end of its useful life. An impairment loss is recognised whenever the carrying amount of an item of assets exceeds its recoverable amount.

An impairment loss is recognised as an expense in the income statement. However, an impairment loss on a revalued asset will be treated as a revaluation deficit to the extent that the loss does not exceed the amount held in revaluation reserve in respect of the same asset. Reversal of impairment loss due to a subsequent increase in recoverable amount is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised as revenue in the income statement. However, the reversal of impairment loss on a revalued asset will be treated as revaluation surplus to the extent that the reversal does not exceed the amount previously held in revaluation reserve in respect of the same asset.

(h) Land Held for Property Development

Land held for property development consists of cost of land which is currently not under active development and all other development expenditure including borrowing costs incurred to-date. Such assets will be transferred to property development costs when significant development work has been undertaken and are expected to be completed within the normal operating cycle.

(i) Property Development Costs

Property development costs consist of cost of land which is currently under active development and is expected to be completed within the normal operating cycle, development costs incurred to-date and a proportion of estimated profit attributable to development work performed to-date, less progress billings and allowance for foreseeable losses, if any.

Development costs include direct material, labour, sub-contract costs, attributable development overheads and borrowing costs. Where foreseeable losses on development projects are anticipated, full allowance for these losses is made in the financial statements.

(j) Deferred Expenditure

Deferred expenditure consists of expenses relating to the proposed rights issue with warrants and bonus issue and Employees' Share Option Scheme, which will be written off against share premium upon completion of the corporate proposals.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials, spare parts and consumables are determined on the weighted average basis. Cost of finished goods and work-in-progress include the cost of raw materials, direct labour and appropriate production overheads.

In arriving at net realisable value, due allowance would be made for all obsolete and slow-moving items.

(l) Hire Purchase

Hire purchase instalment plans are agreements whereby the lender conveys to the hirer, in return for a series of instalment payments, the rights to use the assets involved with an option for hirer to purchase the assets upon full settlement of the instalment payments.

Cost of property, plant and equipment acquired under the hire purchase instalment plans are capitalised as property, plant and equipment and depreciated in accordance with the Group's policy on depreciation of property, plant and equipment. The related finance charges are allocated to the income statement over the period of the instalment plans based on the sum-of-digits method so as to produce a constant periodic rate of interest charges on the remaining balance of the liability. The outstanding instalment payments after deducting the future finance charges, representing the present value of hire purchase liabilities, are included in creditors.

(m) Interest Capitalisation

Interest incurred on borrowings is capitalised during the period when activities to plan, develop and construct the assets are in progress. Capitalisation of borrowing costs ceases when the assets are ready for their intended use or sale.

(n) Foreign Currencies

(i) Transactions in Foreign Currencies

Transactions in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the dates of the transactions and where settlement had not taken place by 30th June, 2004, at the approximate rates ruling as at that date except for those hedged by forward exchange contracts, where the rates specified in such forward contracts are used. All gains and losses on exchange are included in the income statement.

2. significant accounting policies (cont'd)

(n) Foreign Currencies (cont'd)

(ii) Translation of Foreign Currency Financial Statements

The operations of the Group's foreign entities are those subsidiary and associated companies that are not an integral part of the operations of the Company.

Financial statements of foreign entities are translated at year-end exchange rates with respect to assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are taken to reserves.

The principal exchange rates (denominated in units of Ringgit Malaysia per foreign currency) used in translating foreign currency amounts are as follows:

In RM	**2004**	2003
Australian Dollar	**2.62**	2.60
Chinese Renminbi	**0.46**	0.46
Euro	**4.59**	4.34
Japanese Yen	**0.04**	0.03
Hong Kong Dollar	**0.49**	0.49
Singapore Dollar	**2.26**	2.18
United States Dollar	**3.80**	3.80

(o) Taxation

Taxation in the income statement represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year and any adjustments recognised in the year for current tax of prior years.

Deferred tax is recognised, using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, except where the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled.

Deferred tax is recognised in equity when it relates to items recognised directly in equity. When deferred tax arises from business combination that is an acquisition, the deferred tax is included in the resulting goodwill or negative goodwill.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxation authority to offset or when it is probable that future taxable income will be available against which the assets can be utilised.

(p) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries and bonuses are recognised as an expense in the year in which the associated services are rendered by employees of the Company. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

(q) Revenue Recognition

Revenue from sales of goods is recognised when goods are delivered.

Revenue from services rendered is recognised as and when the services are performed.

Interest revenue is recognised on time proportion basis that reflects the effective yield of the asset.

Rental revenue is recognised on received and receivable basis.

Dividend revenue is recognised when the right to receive the dividend is established.

Revenue from development property sold is recognised based on the percentage of completion method in the proportion of which development costs incurred for work performed to-date bears to the estimated total development costs when the outcome of the development can be reliably estimated.

(r) Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances, deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value.

(s) Financial Instruments

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as assets or liabilities are reported as expense or revenue. 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 either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The recognised financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, other non-current investments, hire purchase payables, bank borrowings and ordinary shares. These instruments are recognised in the financial statements when a contract or contractual arrangement has been entered into with the counter-parties.

2. significant accounting policies (cont'd)

(s) Financial Instruments (cont'd)

The unrecognised financial instruments comprise financial guarantees given to third parties for subsidiary companies' banking facilities and derivative financial instruments such as foreign exchange forward contracts. The financial guarantees would be recognised as liabilities when obligations to pay the counter-parties are assessed as being probable. The derivatives are recognised only when underlying transactions occur or when settle.

(i) Receivables

Receivables are stated at cost less allowance for doubtful debts, if any, which are the anticipated realisable values. Known bad debts are written off and specific allowance is made for those debts considered to be doubtful of collection. In addition, general allowances are made to cover possible losses which are not specifically identified.

(ii) Payables

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

(iii) Other Non-Current Investments

Non-current investments other than investments in subsidiary companies and associated companies are stated at cost less allowance for diminution in value, if any.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(iv) Interest Bearing Bank Borrowings

Interest bearing bank borrowings including overdrafts, bankers' acceptance, revolving credit and loans are stated at the amount of proceeds received, net of transaction costs.

(v) Long Term Payables

Long term payables are stated based on agreed settlement sums.

(vi) Equity Instruments

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

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those external costs directly attributable to the equity transaction which would otherwise have been avoided. Costs of issuing equity securities in connection with a business combination are included in the cost of acquisition.

When issued shares of the Company are repurchased, the consideration paid, including any attributable transaction costs is presented as a change in equity. Repurchased shares that have not been cancelled are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statements on the sale, re-issuance or cancellation of treasury shares. When treasury shares are re-issued by resale, the difference between the sales consideration and the carrying amount of the treasury shares is shown as a movement in equity.

(vii) Derivative Financial Instruments

Derivative financial instruments such as foreign exchange forward contracts are not recognised in the financial statements on inception.

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

3. property, plant and equipment

Group

In RM	Leasehold Land & Buildings	Plant & Machinery	Office Equipment, Furniture, Fittings, Renovations & Motor Vehicles	Construction in Progress	Total
COST/VALUATION					
At 1.7.03	**58,106,738**	**78,643,741**	**7,975,098**	**931,258**	**145,656,835**
Additions	**20,978,985**	**24,436,336**	**1,314,333**	**–**	**46,729,654**
Disposals	**–**	**(288,236)**	**(604,332)**	**–**	**(892,568)**
Written off	**–**	**–**	**(196,073)**	**–**	**(196,073)**
Transfer	**933,113**	**–**	**–**	**(933,113)**	**–**
Translation difference	**1,514**	**–**	**3**	**1,855**	**3,372**
At 30.6.04	**80,020,350**	**102,791,841**	**8,489,029**	**–**	**191,301,220**
ACCUMULATED DEPRECIATION					
At 1.7.03	**11,056,316**	**55,678,847**	**6,622,353**	**–**	**73,357,516**
Charge for the year	**1,147,485**	**4,983,145**	**498,828**	**–**	**6,629,458**
Disposals	**–**	**(217,874)**	**(549,762)**	**–**	**(767,636)**
Written off	**–**	**–**	**(159,262)**	**–**	**(159,262)**
Translation difference	**8**	**–**	**–**	**–**	**8**
At 30.6.04	**12,203,809**	**60,444,118**	**6,412,157**	**–**	**79,060,084**
NET BOOK VALUE					
At 30.6.04	**67,816,541**	**42,347,723**	**2,076,872**	**–**	**112,241,136**
At 30.6.03	47,050,422	22,964,894	1,352,745	931,258	72,299,319
Depreciation charge for the year ended 30.6.03	971,233	4,063,924	382,560	–	5,417,717

Analysis of cost and valuation:

Group

In RM	Leasehold Land & Buildings	Plant & Machinery	Office Equipment, Furniture, Fittings, Renovations & Motor Vehicles	Construction in Progress	Total
2004					
COST/VALUATION					
At valuation	**46,140,000**	**–**	**–**	**–**	**46,140,000**
At cost	**33,880,350**	**102,791,841**	**8,489,029**	**–**	**145,161,220**
	80,020,350	**102,791,841**	**8,489,029**	**–**	**191,301,220**
NET BOOK VALUE					
At valuation	**36,696,541**	**–**	**–**	**–**	**36,696,541**
At cost	**31,120,000**	**42,347,723**	**2,076,872**	**–**	**75,544,595**
	67,816,541	**42,347,723**	**2,076,872**	**–**	**112,241,136**
2003					
COST/VALUATION					
At valuation	46,140,000	–	–	–	46,140,000
At cost	11,966,738	78,643,741	7,975,098	931,258	99,516,835
	58,106,738	78,643,741	7,975,098	931,258	145,656,835
NET BOOK VALUE					
At valuation	37,445,387	–	–	–	37,445,387
At cost	9,605,035	22,964,894	1,352,745	931,258	34,853,932
	47,050,422	22,964,894	1,352,745	931,258	72,299,319

3. property, plant and equipment (cont'd)

Analysis of leasehold land and buildings:

Group

In RM	Long Term Leasehold Land	Short Term Leasehold Land	Buildings	Total
2004				
COST/VALUATION				
At valuation	**17,550,000**	**1,300,000**	**27,290,000**	**46,140,000**
At cost	**560,267**	**761,484**	**32,558,599**	**33,880,350**
	18,110,267	**2,061,484**	**59,848,599**	**80,020,350**
NET BOOK VALUE				
At valuation	**15,337,593**	**976,400**	**20,382,548**	**36,696,541**
At cost	**530,781**	**742,447**	**29,846,772**	**31,120,000**
	15,868,374	**1,718,847**	**50,229,320**	**67,816,541**
2003				
COST/VALUATION				
At valuation	17,550,000	1,300,000	27,290,000	46,140,000
At cost	560,267	759,970	10,646,501	11,966,738
	18,110,267	2,059,970	37,936,501	58,106,738
NET BOOK VALUE				
At valuation	15,514,866	1,002,171	20,928,350	37,445,387
At cost	536,440	756,170	8,312,425	9,605,035
	16,051,306	1,758,341	29,240,775	47,050,422

Company

In RM	Office Equipment	Renovation	Furniture & Fittings	Motor Vehicles	Total
COST					
At 1.7.03	**61,199**	**325,443**	**182,817**	**877,246**	**1,446,705**
Additions	**19,412**	**–**	**130**	**–**	**19,542**
Disposals	**–**	**(11,898)**	**(14,263)**	**–**	**(26,161)**
Written off	**–**	**(123,363)**	**(27,013)**	**–**	**(150,376)**
At 30.6.04	**80,611**	**190,182**	**141,671**	**877,246**	**1,289,710**
ACCUMULATED DEPRECIATION					
At 1.7.03	**21,595**	**202,881**	**120,731**	**877,244**	**1,222,451**
Charge for the year	**14,569**	**24,809**	**16,914**	**–**	**56,292**
Disposals	**–**	**(9,023)**	**(10,816)**	**–**	**(19,839)**
Written off	**–**	**(93,550)**	**(20,485)**	**–**	**(114,035)**
At 30.6.04	**36,164**	**125,117**	**106,344**	**877,244**	**1,144,869**
NET BOOK VALUE					
At 30.6.04	**44,447**	**65,065**	**35,327**	**2**	**144,841**
At 30.6.03	39,604	122,562	62,086	2	224,254
Depreciation charge for the year ended 30.6.03	10,401	32,545	18,731	–	61,677

(a) The short term leasehold land of the Group has an unexpired lease period of 50 years whereas the long term leasehold land of the Group has an unexpired lease period of more than 50 years.

3. property, plant and equipment (cont'd)

(b) Property, plant and equipment of the Group pledged to licensed banks for banking facilities as disclosed in notes 20 and 25 to the financial statements are as follows:

	Group	
In RM	**2004**	2003
Net Book Value		
Leasehold land and buildings	**22,394,433**	–
Plant and machinery	**6,804,808**	12,852,634
Office equipment	**–**	7,677
Motor vehicles	**–**	8,741
	29,199,241	12,869,052

(c) The leasehold land and buildings of the Group were separately revalued by professional valuers on an open market basis in the following years:

In RM	Valuation Amount
Group	
November 1991	4,990,000
March 1992	41,150,000
	46,140,000

The net book value of leasehold land and buildings of the Group had no revaluation been made would be RM26,562,505/- (2003: RM27,067,499/-).

(d) Motor vehicles acquired under hire purchase instalment plan are as follows:

	Group	
In RM	**2004**	2003
Cost	**621,833**	118,112
Net Book Value	**529,375**	114,175

4. land held for property development

In RM	Group 2004	2003
At cost,		
Leasehold land		
At beginning of the year	**40,501,544**	37,523,536
Transfer from property development costs (note 9)	**–**	2,978,008
At end of the year	**40,501,544**	40,501,544
Development costs		
At beginning of the year	**6,957,749**	4,353,675
Additions during the year	**518,722**	2,349,134
Transfer from property development costs (note 9)	–	254,940
At end of the year	**7,476,471**	6,957,749
	47,978,015	47,459,293

This represents land and development expenditure incurred on a piece of land measuring 114.17 acres (2003: 114.17 acres). This piece of land is part of a portion of leasehold land measuring 127.64 acres in the District of Kota Kinabalu, Sabah which is acquired from Dapan Holdings Sdn Bhd ("DHSB"), a subsidiary company of Karambunai Corp Bhd (formerly known as FACB Resorts Berhad) ("KCB"), a company with common directors and certain Directors of the Company have substantial financial interest.

Included in the above leasehold land is a parcel of land measuring 105.77 acres (2003: 105.77 acres) held under a master title which is in the process of being subdivided and is still in the name of the vendor. The parcel of land is pledged for term loan facilities granted to the vendor.

5. investment in subsidiary companies

In RM	Company 2004	2003
Unquoted shares;		
At cost,		
At beginning of the year	**11,701,102**	701,101
Additions	**–**	11,000,001
At end of the year	**11,701,102**	11,701,102
At Directors' valuation	**32,674,537**	32,674,537
	44,375,639	44,375,639
Less: Impairment loss	**(100,000)**	(100,000)
	44,275,639	44,275,639

Included in the above is 3,000,000 ordinary shares of RM1/– each representing 30% equity interest in a subsidiary company, Kanzen Tetsu Sdn Bhd ("KTSB") with a carrying amount of RM11,000,000/- pledged to a licensed bank for a revolving credit facility as disclosed in note 20 to the financial statements.

Unquoted shares in certain subsidiary companies were revalued in May 1992 by the Directors based on the net tangible asset values of these subsidiary companies as approved by the relevant authorities.

The subsidiary companies are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest Direct 2004	Direct 2003	Indirect 2004	Indirect 2003
Held by the Company						
Beribu Ukiran Sdn Bhd	Malaysia	Property development	**60%**	60%	**–**	–
Creation Holdings Berhad	Malaysia	Dormant	**100%**	100%	**–**	–
Dreamland Spring Sdn Bhd	Malaysia	Investment holding	**100%**	100%	**–**	–

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest Direct 2004	Direct 2003	Indirect 2004	Indirect 2003
Held by the Company						
Dream Tours Sdn Bhd	Malaysia	Dormant	**100%**	100%	**–**	–
Estasi Stainlessware Sdn Bhd	Malaysia	Dormant	**100%**	100%	**–**	–
* Global Glister Limited	Hong Kong	Investment holding	**100%**	100%	**–**	–
Kanzen Chuzoo Sdn Bhd	Malaysia	Dormant	**100%**	100%	**–**	–
Kanzen Hartanah Sdn Bhd	Malaysia	Dormant	**100%**	100%	**–**	–
Kanzen Land Sdn Bhd	Malaysia	Dormant	**100%**	100%	**–**	–
Kanzen Management Sdn Bhd	Malaysia	Providing management and secretarial services	**100%**	100%	**–**	–
Kanzen Properties Sdn Bhd	Malaysia	Dormant	**100%**	100%	**–**	–
Kanzen Shindo Sdn Bhd	Malaysia	Dormant	**70%**	70%	**–**	–
Kanzen Tetsu Sdn Bhd	Malaysia	Manufacture and sale of stainless steel pipes and fittings	**100%**	100%	**–**	–
Kanzen Ventures Sdn Bhd	Malaysia	Investment holding	**100%**	100%	**–**	–
* Restonic (M) Sdn Bhd	Malaysia	Investment holding	****50% +1**	**50% +1	**–**	–

5. investment in subsidiary companies (cont'd)

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest Direct 2004	Direct 2003	Indirect 2004	Indirect 2003
Held through Dreamland Spring Sdn Bhd						
* Dreamland Qingdao Pte Ltd	The People's Republic of China	Manufacture and marketing of the Dreamland range of mattresses and sofa	**–**	–	**51%**	51%
* Dreamland Xian Pte Ltd	The People's Republic of China	Manufacture and marketing of the Dreamland range of mattresses	**–**	–	**52%**	52%
* Nantong Dreamland Steel Products Co Ltd	The People's Republic of China	Manufacture and sale of steel wire products	**–**	–	**55%**	55%
Held through Global Glister Limited						
* Kanzen TPCO Ltd	The People's Republic of China	Manufacture and sale of stainless steel pipes and fittings	**–**	–	**60%**	60%
Held through Kanzen Tetsu Sdn Bhd						
Kanzen Kagu Sdn Bhd	Malaysia	Manufacture and sale of carbon steel pipes	**–**	–	**100%**	100%
Kanzen Marketing Sdn Bhd	Malaysia	Dormant	**–**	–	**100%**	100%
Kanzen Stainless Processors Sdn Bhd (formerly known as Innotical Sdn Bhd)	Malaysia	Providing slitting and shearing services	**–**	–	**70%**	–

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest Direct 2004	2003	Indirect 2004	2003
Held through Kanzen Ventures Sdn Bhd						
Kanzen Energy Ventures Sdn Bhd	Malaysia	Investment holding	**–**	–	**55%**	55%
Held through Restonic (M) Sdn Bhd						
* Dreamland Corporation (Malaysia) Sdn Bhd	Malaysia	Wholesale dealership of mattresses, furniture and related accessories	**–**	–	****50% +1**	**50% +1
* Dreamland Spring Manufacturing Sdn Bhd	Malaysia	Manufacture and wholesale dealership of mattresses	**–**	–	****50% +1**	**50% +1
* Eurocoir Products Sdn Bhd	Malaysia	Manufacture and sale of polyester fibre and polyester pillows and bolsters	**–**	–	****50% +1**	**50% +1
* Dream Products Sdn Bhd	Malaysia	Manufacture and sale of synthetic foam, bedding coordinates and related accessories	**–**	–	****50% +1**	**50% +1
* Dream Crafts Sdn Bhd	Malaysia	Marketing and sales promotion of furniture, mattresses and related accessories	**–**	–	****50% +1**	**50% +1
* Sleepmaker Sdn Bhd	Malaysia	Dormant	**–**	–	****50% +1**	**50% +1

5. investment in subsidiary companies (cont'd)

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest Direct 2004	Direct 2003	Indirect 2004	Indirect 2003
Held through Restonic (M) Sdn Bhd						
* Dreamland (Singapore) Pte Ltd	Singapore	Marketing and sales promotion of furniture, mattresses and related accessories	**–**	–	****50% +1**	**50% +1

* Audited by other professional firms of chartered accountants.

** The equity interests of the Company is 50% plus 1 share.

(a) The financial statements of the subsidiary companies namely Dreamland Qingdao Pte Ltd, Dreamland Xian Pte Ltd and Nantong Dreamland Steel Products Co Ltd are consolidated based on the audited financial statements for the financial year ended 31st December, 2003 and management financial statements for the six months ended 30th June, 2004.

(b) The financial statements of a subsidiary company, Kanzen Stainless Processors Sdn Bhd (formerly known as Innotical Sdn Bhd) is consolidated based on the audited financial statements for the period from 10th November, 2003 (date of incorporation) to 30th June, 2004.

(c) The paid-up capital of Restonic (M) Sdn Bhd comprises:

In RM	
Ordinary "A" shares	12,250,000
Ordinary "B" shares	5,249,999
Preference shares	7,000,000
	24,499,999

The ordinary "A" shares and ordinary "B" shares carry the same rights with respect to each other in the equity share capital of the company.

The preference shares at a fixed non-cumulative rate of 0.001% per annum are irredeemable and rank for preferential dividend in priority to all other classes of shares in the capital of the company and can participate in any distribution of dividends by the company and in the event of the company being wound-up, participate in the distribution of capital. The preference shares do not entitle the holders to vote at any general meeting of the company.

6. interest in associated companies

In RM	Group 2004	Group 2003
Unquoted shares, at cost	**8,849,713**	8,849,713
Group's share of post-acquisition reserves	**930,293**	1,419,550
	9,780,006	10,269,263
Represented by:		
Group's share of net assets	**9,780,006**	10,269,263

The associated companies are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest 2004	Effective Equity Interest 2003
Held through Dreamland Spring Sdn Bhd				
Dreamland Dalian Pte Ltd	The People's Republic of China	Manufacture and marketing of spring mattresses and wooden furniture	**40%**	40%
Dreamland Jiujiang Pte Ltd	The People's Republic of China	Manufacture and marketing of spring mattresses	**41.6%**	41.6%
Dreamland Lianyungang Pte Ltd	The People's Republic of China	Manufacture and marketing of spring mattresses	**40%**	40%
Dreamland Shanghai Pte Ltd	The People's Republic of China	Manufacture and marketing of spring mattresses	**40%**	40%
Dreamland Tianjin Pte Ltd	The People's Republic of China	Manufacture and marketing of spring mattresses, metal furniture and leather furniture	**40%**	40%

6. interest in associated companies (cont'd)

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest 2004	2003
Held through Kanzen Energy Ventures Sdn Bhd				
Jiangyin Bingjiang Power Supply Co Ltd	The People's Republic of China	Supply of electricity and steam	**16.5%**	16.5%

(a) The Group equity accounts for its share of post-acquisition reserves of the associated companies based on audited financial statements for the financial year ended 31st December, 2003 and management financial statements for the six months ended 30th June, 2004.

(b) The Group has excluded its share of losses of an associated company, Dreamland Jiujiang Pte Ltd, from the financial statements following the discontinuation of equity accounting as the carrying amount of this investment has reached nil. The unrecognised results are as follows:

In RM	Group 2004	2003
Loss for the year	**32,958**	19,210
Accumulated losses	**230,876**	197,918

7. other investment

In RM	Group/Company 2004	2003
Unquoted shares in Malaysia, at cost	**56,500**	56,500
Quoted shares in Malaysia		
At cost	**3,700**	3,700
Less: Allowance for diminution in value	**(2,690)**	(2,690)
	1,010	1,010
	57,510	57,510
Market value		
Quoted shares in Malaysia	**1,160**	1,010

8. deferred tax

In RM	Group 2004	Group 2003	Company 2004	Company 2003
DEFERRED TAX ASSETS				
At beginning of the year	**126,000**	–	**–**	–
Transfer from income statement (note 30)	**24,000**	126,000	**–**	–
At end of the year	**150,000**	126,000	**–**	–
DEFERRED TAX LIABILITIES				
At beginning of the year	**7,042,000**	6,910,268	**–**	9,000
Transfer from/(to) income statement (note 30)	**1,269,000**	131,732	**–**	(9,000)
At end of the year	**8,311,000**	7,042,000	**–**	–

This is in respect of estimated deferred tax assets and liabilities arising from the following temporary differences:

In RM	Group 2004	Group 2003	Company 2004	Company 2003
DEFERRED TAX ASSETS				
Deductible temporary differences arising from expenses	**150,000**	126,000	**–**	–
DEFERRED TAX LIABILITIES				
Difference between the carrying amounts of property, plant and equipment and their tax base	**2,645,500**	1,174,000	**–**	–
Difference between the carrying amounts of industrial building and their tax base	**957,000**	884,000	**–**	–
Unabsorbed capital allowances	**(183,800)**	–	**–**	–
Surplus arising from revaluation of leasehold land and buildings	**4,892,300**	4,984,000	**–**	–
Net deferred tax liabilities recognised	**8,311,000**	7,042,000	**–**	–

8. deferred tax (cont'd)

The estimated net deferred tax assets arising from temporary differences not recognised in the financial statements are as follows:

	Group	
In RM	**2004**	2003
Difference between the carrying amounts of property, plant and equipment and their tax base	**529,300**	503,200
Unrelieved tax losses	**(2,096,700)**	(2,565,000)
Unabsorbed capital allowances	**(1,301,500)**	(1,901,500)
Net deferred tax assets not recognised	**(2,868,900)**	(3,963,300)

The unrelieved tax losses and unabsorbed capital allowances are available for offset against future taxable profits of the subsidiary companies in which they arose. These deferred tax assets are not recognised as it is not probable that taxable profit will be available against which the unrelieved tax losses and unabsorbed capital allowances can be utilised.

9. property development costs

	Group	
In RM	**2004**	2003
At cost,		
Leasehold land		
At beginning of the year	**4,778,456**	7,756,464
Transfer to land held for property development (note 4)	**–**	(2,978,008)
At end of the year	**4,778,456**	4,778,456
Development costs		
At beginning of the year	**2,819,304**	660,747
Additions during the year	**635,068**	2,413,497
Transfer to land held for property development (note 4)	**–**	(254,940)
At end of the year	**3,454,372**	2,819,304
	8,232,828	7,597,760
Add: Profit attributable to development work performed to-date	**136,987**	84,452
Less: Progress billings received and receivable to-date	**(1,397,097)**	(718,759)
	6,972,718	6,963,453

The land measuring 13.47 acres (2003: 13.47 acres), is part of a portion of the leasehold land measuring 127.64 acres in the District of Kota Kinabalu, Sabah as mentioned in note 4 to the financial statements.

10. inventories

In RM	Group 2004	2003
At cost,		
Finished goods	**33,812,328**	27,107,725
Raw materials	**50,595,382**	24,960,191
Work-in-progress	**28,898,895**	18,769,185
Goods-in-transit	**4,077,981**	4,143,184
Spare parts and consumables	**404,565**	291,239
	117,789,151	75,271,524
At net realisable value,		
Finished goods	**12,655,308**	10,343,628
	130,444,459	85,615,152

11. trade receivables

In RM	Group 2004	2003
Trade receivables	**55,387,502**	52,420,974
Less: Allowance for doubtful debts	**(1,779,823)**	(1,678,431)
	53,607,679	50,742,543

The Group's normal trade credit term ranges from 14 to 90 days.

12. other receivables, deposits and prepayments

	Group		Company	
In RM	**2004**	2003	**2004**	2003
Other receivables	**11,976,579**	3,199,313	**6,704**	44,540
Less: Allowance for doubtful debts	**(67,387)**	(3,600)	**–**	–
	11,909,192	3,195,713	**6,704**	44,540
Sundry deposits	**2,686,477**	418,802	**66,750**	66,750
Prepayments	**1,299,220**	688,344	**84**	5,084
Deferred expenditure	**–**	668,431	**–**	668,431
	15,894,889	4,971,290	**73,538**	784,805

12. other receivables, deposits and prepayments (cont'd)

During the financial year, the deferred expenditure were written off to the income statement as the management has intended not to proceed with the corporate proposals as mentioned in Note 40(b) to the financial statements.

13. tax assets

This is in respect of tax instalments paid in advance and tax recoverable from Inland Revenue Board.

14. amounts owing by/(to) subsidiary companies

In RM	Company 2004	Company 2003
Amount owing by:		
Beribu Ukiran Sdn Bhd	**30,264,199**	29,833,943
Dreamland Spring Sdn Bhd	**–**	1,043,018
Global Glister Limited	**29,577,223**	29,231,146
Kanzen Energy Ventures Sdn Bhd	**17,258**	4,637
Kanzen Hartanah Sdn Bhd	**16,085**	14,030
Kanzen Kagu Sdn Bhd	**15,025,001**	15,014,697
Kanzen Land Sdn Bhd	**16,110**	14,030
Kanzen Management Sdn Bhd	**6,924,440**	7,101,621
Kanzen Tetsu Sdn Bhd	**13,936,183**	13,829,646
Kanzen Ventures Sdn Bhd	**3,443,583**	3,427,557
	99,220,082	99,514,325
Less: Allowance for doubtful debts		
Kanzen Management Sdn Bhd	**(200,000)**	(200,000)
	99,020,082	99,314,325
Amount owing to:		
Dreamland Spring Sdn Bhd	**(40,532)**	–

Included in the amount owing by KTSB is RM12,500,000/- (2003: RM12,500,000/-) which is pledged for the revolving credit facility granted to the Company as disclosed in note 20 to the financial statements.

These amounts are non-trade in nature, unsecured, interest free and have no fixed term of repayment except for the amount owing by Global Glister Limited of RM29,577,223/- (2003: RM29,231,146/-) which bears interest ranging from 1.10% to 1.24% (2003: 1.22% to 1.34%) per annum.

15. amounts owing by associated companies

In RM	Group 2004	Group 2003
Dreamland Dalian Pte Ltd	**567,622**	567,622
Dreamland Jiujiang Pte Ltd	**–**	44,365
Dreamland Lianyungang Pte Ltd	**–**	19,403
Dreamland Shanghai Pte Ltd	**456,042**	426,399
Dreamland Tianjin Pte Ltd	**584,542**	596,564
Jiangyin Bingjiang Power Supply Co Ltd	**2,110,575**	689,644
	3,718,781	2,343,997

These amounts are non-trade in nature, unsecured, interest free and have no fixed term of repayment.

16. deposits with licensed financial institutions

	Group		Company	
In RM	**2004**	2003	**2004**	2003
Deposits with licensed financial institutions:				
- banks	**16,309,220**	21,742,063	**5,866,241**	6,406,575
- finance companies	**–**	1,346,841	**–**	1,346,841
	16,309,220	23,088,904	**5,866,241**	7,753,416

Included in deposits with licensed financial institutions of the Group and of the Company are:

(a) an amount of RM221,573/- (2003: RM858,643/-) pledged to a licensed bank for revolving credit facility as disclosed in note 20 to the financial statements; and

(b) an amount of RM2,196,808/- (2003: RM2,135,683/-) pledged to a licensed bank for bank guarantee facility granted to a subsidiary company, Beribu Ukiran Sdn Bhd.

17. trade payables

Included in trade payables of the Group is an amount of RM1,527,376/- (2003: Nil) due to TPCO Investment Co Ltd ("TPCOI"), a related company of a corporate shareholder of a subsidiary company, Kanzen TPCO Ltd ("KTPCO").

The normal trade credit term granted by trade payables to the Group ranges from 30 to 90 days.

18. other payables and accruals

In RM	Group 2004	Group 2003	Company 2004	Company 2003
Other payables	**42,990,590**	28,171,410	**46,641**	132,658
Deposits received	**22,000**	6,600	**–**	–
Accruals	**9,742,274**	7,671,597	**229,395**	196,046
	52,754,864	35,849,607	**276,036**	328,704

Included in other payables:

(a) of the Group and of the Company are amounts of RM8,679,239/- (2003: RM8,691,900/-) and RM17,527/- (2003: RM17,585/-) respectively due to KCB;

(b) of the Group is an amount of RM16,980,000/- (2003: RM14,150,000/-) due to DHSB in respect of outstanding purchase consideration for the Group's development land as disclosed in note 24 to the financial statements;

(c) of the Group is an amount of RM2,267,401/- (2003: RM2,267,401/-) due to FACB Capital Sdn Bhd, a subsidiary company of KCB;

(d) of the Group is an amount of RM29,444/- (2003: Nil) due to a corporate shareholder of a subsidiary company, KTPCO; and

(e) of the Group is an amount of RM2,768,476/- (2003: Nil) due to TPCOI.

These amounts are unsecured, interest free and have no fixed term of repayment except for the amount of RM16,980,000/- (2003: RM14,150,000/-) due to DHSB whereby the repayment terms are disclosed in note 24 to the financial statements.

19. bank overdrafts - unsecured

The bank overdrafts of the Group are supported by corporate guarantees from the Company and a corporate shareholder of a subsidiary company.

20. other borrowings

In RM	Group 2004	Group 2003	Company 2004	Company 2003
SECURED				
Hire purchase payables (note 26)	**88,426**	16,500	**–**	–
Revolving credit	**12,500,000**	12,500,000	**12,500,000**	12,500,000
Term loans (note 25)	**20,417,723**	3,427,105	**–**	–
	33,006,149	15,943,605	**12,500,000**	12,500,000
UNSECURED				
Bankers' acceptance	**37,929,000**	23,656,000	**–**	–
Foreign currency loans	**31,412,111**	15,474,049	**–**	–
	69,341,111	39,130,049	**–**	–
	102,347,260	55,073,654	**12,500,000**	12,500,000

The secured revolving credit facility bears interest at rates ranging from 5.35% to 5.60% (2003: 5.25% to 5.35%) per annum and are secured as follows:

(a) a first charge over the 3,000,000 ordinary shares with a par value of RM1/- each, in a subsidiary company, KTSB as disclosed in note 5 to the financial statements;

(b) a first charge over the fixed deposit of RM221,573/- (2003: RM858,643/-) of the Company as disclosed in note 16 to the financial statements; and

(c) Deed of Assignment on advances given by the Company to KTSB of RM12,500,000/- as disclosed in note 14 to the financial statements.

The unsecured foreign currency loans denominated in United States Dollar of USD8,241,177/- (2003: USD4,071,797/-) bear interest at rates ranging from 2.15% to 3.14% (2003: 2.59% to 2.85%) per annum and are supported by the corporate guarantees from the Company and a subsidiary company, Kanzen Kagu Sdn Bhd.

The unsecured bankers' acceptance is supported by corporate guarantees from the Company.

The interest rates, securities and repayment terms of the term loans of the Group are disclosed in note 25 to the financial statements.

21. share capital

In RM	Group/Company 2004	2003
Authorised:		
200,000,000 ordinary shares of RM1/- each	**200,000,000**	200,000,000
Issued and fully paid:		
85,162,500 ordinary shares of RM1/- each	**85,162,500**	85,162,500

The number of issued and fully paid ordinary shares with voting rights as at the financial year end are as follows:

In RM	Group/Company 2004	2003
Issued and fully paid ordinary shares of RM1/- each		
Total number of issued and fully paid ordinary shares	**85,162,500**	85,162,500
Less: Ordinary shares held as treasury shares (note 22)	**(873,700)**	–
	84,288,800	85,162,500

22. reserves

In RM	Group 2004	Group 2003	Company 2004	Company 2003
DISTRIBUTABLE				
Retained profits	**68,838,478**	59,979,168	**21,535,933**	22,753,345
NON-DISTRIBUTABLE				
Share premium	**28,989,335**	28,989,335	**28,989,335**	28,989,335
Revaluation reserve	**–**	–	**4,424,349**	4,424,349
Translation reserve	**960,408**	939,581	**–**	–
Reserves of subsidiary companies*	**136,797**	142,811	**–**	–
	30,086,540	30,071,727	**33,413,684**	33,413,684
Treasury shares	**(868,912)**	–	**(868,912)**	–
	98,056,106	90,050,895	**54,080,705**	56,167,029

* The reserves of the subsidiary companies incorporated in The People's Republic of China are maintained in accordance with the regulatory requirements there and are not distributable as cash dividends.

Treasury Shares

	Group/Company 2004 Number of Shares	RM
Shares repurchased (note 21)	**873,700**	**868,912**

The shareholders of the Company, by an ordinary resolution passed in an Extraordinary General Meeting held on 16th April, 2004, approved the Company's plan to repurchase its own ordinary shares. The Directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 873,700 of its issued and fully paid ordinary shares from the open market at an average price of RM0.99 per share. The total consideration paid for the repurchased including transaction costs was RM868,912/-. The repurchased transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

The details of shares repurchased during the financial year are as follows:

Month	No. of Shares Repurchased	Price Per Share Highest RM	Price Per Share Lowest RM	Price Per Share Average RM	Total Consideration RM
April 2004	**524,500**	**1.08**	**0.91**	**1.01**	**533,134**
May 2004	**307,800**	**1.05**	**0.88**	**0.96**	**298,325**
June 2004	**41,400**	**0.93**	**0.88**	**0.90**	**37,453**
	873,700				**868,912**

There were no resale, cancellation or distribution of treasury shares during the financial year.

23. negative goodwill

In RM	Group 2004	2003
At cost		
Negative goodwill	**15,608,672**	15,608,672
Less: Accumulated amortisation		
At beginning of the year	**(1,300,723)**	–
Amortisation during the year	**(1,560,867)**	(1,300,723)
At end of the year	**(2,861,590)**	(1,300,723)
	12,747,082	14,307,949

This arises from the acquisition of remaining 30% equity interest in a subsidiary company, KTSB as disclosed in note 5 to the financial statements.

24. long term payable

This is in respect of acquisition of leasehold land as mentioned in note 4 and note 9 to the financial statements from DHSB. The obligation is payable in accordance with the terms and conditions of the sales and purchase agreement as follows:

In RM	Group 2004	2003
Within 36 months from the date of approval, 27th September, 2000, of development plan ("Approval date")	**14,150,000**	14,150,000
Not later than 48 months from the Approval date	**2,830,000**	2,830,000
	16,980,000	16,980,000
Payable within 12 months included under other payables (note 18)	**(16,980,000)**	(14,150,000)
	–	2,830,000

25. term loans - secured

In RM	Group 2004	2003
Term Loan I		
Repayable in 20 equal quarterly instalments commenced in May, 1999 and bears interest at a rate of 6.50% (2003: 6.50%) per annum	–	150,000
Term Loan II		
Repayable in 20 equal quarterly instalments commenced in May, 1999 and bears interest at rates ranging from 6.85% to 6.95% (2003: 6.85% to 6.95%) per annum	–	203,393
Term Loan III		
Repayable in 20 equal quarterly instalments commenced in June, 1999 and bears interest at a rate of 6.50% (2003: 6.50%) per annum	–	150,000
Term Loan IV		
Repayable in 20 equal quarterly instalments commenced in June, 1999 and bears interest at rates ranging from 6.85% to 6.95% (2003: 6.85% to 6.95%) per annum	–	296,250
Term Loan V		
Repayable in 16 equal quarterly instalments commenced in November, 1999 and bears interest at rates ranging from 6.85% to 6.95% (2003: 6.85% to 6.95%) per annum	–	152,421
Term Loan VI		
Repayable in 20 equal quarterly instalments commenced in June, 2000 and bears interest at rates ranging from 6.85% to 6.95% (2003: 6.85% to 6.95%) per annum	–	229,212
Term Loan VII		
Repayable in 48 equal monthly instalments commenced in March, 2001 and bears interest at a rate of 7.75% (2003: 7.75%) per annum	**293,325**	733,314
Balance carried down	**293,325**	1,914,590

25. term loans - secured (cont'd)

In RM	Group 2004	2003
Balance brought down	**293,325**	1,914,590
Term Loan VIII		
Repayable in 48 equal monthly instalments commenced in November, 2001 and bears interest at a rate of 7.75% (2003: 7.75%) per annum	**611,099**	1,069,423
Term Loan IX		
Repayable in 48 equal monthly instalments commenced in July, 2003 and bears interest at a rate of 6.50% (2003: 6.50%) per annum	**2,957,250**	3,943,000
Term Loan X		
Repayable on 10th November, 2003 and bears interest at a rate of 6.37%	**–**	460,000
Term Loan XI		
Repayable on 12th October, 2004 and bears interest at a rate of 6.37%	**460,000**	–
Term Loan XII		
Repayable on 17th November, 2004 and bears interest at a rate of 5.31%	**9,200,000**	–
Term Loan XIII		
Repayable on 14th April, 2005 and bears interest at a rate of 5.31%	**644,000**	–
Term Loan XIV		
Repayable on 14th April, 2005 and bears interest at a rate of 3.19%	**8,376,324**	–
	22,541,998	7,387,013
Repayable within 12 months (note 20)	**(20,417,723)**	(3,427,105)
Repayable after 12 months	**2,124,275**	3,959,908

The term loans are secured as follows:

(a) fixed charge on property, plant and equipment financed by the term loans as disclosed in note 3 to the financial statements to the extent of RM26,443,324/- (2003: RM19,509,000/-);

(b) corporate guarantees from the Company; and

(c) corporate guarantee from a third party of RM460,000/-.

26. hire purchase payables

	Group	
In RM	**2004**	2003
Total instalment payables	**492,975**	109,764
Less: Future finance charges	**(61,652)**	(16,080)
Present value of hire purchase liabilities	**431,323**	93,684
Payable within 1 year		
Total instalment payables	**113,208**	22,332
Less: Future finance charges	**(24,782)**	(5,832)
Present value of hire purchase liabilities (note 20)	**88,426**	16,500
Payable after 1 year but not later than 5 years		
Total instalment payables	**379,767**	87,432
Less: Future finance charges	**(36,870)**	(10,248)
Present value of hire purchase liabilities	**342,897**	77,184
Present value of hire purchase liabilities	**431,323**	93,684

27. revenue

Revenue comprises the following:

	Group		Company	
In RM	**2004**	2003	**2004**	2003
Sale of goods	**252,533,800**	205,535,993	**–**	–
Attributable property development revenue	**619,741**	500,337	**–**	–
Dividend revenue	**–**	–	**2,000,000**	6,000,000
	253,153,541	206,036,330	**2,000,000**	6,000,000

28. direct operating costs

Direct operating costs comprise the following:

	Group	
In RM	**2004**	2003
Cost of goods sold	**209,096,298**	172,691,549
Attributable property development costs	**567,206**	415,885
Others	**66,876**	45,869
	209,730,380	173,153,303

29. profit before taxation

(a) Profit before taxation is arrived at after charging/(crediting):

(i) Directors' remuneration

	Group		Company	
In RM	**2004**	2003	**2004**	2003
Directors' fee				
- Executive Directors	**–**	18,000	**–**	18,000
- Non-executive Directors	**150,000**	150,000	**150,000**	150,000
	150,000	168,000	**150,000**	168,000

In RM	Group 2004	Group 2003	Company 2004	Company 2003
Other emolument consist of salary, bonus, employees provident fund and allowances				
- Executive Directors	**1,398,464**	1,155,018	**–**	–
Benefits-in-kind				
- estimated monetary value of other benefits				
- Executive Directors	**64,467**	45,542	**–**	–

(ii) Other items

In RM	Group 2004	Group 2003	Company 2004	Company 2003
Allowance for diminution in value of other investment	**–**	2,690	**–**	2,690
Allowance for doubtful debts	**535,994**	375,545	**–**	–
Auditors' remuneration				
- current year	**151,446**	131,784	**11,000**	11,000
- overprovision in prior years	–	(4,370)	**–**	–
Bad debts written off	**160,408**	–	**36,900**	–
Deferred expenditure written off	**646,599**	–	**646,599**	–
Depreciation of property, plant and equipment	**6,629,458**	5,417,717	**56,292**	61,677
Interest expense	**3,054,999**	1,900,240	**694,212**	506,233
Write down of inventories	**1,364,452**	475,550	**–**	–
Management fees	**200,090**	183,782	**–**	–
Net (gain)/loss on foreign exchange				
- realised	**(100,723)**	(106,800)	**–**	–
- unrealised	**1,473**	(5,303)	**–**	–
Property, plant and equipment written off	**36,811**	18,422	**36,341**	203

29. profit before taxation (cont'd)

In RM	Group 2004	Group 2003	Company 2004	Company 2003
Rental expenses				
- equipment	**21,750**	42,180	**–**	–
- premises	**886,629**	1,029,932	**12,000**	12,000
(Gain)/Loss on disposal of property, plant and equipment	**(129,719)**	2,603	**5,372**	4,400
Allowance for doubtful debts no longer required	**(291,585)**	(723,581)	**–**	–
Amortisation of negative goodwill	**(1,560,867)**	(1,300,723)	**–**	–
Bad debts recovered	**(79,230)**	(150,671)	**–**	–
Gain on disposal of a subsidiary company	**–**	(27,699)	**–**	–
Interest revenue				
- a subsidiary company	**–**	–	**(346,077)**	(131,297)
- others	**(375,245)**	(840,576)	**(181,943)**	(671,799)
Rental revenue	**(6,509)**	–	**–**	–

(b) Employees information

In RM	Group 2004	Group 2003	Company 2004	Company 2003
Staff costs	**28,479,781**	24,846,640	**39,909**	34,529

The number of employees including full-time Directors of the Group and of the Company as at the financial year end were 1,055 (2003: 992) and 1 (2003: 1) respectively.

30. taxation

In RM	Group 2004	Group 2003	Company 2004	Company 2003
Based on results for the year	**2,201,938**	1,793,600	**401,000**	1,706,000
Deferred tax relating to origination and reversal of temporary differences (note 8)				
Deferred tax assets	**(24,000)**	(126,000)	**–**	–
Deferred tax liabilities	**1,269,000**	131,732	**–**	(9,000)
	1,245,000	5,732	**–**	(9,000)
	3,446,938	1,799,332	**401,000**	1,697,000
Share of associated companies' taxation	**274,715**	329,651	**–**	–
(Overprovision)/Underprovision in prior years	**(40,630)**	345,176	**1,107**	80,640
Tax expense	**3,681,023**	2,474,159	**402,107**	1,777,640

The reconciliations from the tax amount at statutory tax rate to the Group's and the Company's tax expense are as follows:

In RM	Group 2004	Group 2003	Company 2004	Company 2003
Profit before taxation	**14,097,067**	10,708,985	**411,035**	5,519,185
Taxation at Malaysian statutory tax rate at 28%	**3,947,000**	2,999,000	**115,000**	1,545,000
Effect of lower tax rate for Malaysian subsidiary companies with issued and fully paid share capital of RM2.5 million and below	**(91,600)**	(8,010)	**–**	–
Effect of different tax rates in foreign jurisdiction	**(162,700)**	(72,200)	**–**	–
Tax effect of non-taxable revenue	**(900,900)**	(719,200)	**(97,000)**	(37,000)
Tax effect of non-deductible expenses	**1,716,653**	984,293	**383,000**	198,000
Double deduction incentives	**(59,600)**	(133,400)	**–**	–
Balance carried down	**4,448,853**	3,050,483	**401,000**	1,706,000

30. taxation (cont'd)

In RM	Group 2004	Group 2003	Company 2004	Company 2003
Balance brought down	**4,448,853**	3,050,483	**401,000**	1,706,000
Tax incentives	**(130,400)**	(117,000)	**–**	–
Deferred tax assets not recognised during the year	**727,800**	425,000	**–**	–
Reversal of temporary differences not recognised	**(11,700)**	(687,000)	**–**	(9,000)
Utilisation of reinvestment allowance	**(688,500)**	(145,000)	**–**	–
Reversal of net deferred tax liabilities due to controlled transfer of property, plant and equipment	**(464,000)**	–	**–**	–
Utilisation of deferred tax assets previously not recognised	**(162,400)**	(321,500)	**–**	–
(Overprovision)/Underprovision in prior years	**(40,630)**	345,176	**1,107**	80,640
Others	**2,000**	(76,000)	**–**	–
Tax expense for the year	**3,681,023**	2,474,159	**402,107**	1,777,640

Subject to agreement by the Inland Revenue Board:

(a) the Company has tax exempt income available for distribution by way of tax exempt dividend of approximately RM10,109,000/- (2003: RM10,109,000/-). The tax exempt income is in respect of chargeable income for the year ended 30th June, 1999 of which income tax had been waived; and

(b) the Company has estimated tax credit of RM6,276,000/- (2003: RM6,858,000/-) under Section 108 of the Income Tax Act, 1967, available to frank future payment of dividends up to approximately RM16,138,000/- (2003: RM17,635,000/-) without incurring additional tax liability.

31. earnings per ordinary share

The earnings per ordinary share has been calculated based on the Group's profit attributable to shareholders of RM10,079,636/- (2003: RM6,877,769/-) divided by 84,976,625 (2003: 85,162,500) being the weighted average number of ordinary shares of RM1/- each in issue during the financial year.

32. dividends

During the year, the Company paid a final dividend of 2% per share less 28% taxation amounting to RM1,226,340/- (1.44 sen per share) in respect of the financial year ended 30th June, 2003 as mentioned in the Directors' Report of that year.

At the forthcoming annual general meeting, a final dividend in respect of the financial year ended 30th June, 2004 of 3% on 84,288,800 ordinary shares less 28% taxation amounting to a net dividend of RM1,820,638/- (2.16 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 30th June, 2005.

33. acquisition/disposal of subsidiary companies

(i) Acquisition of Subsidiary Companies

On 19th December, 2003, the Company via its wholly owned subsidiary company, Kanzen Tetsu Sdn Bhd ("KTSB") acquired 7 ordinary shares of RM1/- each representing 70% issued and fully paid share capital of Kanzen Stainless Processors Sdn Bhd (formerly known as Innotical Sdn Bhd) ("KSP"), a company incorporated in Malaysia, for a total consideration of RM7/-.

On 20th November, 2002, the Company acquired 2 ordinary shares of Hong Kong Dollar 1 each representing the entire issued and fully paid share capital of Global Glister Limited ("GGL"), a company incorporated in Hong Kong, for a total consideration of Hong Kong Dollar 2.

On 21st November, 2002, GGL entered into a joint venture agreement with Tianjin Pipe Corporation Limited ("TPCO") to establish a joint venture company namely Kanzen TPCO Ltd in Tianjin, The People's Republic of China which shall have a registered capital of USD7 million, approximately RM26.6 million based on exchange rate of USD1 equivalent to RM3.80. GGL and TPCO shall contribute to the registered capital in the same proportion to their respective equity interest of 60% and 40%. However, no cash consideration was paid at date of establishment.

33. acquisition/disposal of subsidiary companies (cont'd)

The financial effects of the subsidiary companies acquired in the financial year on the Group's financial statements are as follows:

(a) Effect of acquisition of subsidiary company, net of cash acquired.

The fair values of the assets acquired and the liabilities assumed at the effective date of acquisition are as follows:

	Group	
	KSP	GGL
In RM	**2004**	2003
Cash in hand	**10**	1
Minority interest	**(3)**	–
Total purchase consideration	**7**	1
Cash in hand of subsidiary company	**(10)**	(1)
Effect of acquisition of subsidiary company, net of cash acquired	**(3)**	–

(b) Effect on Consolidated Income Statement

The effect on the consolidated results of the Group for the financial year from the effective date of acquisition are as follows:

	Group	
	KSP	GGL
In RM	**2004**	2003
Operating revenue	**356,533**	–
Direct operating costs	**(289,848)**	–
Gross profit	**66,685**	–
Other operating revenue	**7,242**	82,429
Administrative costs	**(190,905)**	(107,349)
Other operating costs	**(47,164)**	–
Loss from operations	**(164,142)**	(24,920)
Finance costs	**(10,182)**	(131,307)
Loss before taxation	**(174,324)**	(156,227)
Taxation	**(3,000)**	–
Loss after taxation but before minority interest	**(177,324)**	(156,227)
Minority interest	**53,197**	21,303
Loss after taxation and minority interest	**(124,127)**	(134,924)

(c) Effect on Consolidated Financial Position

The effect on the consolidated financial position of the Group as at the financial year end are as follows:

	Group	
	KSP	GGL
In RM	**2004**	2003
Non-current assets	**4,517,989**	1,688,737
Current assets	**1,926,816**	33,750,540
Current liabilities	**(121,129)**	(29,195,436)
Non-current liability	**(1,000)**	–
Translation reserve	**–**	(9,086)
Minority interest	**(1,896,803)**	(6,369,678)
	4,425,873	(134,923)

(ii) Disposal of A Subsidiary Company

On 1st July, 2002, the Company disposed off its share of interest in Qingdao Jinshanchuan Steel Tube Products Co Ltd ("QJSTP") in The People's Republic of China, for a total cash consideration of Chinese Renminbi 255,000.

The financial effects of the subsidiary company disposed off in the previous financial year on the Group's financial statements are as follows:

(a) Effect on Consolidated Income Statement

The disposal of the subsidiary company does not have any material effect on the consolidated income statements for the previous financial year.

(b) Effect on Consolidated Financial Position

The effect on the consolidated financial position of the Group as at the effective date of disposal are as follows:

	Group
In RM	2003
Non-current assets	117,923
Current assets	133,587
Current liabilities	(69,719)
Minority interest	(89,078)
Net assets disposed	92,713
Gain on disposal of subsidiary company	27,699
Proceeds from disposal	120,412
Cash and bank balances of subsidiary company	(4,637)
Disposal of subsidiary company, net of cash disposed	115,775

34. purchase of property, plant and equipment

During the year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM46,729,654/- (2003: RM9,133,747/-) and RM19,542/- (2003: RM26,759/-) respectively which are satisfied as follows:

	Group		Company	
In RM	**2004**	2003	**2004**	2003
Hire purchase financing	**390,000**	95,000	**–**	–
Cash payments	**46,339,654**	9,038,747	**19,542**	26,759
	46,729,654	9,133,747	**19,542**	26,759

35. cash and cash equivalents

	Group		Company	
In RM	**2004**	2003	**2004**	2003
Cash and bank balances	**10,985,646**	23,162,643	**728,912**	13,167
Deposits with licensed financial institutions	**16,309,220**	23,088,904	**5,866,241**	7,753,416
	27,294,866	46,251,547	**6,595,153**	7,766,583
Bank overdrafts - unsecured	**(73,070)**	(962,554)	**–**	–
	27,221,796	45,288,993	**6,595,153**	7,766,583

Cash and cash equivalents which are not freely available for the Group and the Company's use are as follows:

(a) cash at bank of the Group in the previous financial year is an amount of RM5,702,709/- pledged to a bank for trade facilities granted to a subsidiary company, KTPCO;

(b) deposits with licensed financial institutions of the Group and of the Company amounting to RM221,573/- (2003: RM858,643/-) pledged to a licensed bank for revolving credit facility granted to the Company; and

(c) deposits with licensed financial institutions of the Group and of the Company amounting to RM2,196,808/- (2003: RM2,135,683/-) pledged to a licensed bank for bank guarantee facility granted to a subsidiary company, Beribu Ukiran Sdn Bhd.

These cash and cash equivalents are only available to be utilised against the said facilities.

36. contingent liabilities

In RM	Company 2004	2003
SECURED		
Placement of fixed deposit by the Company for bank guarantee granted to a subsidiary company		
- Beribu Ukiran Sdn Bhd	**2,100,000**	2,100,000
UNSECURED		
In respect of corporate guarantees by the Company for banking facilities granted to subsidiary companies		
- Kanzen Kagu Sdn Bhd	**7,312,000**	11,107,000
- Kanzen Tetsu Sdn Bhd	**71,640,000**	57,561,000
	78,952,000	68,668,000
	81,052,000	70,768,000

37. capital commitments

In RM	Group 2004	2003
Capital expenditure		
- Approved but not contracted for	**20,691,036**	5,707,700
- Approved and contracted for	**5,103,400**	18,183,432
	25,794,436	23,891,132

38. significant related parties transactions

(a) Significant intra-group transactions are as follows:

In RM	Company 2004	Company 2003
TRADE		
Received from a subsidiary company		
Dividend revenue		
- Kanzen Tetsu Sdn Bhd	**(2,000,000)**	(6,000,000)
NON-TRADE		
Received and receivable from a subsidiary company		
Interest revenue		
- Global Glister Limited	**(346,077)**	(131,297)
Secretarial fees paid to a subsidiary company		
- Kanzen Management Sdn Bhd	**24,000**	24,000

(b) Significant transactions with related parties are as follows:

In RM	Group 2004	Group 2003
TRADE		
Purchase of raw materials from TPCOI, a related company of a corporate shareholder of a subsidiary company, KTPCO	**3,224,546**	–
Project management and marketing fees paid and payable to DHSB in which certain Directors of the Company have substantial financial interest	**228,392**	396,712
NON-TRADE		
Paid to a corporate shareholder of a subsidiary company, Pacific Brand Household Products Pty Limited		
- management fees	**200,090**	183,782
- upkeep and maintenance of computer equipment	**82,545**	91,200

The above transactions have been entered in the ordinary course of business and have been established under negotiated terms.

39. segment information - group

Segment information is presented in respect of the Group's business and geographical segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest bearing assets and revenue, interest bearing loans and expenses and tax assets, liabilities and expense.

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

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 under negotiated terms.

BUSINESS SEGMENTS

The Group comprises the following four major business segments:

(i)	Steel manufacturing	–	manufacturing of stainless steel pipes and fittings and carbon steel pipes, slitting and shearing services.
(ii)	Bedding	–	manufacturing and marketing of mattresses, bedding related products, furniture and steel wire.
(iii)	Property development	–	property development.
(iv)	Other operations	–	investment holding, provision of management and secretarial services.

GEOGRAPHICAL SEGMENTS

The Group operates in three principal geographical areas of the world:

(i)	Malaysia	–	manufacturing of stainless steel pipes and fittings, carbon steel pipes, slitting and shearing services, mattresses, bedding related products, property development, investment holding and provision of management and secretarial services.
(ii)	The People's Republic of China	–	manufacturing of stainless steel pipes and fittings, mattresses, bedding related products, furniture and steel wire.
(iii)	Hong Kong	–	investment holding.

39. segment information - group (cont'd)

(a) Primary Reporting Format - Major Business Segments

In RM	Steel Manufacturing	Bedding	Other Operations	Property Development	Eliminations	Consolidated
2004						
REVENUE						
External revenue	**206,441,446**	**46,092,354**	**–**	**619,741**	**–**	**253,153,541**
Inter-segment revenue	**–**	**–**	**75,000**	**–**	**(75,000)**	**–**
Total revenue	**206,441,446**	**46,092,354**	**75,000**	**619,741**	**(75,000)**	**253,153,541**
RESULT						
Segment result	**12,580,021**	**2,322,879**	**226,283**	**50,585**	**–**	**15,179,768**
Interest expense						**(3,054,999)**
Interest revenue						**375,245**
Share of associated companies results	**–**	**–**	**1,597,053**	**–**	**–**	**1,597,053**
Taxation						**(3,681,023)**
Profit after taxation but before minority interest						**10,416,044**
Minority interest						**(336,408)**
Net profit attributable to shareholders						**10,079,636**

In RM	Steel Manufacturing	Bedding	Other Operations	Property Development	Eliminations	Consolidated
2004						
OTHER INFORMATION						
Segment assets	**278,904,869**	**32,339,486**	**14,962,203**	**55,694,275**	–	**381,900,833**
Interest in associated companies	–	–	**9,780,006**	–	–	**9,780,006**
Unallocated corporate assets						**19,057,592**
Consolidated total assets						**410,738,431**
Segment liabilities	**30,153,602**	**10,484,381**	**345,920**	**28,978,703**	–	**69,962,606**
Unallocated corporate liabilities						**115,347,313**
Consolidated total liabilities						**185,309,919**
Capital expenditure	**45,828,578**	**881,534**	**19,542**	–	–	**46,729,654**
Depreciation of property, plant and equipment	**5,539,728**	**1,023,757**	**65,973**	–	–	**6,629,458**
Significant non-cash expenses other than depreciation						
Allowance for doubtful debts	**218,289**	**253,918**	**63,787**	–	–	**535,994**
Deferred expenditure written off	–	–	**646,599**	–	–	**646,599**
Bad debts written off	**87,188**	–	**73,220**	–	–	**160,408**
Write down of inventories	**450,000**	**914,452**	–	–	–	**1,364,452**
Property, plant and equipment written off	**256**	–	**36,555**	–	–	**36,811**

39. segment information - group (cont'd)

(a) Primary Reporting Format - Major Business Segments (cont'd)

In RM	Steel Manufacturing	Bedding	Other Operations	Property Development	Eliminations	Consolidated
2003						
REVENUE						
External revenue	161,265,582	44,270,411	–	500,337	–	206,036,330
Inter-segment revenue	–	–	72,000	–	(72,000)	–
Total revenue	161,265,582	44,270,411	72,000	500,337	(72,000)	206,036,330
RESULT						
Segment result	7,865,533	2,316,460	395,071	(65)	–	10,576,999
Interest expense						(1,900,240)
Interest revenue						840,576
Share of associated companies results	–	–	1,191,650	–	–	1,191,650
Taxation						(2,474,159)
Profit after taxation but before minority interest						8,234,826
Minority interest						(1,357,057)
Net profit attributable to shareholders						6,877,769

In RM	Steel Manufacturing	Bedding	Other Operations	Property Development	Eliminations	Consolidated
2003						
OTHER INFORMATION						
Segment assets	198,187,276	29,456,733	10,800,582	55,170,609	–	293,615,200
Interest in associated companies	–	–	10,269,263	–	–	10,269,263
Unallocated corporate assets						25,560,005
Consolidated total assets						329,444,468
Segment liabilities	10,535,769	8,822,269	397,121	28,903,576	–	48,658,735
Unallocated corporate liabilities						68,924,909
Consolidated total liabilities						117,583,644
Capital expenditure	8,920,822	186,166	26,759	–	–	9,133,747
Depreciation of property, plant and equipment	4,278,074	1,062,977	76,666	–	–	5,417,717
Significant non-cash expenses other than depreciation						
Allowance for doubtful debts	34,072	341,473	–	–	–	375,545
Write down of inventories	–	475,550	–	–	–	475,550
Property, plant and equipment written off	–	17,875	547	–	–	18,422

39. segment information - group (cont'd)

(b) Secondary Reporting Format - Geographical Segments

In RM	Malaysia	Hong Kong	The People's Republic of China	Consolidated
2004				
Total revenue from external customers	**241,092,365**	**–**	**12,061,176**	**253,153,541**
Segment assets	**310,040,935**	**9,310,518**	**62,549,380**	**381,900,833**
Interest in associated companies	**9,780,006**	**–**	**–**	**9,780,006**
Unallocated corporate assets				**19,057,592**
Consolidated total assets				**410,738,431**
Capital expenditure	**4,824,628**	**–**	**41,905,026**	**46,729,654**
2003				
Total revenue from external customers	198,427,694	–	7,608,636	206,036,330
Segment assets	264,058,693	6,417,676	23,138,831	293,615,200
Interest in associated companies	10,269,263	–	–	10,269,263
Unallocated corporate assets				25,560,005
Consolidated total assets				329,444,468
Capital expenditure	7,434,357	–	1,699,390	9,133,747

40. significant events

(a) On 25th September, 2003, pursuant to Section 168(3) of the Companies Act, 1965, the Companies Commission of Malaysia granted approval for Kanzen TPCO Ltd, a subsidiary company incorporated in The People's Republic of China, to have a financial year end of 31st December which does not coincide with FACB Industries Incorporated Berhad ("the Company" or "FACBII").

(b) On 4th November, 2003, FACBII announced that the Securities Commission ("SC") had via its letter dated 31st October, 2003, granted its approval for an extension of time up to and including 27th April, 2004 to complete the implementation of the Corporate Proposals approved by SC on 28th October, 2002.

The Corporate Proposals are as follows:

(i) renounceable rights issue of up to 212,906,250 new ordinary shares of RM1/- each in the Company ("Rights Shares") together with up to 170,325,000 Warrants at an issue price to be determined later, on the basis of five (5) Rights Shares together with four (4) Warrants for every two (2) existing shares held in FACBII ("Proposed Rights Issue");

(ii) capitalisation of an amount of RM28,989,335/- from the share premium account of the Company for the financial year ended 30th June, 2001 for the bonus issue of 28,989,335 new ordinary shares of RM1/- each ("Proposed Bonus Issue") in FACBII; and

(iii) establishment of an Employees' Share Option Scheme for eligible employees of FACBII of up to ten percent (10%) of the enlarged share capital of the Company ("Proposed ESOS").

In addition, the SC noted the following:

(i) subsequent to capitalisation of RM28,989,335/- from the share premium account, the remaining 13,591,915 bonus shares will be capitalised from the retained profits account as the Company proposed to implement a bonus issue of up to 42,581,250 new ordinary shares of RM1/- each; and

(ii) the minimum subscription level under the Proposed Rights Issue with Warrants is intended to raise RM160,906,250/-.

(c) On 16th December, 2003, the Company via its wholly owned subsidiary company, Kanzen Tetsu Sdn Bhd ("KTSB") entered into a joint venture agreement ("JV Agreement I") with Arcelor Stainless International ("ASI") to establish a joint venture company namely Kanzen Stainless Processors Sdn Bhd (formerly known as Innotical Sdn Bhd) ("KSP") to undertake the setting up of a stainless steel service centre at the existing KTSB's plant in Shah Alam, Malaysia.

Pursuant to the JV Agreement I, KSP shall be a limited company and it shall have a total registered capital of RM6.5 million. KTSB and ASI shall fully pay by way of cash contribution their proportionate 70% and 30% share in the total registered capital of KSP.

40. significant events (cont'd)

(d) On 23rd December, 2003, the Company paid a final dividend of 2% per share less tax to shareholders, whose names appear in the Records of Depositors on 10th December, 2003.

(e) On 26th March, 2004, the Company announced that it will be seeking shareholders' approval on the proposed share buy-back of up to a maximum of 10% of the issued and fully paid ordinary share capital by the Company ("Proposal") at an Extraordinary General Meeting ("EGM") to be convened.

(f) On 16th April, 2004, the Company announced that the Proposal as mentioned in (e) above has been approved by the shareholders at an EGM held on the even date.

(g) On 17th May, 2004, the Company announced that SC had via its letter dated 10th May, 2004, granted its approval for an extension of time up to and including 27th October, 2004 to complete the implementation of the Corporate Proposals as mentioned in (b) above. This approval is the final extension of time granted by the SC.

41. subsequent events

(a) On 12th September, 2004, the Company via its subsidiary company, Kanzen Energy Ventures Sdn Bhd ("KEV") entered into a joint venture agreement ("JV Agreement II") with Jiangyin Electricity Investment Company ("JEIC") and Jiangyin Bingjiang Group ("JBG") to establish a joint venture company namely Jiangyin Chengdong Power Supply Co Ltd ("JCPS") to undertake the setting up of a heat and power plant in Jiangyin, Jiangsu Province, China.

Pursuant to the JV Agreement II, JCPS shall be a limited liability company and it shall have a total registered capital of Rmb41.5 million (equivalent to approximately RM19.05 million at an exchange rate of Rmb1 = RM0.4591). KEV's investment commitment pursuant to the JV Agreement II of 30% is equivalent to Rmb12.45 million or RM5.72 million. JEIC and JBG's investment commitments of 40.43% and 29.57% are Rmb16.78 million and Rmb12.27 million which are equivalent to RM7.70 million and RM5.63 million respectively.

(b) Subsequent to the financial year end and up to the date of this report, the Company repurchased 230,300 of its issued and fully paid ordinary shares from the open market at an average price of RM0.88 per share. The total cash consideration paid for the repurchased including transaction costs was RM205,083/-.

42. financial instruments

(a) Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure optimal allocation of financial resources for the development of the Group's businesses whilst managing its risks.

The main risks and corresponding management policies arising from the Group and the Company's normal course of business are as follows:

i. Foreign Exchange Risk

Certain foreign exchange exposures are hedged with forward foreign exchange contracts to limit exposure on foreign currency receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currencies.

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

In RM	Euro	Chinese Renminbi	Japanese Yen	Singapore Dollar	New Taiwan Dollar	United States Dollar	Total
Functional currencies of Group							
2004							
TRADE RECEIVABLES							
Chinese Renminbi	–	–	–	–	–	**47,758**	**47,758**
Ringgit Malaysia	**53,000**	–	**33,385**	**246,050**	–	**5,605,809**	**5,938,244**
	53,000	–	**33,385**	**246,050**	–	**5,653,567**	**5,986,002**
OTHER RECEIVABLES							
Ringgit Malaysia	–	–	–	–	–	**57**	**57**
Hong Kong Dollar	–	–	–	–	–	**9,212,952**	**9,212,952**
	–	–	–	–	–	**9,213,009**	**9,213,009**
AMOUNT OWING BY ASSOCIATED COMPANIES							
Ringgit Malaysia	–	**3,718,781**	–	–	–	–	**3,718,781**

42. financial instruments (cont'd)

(a) Financial Risk Management Policies (cont'd)

In RM	Euro	Chinese Renminbi	Japanese Yen	Singapore Dollar	New Taiwan Dollar	United States Dollar	Total
Functional currencies of Group							
2004							
DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS							
Hong Kong Dollar	–	–	–	–	–	**3,853,639**	**3,853,639**
CASH AND BANK BALANCES							
Ringgit Malaysia	–	**892,627**	–	**38**	**4,242**	**16,811**	**913,718**
Chinese Renminbi	–	–	–	–	–	**4,280,627**	**4,280,627**
Hong Kong Dollar	–	–	–	–	–	**96,007**	**96,007**
	–	**892,627**	–	**38**	**4,242**	**4,393,445**	**5,290,352**
TRADE PAYABLES							
Ringgit Malaysia	–	–	–	–	–	**4,116,427**	**4,116,427**
OTHER BORROWINGS							
Chinese Renminbi	–	–	–	–	–	**8,376,324**	**8,376,324**
Ringgit Malaysia	–	–	–	–	–	**31,412,111**	**31,412,111**
	–	–	–	–	–	**39,788,435**	**39,788,435**

In RM	Euro	Chinese Renminbi	Japanese Yen	Singapore Dollar	New Taiwan Dollar	United States Dollar	Total
Functional currencies of Group							
2003							
TRADE RECEIVABLES							
Ringgit Malaysia	–	–	–	462,950	–	4,158,038	4,620,988
OTHER RECEIVABLES							
Ringgit Malaysia	–	–	–	–	–	1,129,935	1,129,935
Hong Kong Dollar	–	–	–	–	–	1,167	1,167
	–	–	–	–	–	1,131,102	1,131,102
AMOUNT OWING BY ASSOCIATED COMPANIES							
Ringgit Malaysia	–	2,343,997	–	–	–	–	2,343,997

42. financial instruments (cont'd)

(a) Financial Risk Management Policies (cont'd)

In RM	Euro	Chinese Renminbi	Japanese Yen	Singapore Dollar	New Taiwan Dollar	United States Dollar	Total
Functional currencies of Group							
2003							
DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS							
Hong Kong Dollar	–	–	–	–	–	13,085,488	13,085,488
CASH AND BANK BALANCES							
Ringgit Malaysia	–	888,654	–	–	–	7,088	895,742
Chinese Renminbi	–	–	–	–	–	8,795,765	8,795,765
Hong Kong Dollar	–	–	–	–	–	6,415,372	6,415,372
	–	888,654	–	–	–	15,218,225	16,106,879
TRADE PAYABLES							
Ringgit Malaysia	–	–	–	1,794	–	2,337,746	2,339,540
OTHER PAYABLES AND ACCRUALS							
Ringgit Malaysia	–	–	–	2,000	–	1,012,444	1,014,444
OTHER BORROWINGS							
Ringgit Malaysia	–	–	–	–	–	15,474,049	15,474,049

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

Hedged Item In RM	Currency	Average Contract Rate	Total Notional Amounts	Maturities Within 1 Year	1 - 5 Years	After 5 Years
2004						
Export sales	Singapore Dollar	**2.2325**	**5,588,002**	**5,588,002**	**–**	**–**
Export sales	United States Dollar	**3.8064**	**3,471,069**	**3,471,069**	**–**	**–**
Export sales	Euro	**4.6991**	**1,663,609**	**1,663,609**	**–**	**–**
Export sales	Japanese Yen	**0.0349**	**157,293**	**157,293**	**–**	**–**
2003						
Export sales	Singapore Dollar	2.1706	2,710,356	2,710,356	–	–
Export sales	United States Dollar	3.8100	5,856,759	5,856,759	–	–
Export sales	Euro	4.0467	242,759	242,759	–	–
Export sales	Japanese Yen	0.0320	252,591	252,591	–	–

The net unrecognised losses as at 30th June, 2004 on forward contracts used to hedge foreign currency sales amounted to RM93,902/- (2003: RM26,984/-). This net exchange loss is deferred until the related sales proceeds are received.

ii. Interest Rate Risk

The Group's exposure to interest rate risk relates to interest bearing financial liabilities and financial assets. Interest bearing financial liabilities comprise loans, bankers' acceptances, revolving credit and overdraft facilities. Interest bearing financial assets include deposits which are short term in nature, placed for better yield returns than cash at banks and to satisfy conditions for bank guarantee and borrowing facilities granted to the Group.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

42. financial instruments (cont'd)

(a) Financial Risk Management Policies (cont'd)

ii. Interest Rate Risk (cont'd)

The effective interest rates at the balance sheet date and the periods in which the financial assets and financial liabilities, reprice or mature, whichever is earlier, are as follows:

Group	Effective		← Maturities		→
	Interest Rate		Within		After
In RM	%	Total	1 Year	1 - 5 Years	5 Years
2004					
FINANCIAL ASSETS					
All interest earning receivables					
Deposits with licensed financial institutions	**0.80 - 3.00**	**16,309,220**	**16,309,220**	**–**	**–**
Cash and bank balances	**0.08 - 0.72**	**5,895,461**	**5,895,461**	**–**	**–**
FINANCIAL LIABILITIES					
All interest bearing payables					
Bank overdrafts	**4.13**	**73,070**	**73,070**	**–**	**–**
Bankers' acceptance	**3.21 - 3.72**	**37,929,000**	**37,929,000**	**–**	**–**
Foreign currency loans	**2.15 - 3.14**	**31,412,111**	**31,412,111**	**–**	**–**
Hire purchase payables	**6.09 - 6.54**	**431,323**	**88,426**	**342,897**	**–**
Revolving credit	**5.35 - 5.60**	**12,500,000**	**12,500,000**	**–**	**–**
Term loans	**3.19 - 7.75**	**22,541,998**	**20,417,723**	**2,124,275**	**–**

Group In RM	Effective Interest Rate %	Total	Within 1 Year	Maturities 1 - 5 Years	After 5 Years
2003					
FINANCIAL ASSETS					
All interest earning receivables					
Deposits with licensed financial institutions	0.69 - 3.00	23,088,904	23,088,904	–	–
Cash and bank balances	0.13 - 0.72	16,019,606	16,019,606	–	–
FINANCIAL LIABILITIES					
All interest bearing payables					
Bank overdrafts	7.00 - 7.12	962,554	962,554	–	–
Bankers' acceptance	3.22 - 3.69	23,656,000	23,656,000	–	–
Foreign currency loans	2.59 - 2.85	15,474,049	15,474,049	–	–
Hire purchase payables	7.42	93,684	16,500	77,184	–
Revolving credit	5.35	12,500,000	12,500,000	–	–
Term loans	6.37 - 7.80	7,387,013	3,427,105	3,959,908	–

iii. Market Risk

The Group's principal exposure to market risk arises from the quoted investments held for long term purposes. As the amount held is not significant, exposure to market risk is negligible.

iv. Credit Risk

The Group's exposure to credit risk arises from its receivables and the maximum risk associated with recognised financial assets is the carrying amounts as presented in the balance sheet.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit assessments, approvals, credit limits and monitoring procedures.

The Group does not have any significant exposure to any individual customer.

42. financial instruments (cont'd)

(a) Financial Risk Management Policies (cont'd)

v. Liquidity and Cash Flow Risks

The Group actively manages its 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 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.

(b) Fair Values

The methods and assumptions used to estimate the fair value of the following classes of financial assets and liabilities are as follows:

i. Cash and Cash Equivalents, Trade and Other Receivables and Payables

The carrying amounts approximate fair values due to the relatively short term maturities of these financial assets and liabilities.

ii. Quoted Investments

The fair values of quoted investments are determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

iii. Borrowings

The carrying amounts of short term bank borrowings approximate fair values due to the relatively short term maturities of these financial liabilities.

The carrying amounts of long term floating rate loans approximate their fair values.

The fair values of hire purchase and fixed rate term loans are estimated using discounted cash flow analysis, based on current lending rates for similar types of borrowing arrangements.

iv. Forward Foreign Exchange Contracts

The fair values of forward foreign exchange contracts are the amounts that would be payable or receivable on termination of the outstanding position arising and is determined by reference to the difference between the contracted rate and forward exchange rate as at the balance sheet date applied to a contract of similar quantum and maturity profile.

The carrying amounts of financial assets and liabilities recognised in the balance sheet approximate their fair values except for the following:

In RM	Group Carrying Amount	Group Fair Value	Company Carrying Amount	Company Fair Value
2004				
FINANCIAL ASSETS				
Other investment				
- Quoted investment	**1,010**	**1,160**	**1,010**	**1,160**
- Unquoted investment	**56,500**	**# –**	**56,500**	**# –**
FINANCIAL LIABILITIES				
Hire purchase payables	**431,323**	**440,477**	**–**	**–**
Term loans	**22,541,998**	**22,234,329**	**–**	**–**
2003				
FINANCIAL ASSETS				
Other investment				
- Quoted investment	1,010	1,010	1,010	1,010
- Unquoted investment	56,500	# –	56,500	# –
FINANCIAL LIABILITIES				
Hire purchase payables	93,684	91,764	–	–
Term loans	7,387,013	6,533,660	–	–
Long term payable	2,830,000	* –	–	–

It is not practical to estimate the fair value of unquoted investment because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

* It is not practical to estimate the fair value of long term payable due to lack of comparable market information for similar type of borrowings.

42. financial instruments (cont'd)

(b) Fair Values (cont'd)

The nominal/notional amount and fair value of forward foreign exchange contracts and contingent liabilities not recognised in the balance sheet are as follows:

	Group		Company	
In RM	Nominal/ Notional Amount	Fair Value	Nominal/ Notinal Amount	Fair Value
2004				
Forward foreign exchange contracts	**10,879,973**	**10,786,071**	**–**	**–**
Contingent liabilities	**–**	**–**	**81,052,000**	*** –**
2003				
Forward foreign exchange contracts	9,062,465	9,035,481	–	–
Contingent liabilities	–	–	70,768,000	* –

* It is not practical to estimate the fair value of the contingent liabilities reliably due to uncertainties of timing, costs and eventual outcome.

43. denomination

The currency quoted in the financial statements is in Ringgit Malaysia and is denoted in RM.

Shareholding Statistics

as at 1st October, 2004

analysis of shareholdings

Authorised Share Capital	:	RM200,000,000.00 divided into 200,000,000 ordinary shares of RM1.00 each
Issued & Fully Paid-Up	:	RM85,162,500 divided into 85,162,500 ordinary shares of RM1.00 each
Class of Share	:	Ordinary Shares of RM1.00 each
Voting Rights	:	1 vote per share

Size of Holdings	No. of Shareholders	No. of Shares #	% #
1 – 99	36	1,047	0.00
100 – 1,000	2,763	2,688,790	3.20
1,001 – 10,000	3,807	14,703,290	17.49
10,001 – 100,000	449	11,479,544	13.66
100,001 – less than 5%	40	16,895,600	20.10
5% and above	4	38,292,429	45.55
Total	7,099	84,060,700	100.00

\# After deducting 1,101,800 treasury shares retained by the Company as per Record of Depositors.

list of thirty (30) largest shareholders

No.	Name of Shareholders	No. of Shares	% #
1	OSK Nominees (Tempatan) Sdn Berhad *Pledged Securities Account for Puan Sri Lee Chou Sarn @ Lee Chou Sun*	12,505,493	14.88
2	Permodalan Nasional Berhad	12,487,547	14.86
3	OSK Nominees (Asing) Sdn Berhad *Blue Velvet Property Corp*	8,374,389	9.96
4	SFB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Sri Dr. Chen Lip Keong*	4,925,000	5.86
5	HSBC Nominees (Asing) Sdn Bhd *BOB HK for Asian Emerging Countries Fund*	2,613,000	3.11
6	SFB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Song Meng Kong*	2,000,000	2.38
7	Sumurwang Capital Sdn Bhd	1,836,000	2.18
8	HDM Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Song Meng Kong*	1,159,000	1.38
9	EB Nominees (Tempatan) Sendirian Berhad *Pledged Securities Account for Wong Tow Fock*	806,500	0.96
10	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Hong Siang*	750,000	0.89

list of thirty (30) largest shareholders (cont'd)

No.	Name of Shareholders	No. of Shares	% #
11	Goh Leong Chuan	709,000	0.84
12	Mayban Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Stuart Saw Teik Siew*	500,000	0.59
13	JB Nominees (Asing) Sdn Bhd *Magnum (Guernsey) Limited*	393,000	0.47
14	Yeoh Kean Hua	347,000	0.41
15	Mayban Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Roseley bin Omar*	340,000	0.40
16	Sak Moy @ Sak Swee Len	324,000	0.39
17	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chua Eng Ho Waa @ Chua Eng Wah*	320,000	0.38
18	Cheang Swee Kam	313,000	0.37
19	Citicorp Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lim Kim Hock*	280,000	0.33
20	Citicorp Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chong Chee Keong*	280,000	0.33
21	Yeo Eng	260,800	0.31
22	Bank Simpanan Nasional	235,000	0.28
23	Lee Kok Chong	230,200	0.27
24	Ang Bee Kean	215,000	0.26
25	Lee Kow Chai @ Lee Peng Saw	209,000	0.25
26	Tan Kar Pin	201,400	0.24
27	Cartaban Nominees (Tempatan) Sdn Bhd *Amanah SSCM Nominees (Tempatan) Sdn Bhd for Pertubuhan Keselamatan Sosial*	200,000	0.24
28	HSBC Nominees (Asing) Sdn Bhd *AAB SG BR for Oriental Orchid Limited*	193,000	0.23
29	Lau Tuang Nguang	173,000	0.21
30	Lim Shiu Ho	166,000	0.20
	Total	53,346,329	63.46

substantial shareholders as per the register of substantial shareholders

		Direct no. of ordinary shares held	% #		Indirect no. of ordinary shares held	% #
Permodalan Nasional Berhad		12,487,547	14.86		–	–
Puan Sri Lee Chou Sarn		9,800,000	11.66	*a	7,630,493	9.08
Blue Velvet Property Corp	*b	8,374,389	9.96		–	–
First Allied Holdings Sdn Bhd	*c	7,630,493	9.08		–	–
Tan Sri Dr. Chen Lip Keong		–	–	*a	7,630,493	9.08

Notes:

*a Deemed interested by virtue of their shareholdings in First Allied Holdings Sdn Bhd

*b The 8,374,389 ordinary shares are held by OSK Nominees (Asing) Sdn Bhd

*c The 7,630,493 ordinary shares are held for First Allied Holdings Sdn Bhd by:

	No. of ordinary shares held
Puan Sri Lee Chou Sarn	2,705,493
SFB Nominees (Tempatan) Sdn Bhd	4,925,000
	7,630,493

This page has been intentionally left blank.

Form of Proxy

FACB INDUSTRIES INCORPORATED BERHAD (48850-K)
(Incorporated in Malaysia)

Number of Shares ______________ CDS Account No. ______________

I / We, ____
of ____
being a member of FACB INDUSTRIES INCORPORATED BERHAD hereby appoint ____

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 Twenty Fifth Annual General Meeting of the Company to be held at Anggerik Room, 4th Floor, Hotel Equatorial Kuala Lumpur, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 8th December, 2004 at 10.00 a.m. and at any adjournment thereof.

	Ordinary Resolutions	**For**	**Against**
No. 1	Adoption of audited financial statements and reports		
No. 2	Approval of final dividend		
No. 3	Approval of Directors' fees		
No. 4	Re-appointment of Dato' Sulaiman bin Sujak as Director		
No. 5	Re-election of Dato' Dr. Abdul Razak bin Abdul as Director		
No. 6	Re-election of Mr. Leong Choong Wah as Director		
No. 7	Re-appointment of Messrs Moore Stephens as Auditors		
No. 8	Authority pursuant to Section 132D of the Companies Act, 1965		
No. 9	Proposed Renewal of Authority for Share Buy-Back		

(Please indicate with an **"X"** in the appropriate box against each Resolution how you wish your vote to be cast. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he/she thinks fit.)

Signed this ________________ day of ________________ 2004

____
Signature/Seal of Shareholder

NOTES:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. Subject to the Companies Act 1965, where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if such appointer is a corporation, either under its common seal or the hand of an officer or attorney duly authorised.
4. The Form of Proxy must be completed, signed and deposited at the Company's Registered Office not less than 48 hours before the time set for the Meeting or adjourned meeting.

affix stamp

The Company Secretary
FACB Industries Incorporated Berhad (48850-K)
MNI Twins, Tower 1
Level 13, 11 Jalan Pinang
50450 Kuala Lumpur