FACB Industries Incorporated Berhad 48850-K

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ANNUAL REPORT **2005**

Platforms for continuous growth

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Platforms for continuous growth

Rationale

We believe the key to enhancing shareholder value is by capitalizing on our core strengths:

- Having technical expertise and in-depth knowledge of our industry;
- Understanding and meeting customers' needs;
- Driving technology in creating innovative and quality products; and
- Investing in human capital.

We have continuously improved our craft and, in the process, raised it to a level that has elevated us to that of a renowned global player in the steel and bedding industries.

Contents

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
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 Non-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
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

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.

Kanzen Tetsu Sdn Bhd ("KTSB")'s Quality System Registration Certificate awarded by Sirim QAS International Sdn Bhd for compliance with the requirements of MS ISO 9001 : 2000 Quality Management Systems.

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.

Product Excellence Award 2001 by Ministry of International Trade and Industry in recognition of KTSB's excellent product 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.

Selangor Product Excellence Award 2002 by Selangor State Government in recognition of Kanzen Kagu Sdn Bhd ("KKSB")'s quality products in Selangor State Industries.

Human Resource Minister Award 2003 by Pembangunan Sumber Manusia Berhad in recognition of KKSB's significant contributions in human resource development throughout the year 2002.

Notice of Meeting
and book closure

NOTICE IS HEREBY GIVEN that the Twenty Sixth 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, 7th December, 2005 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, 2005 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, 2005. **Resolution 2**

3. To approve Directors' fees of RM174,000/– for the year ended 30th June, 2005. **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) Tan Sri Dr. Chen Lip Keong **Resolution 5**
   (ii) Datuk Wan Kassim bin Ahmed **Resolution 6**
   (iii) Tuan Haji Harun bin Haji Faudzar **Resolution 7**

6. To re-appoint Messrs Moore Stephens as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 8**

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 9**

   "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 10**

   (The text of the above resolution together with the details of the Proposal are set out in the Circular to Shareholders dated 9th November, 2005 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 5th January, 2006 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 25th January, 2006 to shareholders whose names appear in the Records of Depositors on 4th January, 2006.

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 4th January, 2006 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, 2005.

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 9 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 10 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**
Four Board Meetings were held at the Registered Office during the financial year ended 30th June, 2005 on 25th August, 2004 (at 2.15 p.m.), 2nd December, 2004 (at 2.15 p.m.), 1st March, 2005 (at 2.15 p.m.), 16th May, 2005 (at 2.15 p.m.). An adjourned Board Meeting of 16th May, 2005 was held on 21st June, 2005 (at 10.00 a.m.).

   Details of attendance of Board Meetings held during the financial year ended 30th June, 2005 for the Directors standing for re-election are as follows:

Dato' Sulaiman bin Sujak	-	Attended all Board Meetings
Tan Sri Dr. Chen Lip Keong	-	Attended all Board Meetings except the meeting on 16th May, 2005
Datuk Wan Kassim bin Ahmed	-	Attended all Board Meetings
Tuan Haji Harun bin Haji Faudzar	-	Attended all Board Meetings except the meeting on 21st June, 2005 (adjourned)

   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 Sixth 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, 7th December, 2005 at 10.00 a.m.

Platforms for continuous growth

Being customer centric,
our approach is simple –
we want to satisfy our
customers' needs and grow
our business.
We leverage on our strengths
and resources in developing
new competencies.

Directors' profiles

DATO' SULAIMAN BIN SUJAK

Chairman
Non-Independent Non-Executive Director, Malaysian, aged 71

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
Executive Director, Malaysian, aged 58

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 extensive 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

Executive Director, Malaysian, aged 58

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 Non-Executive Director, Malaysian, aged 55

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 TAP Resources Berhad.

DATUK WAN KASSIM BIN AHMED

Independent Non-Executive Director, Malaysian, aged 56

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 Councillor 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.

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

LEONG CHOONG WAH

Executive Director, Malaysian, aged 37

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 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 52

Tuan Haji Harun bin Haji Faudzar was appointed to the Board on 1st July, 2002. Tuan Haji Harun also serves as a member of 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 actively involved in numerous development projects.

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

CHUA TIAM WEE

Alternate Director to Puan Sri Lee Chou Sarn, Malaysian, aged 51

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 the 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 Chairman of ERW Steel Pipe Group and Executive Committee Member of Malaysian Iron and Steel Industry Federation.

OTHER INFORMATION

a. Family Relationship

Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong. 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.

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 Company") for the financial year ended 30th June, 2005.

FINANCIAL REVIEW

The Group achieved a marked increase in revenue to RM400.5 million as compared to the previous year's revenue of RM253.2 million and Group profit before tax of RM19.7 million as compared to RM14.1 million in the previous year.

Net profit for the Group increased to RM13.9 million from RM10.1 million registered in the previous financial year. Correspondingly, the basic earnings per share also increased to 16.56 sen compared to 11.86 sen. The Group Net Tangible Asset ("NTA") at the end of the financial year was RM206.1 million (NTA per share of RM2.45) compared to RM196.0 million (NTA per share of RM2.32) at end of the previous year.

The current financial year's revenue of RM400.5 million is a record performance for the Group as the Group's revenue in the past years has never surpassed RM300 million. The overall commendable financial results in the year ended 30th June, 2005 was attributed mainly to higher margins realised due to the favourable upward trend of steel prices and lower cost of raw material purchased earlier.

DIVIDEND

The Board is pleased to recommend the payment of a final dividend of 3% less tax for the financial year ended 30th June, 2005, subject to approval of the shareholders at the Twenty Sixth Annual General Meeting.

CORPORATE DEVELOPMENTS

a) On 22nd October, 2004, the Company announced to Bursa Malaysia that the Board of Directors has decided to abort the corporate exercise involving a rights issues with warrants, bonus issue and employees' share option scheme to raise gross proceeds of up to approximately RM213 million.

b) On 31st May, 2005, Yang Berhormat Dato' Seri Rafidah Aziz, Minister of International Trade and Industry, officially opened Kanzen Stainless Processors Sdn Bhd ("KSP")'s stainless steel service centre in the steel division's plant in Shah Alam, Selangor Darul Ehsan. The service centre provides 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. Kanzen Tetsu Sdn Bhd and Arcelor Stainless International ("ASI") have a stake of 70% and 30% equity interest in KSP respectively. ASI is owned by the Arcelor Group which is one of the world's largest steel producers.

SHARE BUY-BACK

During the financial year, the Company purchased back 406,000 shares. As at 30th June, 2005, the total shares purchased is slightly over 1.5% of its issued and paid-up ordinary share capital.

OPERATIONS OVERVIEW

Overall, the global steel scene has changed dramatically since 2003/2004. Shortages were reported as the mills attempted to meet the increasing order books, pushing prices to near record highs.

The unprecedented demand for steel from China, the largest stainless steel consuming country in the world with its apparent consumption volume of around 4.47 million tons in 2004, surpassed the total volume of the United States of America and Japan, and is approaching the European Union total. In line with the increased global demand, the production of stainless steel has also increased by approximately 7.5% to 24.6 million tons in 2004.

With both stainless steel production and consumption running at all-time record highs, steel prices around the world have been showing prodigious gains. Generally, grade 304 and 316L transaction price of USD2,600 and USD4,400 per ton respectively in March 2005 was up more than 20% and 55% since early 2004.

In line with the favourable steel price trend during the year, the Group's stainless steel operations in Shah Alam achieved an improved result as compared to the previous financial year and was the key contributor to the financial year's performance. The stainless steel operations in Shah Alam continued to operate at almost full capacity. It maintained its position as one of the leading manufacturers of stainless steel welded pipes and butt-weld fittings in the world.

The Group's stainless steel service centre operations in Shah Alam and stainless steel operations in Tianjin, China, have yet to achieve their full potential. The penetration of local market of both of these operating units' products is behind our business plans due to intense competition and the longer process needed to educate customers to switch to our products. Nevertheless, the stainless steel welded pipes and butt-weld fittings manufactured in Tianjin, China have gained their foothold in the United States of America market which has a stringent quality product requirement.

The remaining core business activity, the local bedding division has maintained its positive contribution to the Group's profitability for the financial year ended 30th June, 2005. With its strong and dedicated team coupled with the continued aggressiveness in the market as well as innovative activities, the performance is expected to improve.

Meanwhile, the Bandar Sierra Phase 3A1 residential project comprising 448 units of apartments managed to bring 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.

FUTURE OUTLOOK

To consolidate the Group's position as a leading one stop stainless steel centre, the Group is currently embarking on an expansion program of its steel operations which involves the installation of a new large diameter stainless steel tube mill.

The new mill will allow the Group to expand the range of its stainless steel products and drive the annual design capacity of its stainless steel operations in Shah Alam from 18,000 tons to approximately 23,000 tons. We are confident that the expansion will contribute positively to the Group's future performance via economies of scale in addition to capitalizing on its wide distribution network, strength and technical know-how in the stainless steel industry.

The demand for the stainless steel products is mainly driven by a wide range of industries such as oil and gas, oleochemical, pulp and paper as well as petrochemical. Stainless steel is fundamentally different from carbon steel. It is demand driven by the characteristics of its materials in terms of high corrosion resistance, strength, durability, versatility, recyclability, aesthetical finish and low maintenance in the long run.

On the local market, the Malaysian government is undertaking a substantial reinvestment in its aging water distribution system and this should be a positive demand driver for the Group's products. The Natural Water Resources has identified 62 water projects to be implemented between 2000 and 2050, requiring a total capital expenditure of RM52 billion of which 43% or RM22 billion is earmarked to be incurred by 2010.

On the international front, the production of stainless steel in the Western World continued to experience a healthy and continuous growth with a compounded annual growth rate of 5.9% over the period 1950 to 2003. The last quarter of the Group's financial year, however, saw a slowdown in demand, particularly from China mainly due to the high stocks as well as its government's action to cool possible over-investment leading to an oversupply situation. This in turn, led to a decline in stainless steel prices.

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

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, 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, we extend our sincere gratitude and appreciation for your support and confidence in the Group.

Dato' Sulaiman bin Sujak
Chairman
3rd October, 2005

Calendar
of events

18th August, 2004
Presentation – Perbadanan Bekalan Air Pulau Pinang

Kanzen Tetsu Group presenting technical and welding information on its quality products to Perbadanan Bekalan Air Pulau Pinang.

7th September, 2004
Presentation – Syarikat Air Terengganu Sdn Bhd

Kanzen Tetsu Group presenting technical and welding information on its quality products to Syarikat Air Terengganu Sdn Bhd.

22nd to 25th September, 2004
China International Stainless Steel Equipment Exhibition

Kanzen TPCO Ltd participated in China International Stainless Steel Equipment Exhibition in Shanghai, China.

15th to 18th October, 2004
Plant Visit – Deputy Mayor of Tianjin, China

Mr Yang Dong Liang, Deputy Mayor of Tianjin, China and delegation visited FACB Industries Incorporated Berhad and Kanzen Tetsu Group of Companies.

8th December, 2004
Annual General Meeting

FACB Industries Incoporated Berhad holding its 25th Annual General Meeting at Equatorial Hotel, Kuala Lumpur.

17th to 18th January, 2005
Plant Visit – Tianjin Port Free Trade Zone

Mr Wang Fu Qiang, Vice President, Administrative Committee of Tianjin Port Free Trade Zone and delegation visited Kanzen Tetsu Group.

30th March, 2005
Plant Visit – Arcelor Group

Kanzen Tetsu Group plant visit by the Arcelor Group, one of the world's largest steel producers.

12th to 14th April, 2005
Water Malaysia 2005 Conference and Exhibition

Kanzen Tetsu Sdn Bhd at Water Malaysia 2005 Conference and Exhibition organized by Malaysian Water Association.

18th to 20th May, 2005
China International Industrial Metal Exhibition

Kanzen TPCO Ltd participated in China International Industrial Metal Exhibition, Shanghai, China.

31st May, 2005
Official Opening

Kanzen Stainless Processors Stainless Steel Service Centre – official opening by YB Dato' Seri Rafidah Aziz, Minister of International Trade and Industry, Malaysia.

1st June, 2005
Launching of RESTA

Launching of our quality range of mattresses and bedding accessories under the new brand name of RESTA.

18th June, 2005
Amway Product Expo

Dreamland (M) Sdn Bhd participated in Amway Product Expo held at Sunway Convention Centre.

29th June to 2nd July, 2005
Guangzhou International Stainless Steel Expo

Kanzen TPCO Ltd participated in Guangzhou International Stainless Steel Expo, China.

31st August, 2005
National Day

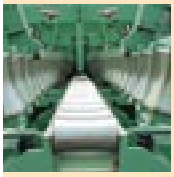
Kanzen Tetsu Group at the 48th National Day Celebration in Selangor Darul Ehsan.

20th to 22nd September, 2005
All-Asia Wire, Cable, Tube & Pipe Trade Fairs

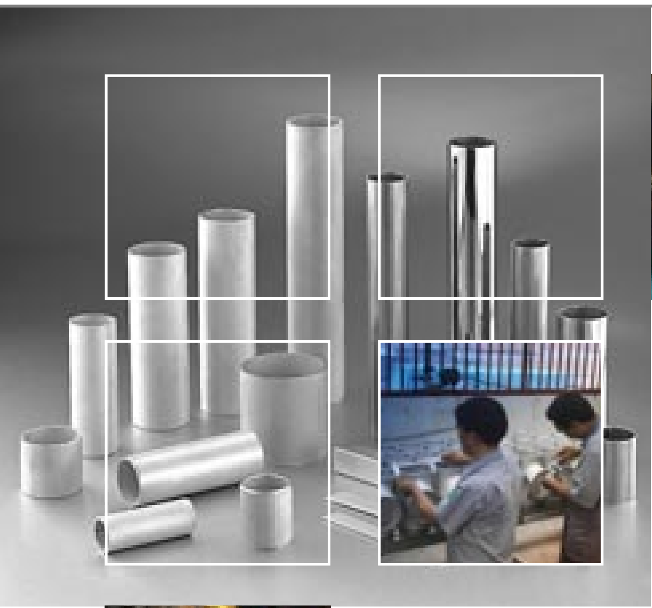
Kanzen Tetsu Group at All-Asia Wire, Cable, Tube & Pipe Trade Fairs in Singapore. The event was officiated by Mr Hawazi Daipi, Singapore's Senior Parliamentary Secretary for Education and Manpower.

Platforms for continuous growth

Our investments in cutting-edge technology, state-of-the-art manufacturing facilities and human capital have given us the competitive edge over others. Equally, they mirror our growth and success.



Review
of operations



FACB Industries Incorporated Berhad Group ("Group")'s core business activities consist of steel (both stainless and carbon), China and bedding operations, with the steel division being the major contributor to the Group's performance.

STAINLESS STEEL DIVISION – MALAYSIA

Stainless steel division continues to perform satisfactorily with an increased revenue of 54.2% and an improved profit before taxation of more than 2 times compared to the previous year.

In the local market, the stainless steel division remains as the market leader though competition is getting tougher. Demand for stainless steel welded pipes in water piping industry remains very encouraging following the implementation of Jabatan Kerja Raya ("JKR")'s Tender Specification for stainless steel water meter position. The Klang Valley's various residential and commercial projects continue to take the lead in using stainless steel welded pipes in their respective water piping projects, while other States' water authorities including East Coast & East Malaysia have started to adopt and implement the above Tender Specification with encouraging response. Kanzen Tetsu Sdn Bhd ("KTSB") has successfully attained Material Approval Certificates from various State Water Authorities throughout Malaysia. The commencement of SYABAS pipe replacement projects in Selangor, Kuala Lumpur and Putrajaya in particular involving communication pipes and water meter positions in various residential projects will provide encouraging demand in the near future.

The division has been working closely with local engineering firms to enhance their competitiveness in securing overseas projects by supplying special specification industrial pipes for the fabrication of heating-coil system for oil storage tanks. The demand for stainless steel exhaust pipes remains stable with introduction of new car models and availability of favorable interest rate packages.

The export sales division continued to strengthen its leading supplier position in the traditional international market such as United States of America, United Kingdom, Canada, South Africa and Australia. It has also intensified sales activities and strengthened its marketing network in the ASEAN market such as Singapore, Indonesia, Thailand, Philippines and Vietnam. In short, sales to the ASEAN market has improved during the period under review.

STAINLESS STEEL DIVISION – CHINA

The Tianjin plant commenced its commercial production in the beginning of the financial year. Substantial technical support and skill training of the local production workforce were channelled into the joint venture company.

The successful transfer of technical skills and expertise coupled with the new machinery and state of the art technology have enabled the plant to produce very high quality products which are now recognized and accepted by our major international customers, particularly from the United States of America.

By the end of the financial year, the plant managed to achieve over 80% initial capacity of 400 tons/month of pipes and 30 tons/month of fittings. The division will continue to lower its operating cost and optimize its capacity to enhance its competitiveness.

With internationally recognized quality products in place, the next area of focus is to penetrate the local Chinese market by intensifying the marketing and promotional efforts. We thus expect the Tianjin plant to deliver a better performance in the coming financial year.

CARBON STEEL DIVISION

Despite yet another challenging year filled with intense competition and volatile business climate, the division registered an increase in revenue of 33% compared to previous financial year.

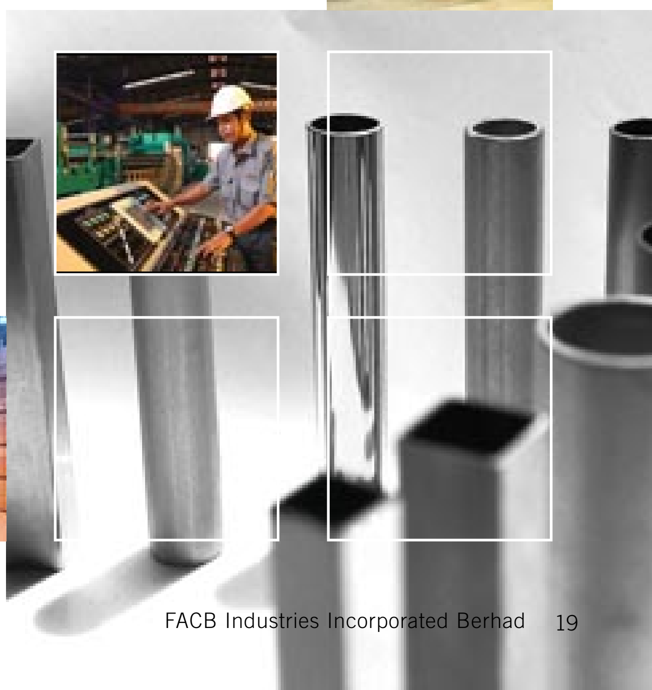
The marked increase in revenue was mainly attributed to the upsurge of hot rolled and cold rolled carbon steel coil price during the financial year under review.

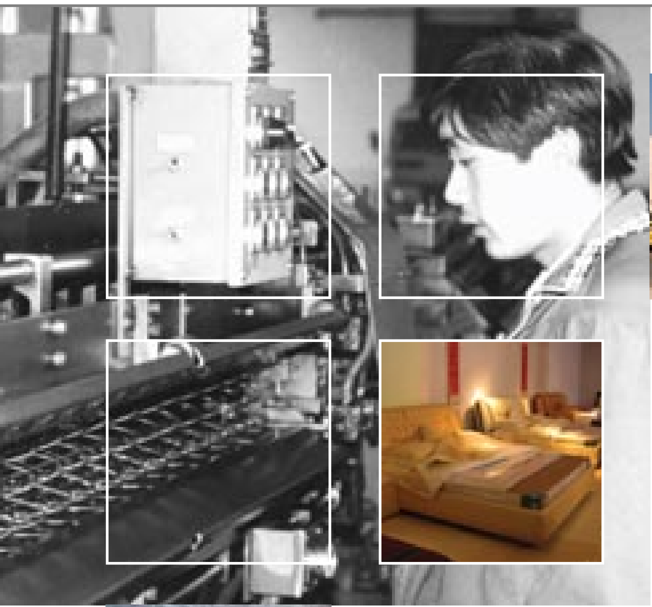
During the year, the demand for carbon steel products has shown signs of softening especially on the second half of financial year under review due to contraction in the building and construction sector. Nevertheless, the division successfully maintained its market share by aggressively tapping into the markets in East Coast of Peninsular Malaysia and East Malaysia. It also maintained its position as one of the main suppliers to major scaffolding manufacturers and furniture manufacturers in Malaysia.
The division will continue to strategize and implement pro-active measures including product quality improvement through research and development, effective cost-down programme and human resource development in order to remain competitive.

STAINLESS STEEL SERVICE CENTRE – MALAYSIA

Following the commencement of its slitting operations in April 2004, the service centre commenced its cut-to-length operations in December 2004. The official opening of the stainless steel service centre plant in Shah Alam was officiated by Yang Berhormat Dato' Seri Rafidah Aziz, the Minister of International Trade and Industry on 31st May, 2005.

The service centre has received encouraging response and acceptance of its cut-to-length products. In order to increase its market share for cut-to-length plates in the next financial year, the service centre will promote to the market especially the fabricators and contractors the advantages of using 2 meter width plates.





CHINA DIVISION

China division revenue and profit before tax have improved in comparison with the preceding year.

The Company's subsidiaries Qingdao Dreamland and Nantong Dreamland have recorded an improved performance via their export initiatives. Shanghai Dreamland remained as the key contributor to China division. It achieved strong sales by capitalizing on the household Aristocrat brand name which won the famous Shanghai brand for the last 10 consecutive years.

The performance of the power plant in Jiangyin was affected by the high cost of coal. The series of coal mine accidents across China have led to more closure of backyard coal mines, thus creating more shortage of coal and price escalation in China. Through a combination of cost cutting, government support in terms of electricity and steam tariffs, the performance of the power plant is expected to record a reasonable profit in the next financial year.

The consolidation efforts for bedding business via more aggressive brand building sales and marketing efforts and further export initiatives should lead the China division to a better performance in the future.

BEDDING DIVISION

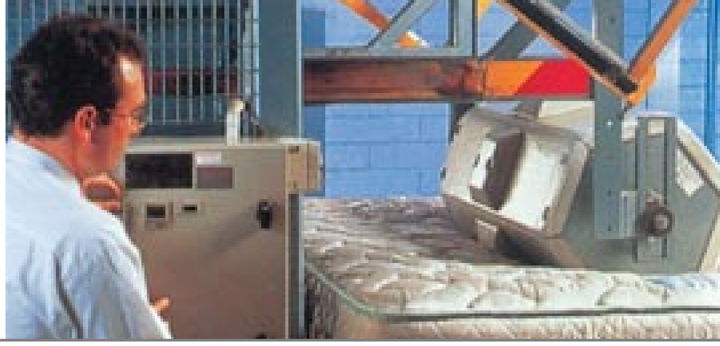
Despite the volatility of the raw material prices and the extremely keen market competition, the Bedding division had again managed to turn in a commendable performance for the year and remained profitable with positive cash flow generated from operations. Strong teamwork, continued aggressiveness in the market as well as innovative activities had resulted in most business units recording a double digit growth rate for the year.

The consistency of its Dreamland Chiropractic strategies had 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 also 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 and improve its market leadership position in the bedding accessory segment.

Dreamland project business had recorded the most impressive sales growth for the year amongst all the business units. With its patented Miracoil Spring System, Dreamland has continued to set the benchmark for quality bedding for other mattress manufacturers to follow.

Platforms for continuous growth



Our perfomance lies in our ability to consistently deliver products of high quality. Our products are readily accepted in global markets. As a long-term player in the industry, we understand the importance of living up to our product promise.

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
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 reservation 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, 2005 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 statement 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 auditor's 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 3rd October, 2005.

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 1, "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. Four (4) Board Meetings were held during the financial year ended 30th June, 2005 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 are also required to attend Continuing Education Programme to further enhance their skills and knowledge where relevant.

Board Balance
The Board currently consists of seven (7) members; comprising three (3) Executive Directors and four (4) 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 wholly 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 summarized in page 32 under Other Compliance Statements of this Annual Report.

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 3rd October, 2005.

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

- Organisational structure with well 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 recognizes 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.

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.

The Risk Advisory Committee convened twice during the financial year to monitor the Group's significant risks and to recommend appropriate treatment. The Audit Committee regularly review the adequacy of the Group's Risk Management Framework.

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 appraise and contribute 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 3rd October, 2005.

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 four (4) formal meetings. The attendance of Directors at the Board Meetings is as follows:

	Board Meetings				
Directors	**3/2004 25.8.2004**	**4/2004 2.12.2004**	**1/2005 1.3.2005**	**2/2005 16.5.2005**	**2/2005 21.6.2005 (Adjourned)**
Dato' Sulaiman bin Sujak	√	√	√	√	√
Tan Sri Dr. Chen Lip Keong	√	√	√	x	√
Puan Sri Lee Chou Sarn	√	√	√	√	√
Dato' Dr. Abdul Razak bin Abdul	√	√	√	√	√
Datuk Wan Kassim bin Ahmed	√	√	√	√	√
Leong Choong Wah	√	√	√	√	√
Haji Harun bin Haji Faudzar	√	√	√	√	x
Alternate Director					
Chua Tiam Wee *(Alternate Director to Puan Sri Lee Chou Sarn)*	√	√	√	√	√

Attended √
Not attended x

3. DIRECTORS' REMUNERATION

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

In RM	Executive	Non-Executive
Fees	–	174,000
Salaries & Other Emoluments	1,635,910	–
Benefits In Kind	58,900	–
Total	**1,694,810**	**174,000**

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

Range of remuneration (In RM)	No. of Directors	
	Executive	Non-Executive
Below 50,000	–	2
50,001 to 100,000	–	2
100,001 to 150,000	–	–
150,001 to 200,000	1	–
200,001 to 250,000	–	–
250,001 to 300,000	2	–
300,001 to 350,000	–	–
350,001 to 400,000	–	–
400,001 to 450,000	1	–
450,001 to 500,000	–	–
500,001 to 550,000	1	–
Total *	**5**	**4**

* *Dato' Dr. Abdul Razak bin Abdul was an Executive Director from 1st July, 2004 till 2nd January, 2005, thereafter a Non-Executive Director for the remaining financial year.*

The above disclosure is in compliance with the 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 utilization 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"), and a sum of RM19.9 million has thereafter been used. 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

Details on the purchase by the Company of its own shares:

Month 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	173,013
September 2004	25,300	0.92	0.88	0.89	22,791
October 2004	12,300	0.91	0.87	0.87	10,835
November 2004	48,100	0.89	0.83	0.86	41,744
December 2004	100	0.92	0.92	0.92	105
May 2005	115,300	0.88	0.84	0.85	98,969
Total	**1,279,700**				**1,225,544**

* inclusive of brokerage, clearing fees and stamp duty.

As at 3rd October, 2005, the Company has bought back a total of 1,279,700 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.

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 RM6,750/–.

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 at RM45,280,000 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.

(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.

13. REVALUATION POLICY

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

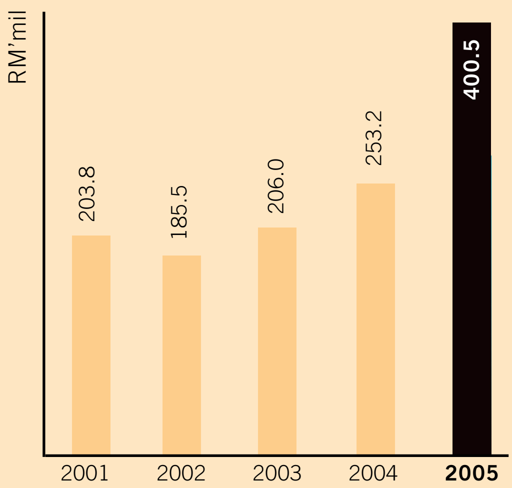
14. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

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

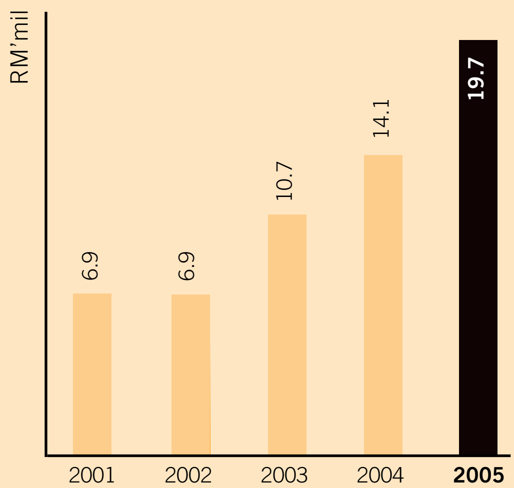
5 Years Group
financial highlights

In RM'000	2001	2002	2003	2004	2005
Revenue	203,798	185,493	206,036	253,154	**400,463**
Profit before taxation	6,852	6,941	10,709	14,097	**19,686**
Total assets	299,205	306,120	329,444	411,015	**459,450**
Shareholders' equity	167,065	169,594	175,213	183,219	**194,901**
In RM					
Net tangible assets per share	1.96	1.99	2.23	2.32	**2.45**
In sen					
Net earnings per share	5.02	2.97	8.08	11.86	**16.56**
In percentage					
Dividend rate – Gross	3.00	2.00	2.00	2.00	**3.00**
– Net	2.16	1.44	1.44	1.44	**2.16**

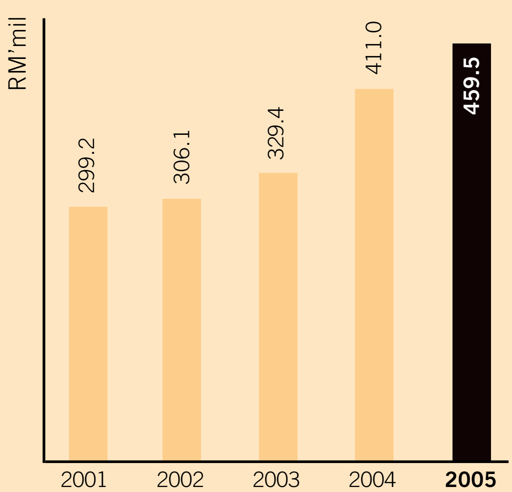
Revenue



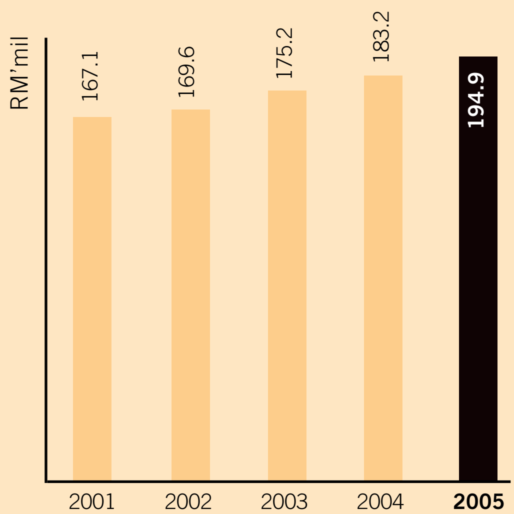
Profit before taxation



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, 2005.

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 6 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 for the year attributable to shareholders	**13,910,982**	**111,536**

DIVIDENDS

During the year, the Company paid a final dividend of 3% per share less 28% taxation amounting to RM1,814,359/- (2.16 sen per share) in respect of the financial year ended 30th June, 2004 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, 2005 of 3% on 83,882,800 ordinary shares less 28% taxation amounting to a net dividend of RM1,811,868/- (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 financial year ending 30th June, 2006.

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 406,000 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 shares including transaction costs was RM356,632/-. Details of shares repurchased are as disclosed in note 23 to the financial statements.

DIRECTORS OF THE COMPANY

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

Dato' Sulaiman bin Sujak
Tan Sri Dr. Chen Lip Keong
Puan Sri Lee Chou Sarn (F)
Dato' Dr. Abdul Razak bin Abdul
Datuk Wan Kassim bin Ahmed
Leong Choong Wah
Haji Harun bin Haji Faudzar
Chua Tiam Wee (Alternate director to 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 1.7.04	Bought	Sold	At 30.6.05
DIRECT INTEREST				
Puan Sri Lee Chou Sarn	–	9,800,000 *	–	9,800,000
INDIRECT INTEREST***				
Tan Sri Dr. Chen Lip Keong	17,430,493	–	(9,800,000) **	7,630,493
Puan Sri Lee Chou Sarn	17,430,493	–	(9,800,000) **	7,630,493

* Acquired via intermarried deal.
** Disposed via intermarried deal.
*** Being shares held via corporation(s) in which the Directors are deemed interested. Puan Sri Lee Chou Sarn is the spouse of Tan Sri Dr. Chen Lip Keong.

DIRECTORS' INTERESTS (CONT'D)

By virtue of their substantial direct and 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.

AUDITORS

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

On Behalf of the Board

PUAN SRI LEE CHOU SARN **LEONG CHOONG WAH**

KUALA LUMPUR
3rd October, 2005

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 107, 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, 2005 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

PUAN SRI LEE CHOU SARN

LEONG CHOONG WAH

KUALA LUMPUR
3rd October, 2005

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 107 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 3rd day of October, 2005

LEONG CHOONG WAH

Before me

S. MASOHOOD OMAR No. W.354
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 107.

The preparation of the financial statements are the responsibility of the Company's Directors.

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

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, 2005 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 6 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	**AU TAI WEE**
CHARTERED ACCOUNTANTS	1551/01/07 (J)
(AF.0282)	PARTNER

KUALA LUMPUR
3rd October, 2005

Balance sheets
as at 30th June, 2005

In RM	Note	Group 2005	Group 2004	Company 2005	Company 2004
NON-CURRENT ASSETS					
Property, plant and equipment	3	**117,479,559**	112,241,136	**94,884**	144,841
Capital work-in-progress	4	**2,141,849**	–	**–**	–
Land held for property development	5	**48,819,042**	47,978,015	**–**	–
Investment in subsidiary companies	6	**–**	–	**44,275,639**	44,275,639
Interest in associated companies	7	**11,989,220**	9,780,006	**–**	–
Other investment	8	**41,010**	57,510	**41,010**	57,510
Deferred tax assets	9	**406,000**	150,000	**–**	–
		180,876,680	170,206,667	**44,411,533**	44,477,990
CURRENT ASSETS					
Property development costs	10	**14,537,302**	7,249,737	**–**	–
Inventories	11	**146,220,888**	130,444,459	**–**	–
Trade receivables	12	**74,826,884**	53,607,679	**–**	–
Other receivables, deposits and prepayments	13	**16,550,906**	15,894,889	**445,071**	73,538
Tax assets	14	**2,630,660**	2,598,372	**2,157,669**	1,893,010
Amounts owing by subsidiary companies	15	**–**	–	**95,351,932**	99,020,082
Amounts owing by associated companies	16	**1,974,356**	3,718,781	**–**	–
Deposits with licensed financial institutions	17	**11,087,848**	16,309,220	**4,278,848**	5,866,241
Cash and bank balances		**10,744,579**	10,985,646	**975,466**	728,912
		278,573,423	240,808,783	**103,208,986**	107,581,783
CURRENT LIABILITIES					
Trade payables	18	**44,249,171**	17,623,479	**–**	–
Other payables and accruals	19	**51,329,589**	52,616,146	**377,910**	276,036
Amount owing to a subsidiary company	15	**–**	–	**558,859**	40,532
Bank overdraft	20	**6,410**	73,070	**–**	–
Other borrowings	21	**107,567,474**	102,347,260	**9,500,000**	12,500,000
Taxation		**4,975,308**	2,148,811	**–**	–
		208,127,952	174,808,766	**10,436,769**	12,816,568
NET CURRENT ASSETS		**70,445,471**	66,000,017	**92,772,217**	94,765,215
		251,322,151	236,206,684	**137,183,750**	139,243,205

In RM	Note	Group **2005**	Group 2004	Company **2005**	Company 2004
CAPITAL AND RESERVES					
Share capital	22	**85,162,500**	85,162,500	**85,162,500**	85,162,500
Reserves	23	**109,738,675**	98,056,106	**52,021,250**	54,080,705
SHAREHOLDERS' EQUITY		**194,901,175**	183,218,606	**137,183,750**	139,243,205
MINORITY INTEREST		**29,432,286**	29,462,824	**–**	–
NEGATIVE GOODWILL	24	**11,186,215**	12,747,082	**–**	–
NON-CURRENT LIABILITIES					
Term loans	25	**7,250,574**	2,124,275	**–**	–
Hire purchase payables	26	**248,101**	342,897	**–**	–
Deferred tax liabilities	9	**8,303,800**	8,311,000	**–**	–
		15,802,475	10,778,172	**–**	–
		251,322,151	236,206,684	**137,183,750**	139,243,205

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, 2005

In RM	Note	Group 2005	Group 2004	Company 2005	Company 2004
Revenue	27	**400,463,275**	253,153,541	**800,000**	2,000,000
Direct operating costs	28	**(348,878,271)**	(211,164,166)	**–**	–
Gross profit		**51,585,004**	41,989,375	**800,000**	2,000,000
Other operating revenue		**3,025,497**	2,970,940	**789,114**	528,020
Selling and distribution costs		**(10,226,844)**	(7,822,011)	**–**	–
Administrative costs		**(19,597,599)**	(17,914,931)	**(606,916)**	(504,138)
Other operating costs		**(527,385)**	(3,036,097)	**(25,966)**	(748,635)
Profit from operations		**24,258,673**	16,187,276	**956,232**	1,275,247
Finance costs		**(5,651,741)**	(3,687,262)	**(885,355)**	(864,212)
Share of associated companies results		**1,079,501**	1,597,053	**–**	–
Profit before taxation	29	**19,686,433**	14,097,067	**70,877**	411,035
Taxation	30	**(5,846,875)**	(3,681,023)	**40,659**	(402,107)
Profit after taxation but before minority interest		**13,839,558**	10,416,044	**111,536**	8,928
Minority interest		**71,424**	(336,408)	**–**	–
Net profit for the year attributable to shareholders		**13,910,982**	10,079,636	**111,536**	8,928
Earnings per ordinary share (sen)	31	**16.56**	11.86		

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, 2005

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 1.7.03	85,162,500	28,989,335	–	142,811	939,581	59,979,168	–	175,213,395
Dividends	–	–	–	–	–	(1,226,340)	–	(1,226,340)
Transfer	–	–	–	(6,014)	–	6,014	–	–
Translation gain #	–	–	–	–	20,827	–	–	20,827
Shares repurchased (note 23)	–	–	–	–	–	–	(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**
Dividends (note 32)	**–**	**–**	**–**	**–**	**–**	**(1,814,359)**	**–**	**(1,814,359)**
Transfer	**–**	**–**	**–**	**7,928**	**–**	**(7,928)**	**–**	**–**
Translation loss #	**–**	**–**	**–**	**1**	**(57,423)**	**–**	**–**	**(57,422)**
Shares repurchased (note 23)	**–**	**–**	**–**	**–**	**–**	**–**	**(356,632)**	**(356,632)**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**13,910,982**	**–**	**13,910,982**
At 30.6.05	**85,162,500**	**28,989,335**	**–**	**144,726**	**902,985**	**80,927,173**	**(1,225,544)**	**194,901,175**
Company								
At 1.7.03	85,162,500	28,989,335	4,424,349	–	–	22,753,345	–	141,329,529
Dividends	–	–	–	–	–	(1,226,340)	–	(1,226,340)
Shares repurchased (note 23)	–	–	–	–	–	–	(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**
Dividends (note 32)	**–**	**–**	**–**	**–**	**–**	**(1,814,359)**	**–**	**(1,814,359)**
Shares repurchased (note 23)	**–**	**–**	**–**	**–**	**–**	**–**	**(356,632)**	**(356,632)**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**111,536**	**–**	**111,536**
At 30.6.05	**85,162,500**	**28,989,335**	**4,424,349**	**–**	**–**	**19,833,110**	**(1,225,544)**	**137,183,750**

* 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 gain/(loss) 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, 2005

In RM	Note	Group 2005	Group 2004	Company 2005	Company 2004
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit Before Taxation		**19,686,433**	14,097,067	**70,877**	411,035
Adjustments for:-					
Allowance for diminution in value of other investment		**16,500**	–	**16,500**	–
Allowance for doubtful debts		**649,453**	535,994	**–**	–
Bad debts written off		**650,000**	160,408	**–**	36,900
Deferred expenditure written off		**–**	646,599	**–**	646,599
Deposit written off		**100**	–	**–**	–
Depreciation of property, plant and equipment		**6,964,171**	6,629,458	**49,308**	56,292
Dividend revenue		**–**	–	**(800,000)**	(2,000,000)
Interest expense		**4,856,438**	3,054,999	**684,105**	694,212
Interest revenue		**(276,055)**	(375,245)	**(789,114)**	(528,020)
Write down of inventories		**1,091,587**	1,364,452	**–**	–
Amortisation of negative goodwill		**(1,560,867)**	(1,560,867)	**–**	–
(Gain)/Loss on disposal of property, plant and equipment		**(52,040)**	(129,719)	**–**	5,372
Property, plant and equipment written off		**7,336**	36,811	**649**	36,341
Share of associated companies results		**(1,079,501)**	(1,597,053)	**–**	–
Allowance for doubtful debts no longer required		**(10,450)**	(291,585)	**–**	–
Unrealised (gain)/loss on foreign exchange		**(91,661)**	1,473	**–**	–
Operating Profit/(Loss) Before Working Capital Changes		**30,851,444**	22,572,792	**(767,675)**	(641,269)
Increase in property development costs		**(7,287,565)**	(286,284)	**–**	–
Increase in inventories		**(16,868,016)**	(46,193,759)	**–**	–
(Increase)/Decrease in trade and other receivables		**(23,134,523)**	(14,784,500)	**332,040**	372,372
Increase/(Decrease) in trade and other payables		**25,173,159**	21,540,333	**131,868**	(93,198)
Cash Generated From/(Used In) Operations		**8,734,499**	(17,151,418)	**(303,767)**	(362,095)
Interest received		**281,755**	371,805	**85,541**	183,416
Income tax paid		**(3,937,150)**	(2,075,377)	**–**	–
Income tax refund		**870,934**	–	**–**	–
Interest paid		**(4,690,539)**	(3,014,469)	**(714,099)**	(653,682)
Net Cash Generated From/(Used In) Operating Activities		**1,259,499**	(21,869,459)	**(932,325)**	(832,361)

In RM	Note	Group 2005	Group 2004	Company 2005	Company 2004
CASH FLOWS FROM INVESTING ACTIVITIES					
Repayments from subsidiary companies		**–**	–	**3,668,150**	294,243
Capital work-in-progress		**(2,141,849)**	–	**–**	–
Acquisition of a subsidiary company, net of cash acquired	33(a)	**–**	3	**–**	–
Dividend received		**–**	–	**576,000**	1,440,000
Dividend received from associated companies		**2,577,714**	1,008,316	**–**	–
Expenses incurred for land held for property development		**(841,027)**	(518,722)	**–**	–
Purchase of property, plant and equipment	34	**(12,209,940)**	(46,339,654)	**–**	(19,542)
Proceeds from disposal of property, plant and equipment		**52,050**	254,651	**–**	950
Repayment (to)/from associated companies		**(6,060)**	4,127	**–**	–
Acquisition of an associated company		**(2,110,576)**	–	**–**	–
Net Cash (Used In)/Generated From Investing Activities		**(14,679,688)**	(45,591,279)	**4,244,150**	1,715,651
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from a subsidiary company		**–**	–	**518,327**	40,532
Drawdown of bankers' acceptance		**91,978,000**	55,630,504	**–**	–
Drawdown of foreign currency loans		**59,277,923**	48,352,882	**–**	–
Drawdown of negotiated bills		**1,497,808**	–	**–**	–
Drawdown of term loans		**7,000,000**	18,680,324	**–**	–
Dividend paid		**(1,814,359)**	(1,226,340)	**(1,814,359)**	(1,226,340)
Proceeds from minority interest on subscription of shares in subsidiary companies		**–**	6,208,565	**–**	–
Purchase of treasury shares		**(356,632)**	(868,912)	**(356,632)**	(868,912)
Repayment of hire purchase payables		**(88,426)**	(52,361)	**–**	–
Repayment of foreign currency loans		**(64,847,130)**	(32,414,820)	**–**	–
Repayment of bankers' acceptance		**(69,254,616)**	(41,357,504)	**–**	–
Repayments of negotiated bills		**(914,443)**	–	**–**	–
Repayments of revolving credit		**(3,000,000)**	–	**(3,000,000)**	–
Repayment of term loans		**(11,397,399)**	(3,525,339)	**–**	–
Dividend paid to minority shareholder by a subsidiary company		**(55,130)**	(73,033)	**–**	–
Net Cash Generated From/(Used In) Financing Activities		**8,025,596**	49,353,966	**(4,652,664)**	(2,054,720)

Cash Flow
statements
for the year ended 30th June, 2005 (cont'd)

In RM	Note	Group 2005	Group 2004	Company 2005	Company 2004
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,394,593)**	(18,106,772)	**(1,340,839)**	(1,171,430)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR					
As previously reported		**27,221,796**	45,288,993	**6,595,153**	7,766,583
Effects of exchange rate changes on cash and cash equivalents		**(1,186)**	39,575	**–**	–
As restated		**27,220,610**	45,328,568	**6,595,153**	7,766,583
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	35	**21,826,017**	27,221,796	**5,254,314**	6,595,153

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

Notes
to the financial statements
30th June, 2005

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards 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. 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 6 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 3rd October, 2005.

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 32 : Property Development Activities

Comparative figures have been reclassified to conform with the current year's presentation of the financial statements as disclosed in note 10 to the financial statements.

Arising from adoption of this new standard the accounting policy on land held for property development and property development costs are disclosed in note 2(i) and 2(j) 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 6 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation (cont'd)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Associated Company (cont'd)

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	5% – 18%
Office equipment, furniture, fittings, renovations and motor vehicles	10% – $33\frac{1}{3}$%

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.

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impairment of Assets (cont'd)

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) Capital Work-In-Progress

Capital work-in-progress consist of expenditure incurred on construction of property, plant and equipment which takes a substantial period of time to be ready for their intended use.

This expenditure is stated at cost and no depreciation is provided. Upon completion of construction, the cost will be transferred to property, plant and equipment.

(i) Land Held for Property Development

Land held for property development are carried at cost less accumulated impairment loss, if any, and classified as non-current assets where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle.

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

(j) Property Development Costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. Costs consist of land and construction costs and other development expenditure including related overheads and capitalised borrowing costs.

When the financial outcome of a development activity can be reliably estimated, property development revenue and costs are recognised in the income statement by reference to the stage of completion of development activities at the balance sheet date.

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

Any expected loss on a development project is recognised as an expense immediately.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Property Development Costs (cont'd)

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

Accrued billings as current assets represents the excess of revenue recognised in the income statement over billings to purchasers. Progress billings as current liabilities represents the excess of billings to purchasers over revenue recognised in the income statement.

(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) Repurchase of Shares

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) 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, 2005, 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.

(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	**2005**	2004
Australian Dollar	–	2.62
Chinese Renminbi	**0.46**	0.46
Euro	**4.56**	4.59
Japanese Yen	**0.03**	0.04
Hong Kong Dollar	**0.49**	0.49
Singapore Dollar	**2.24**	2.26
United States Dollar	**3.78**	3.80

(p) 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. Deferred tax is not recognised if 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Taxation (cont'd)

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.

(q) 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.

(r) 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.

(s) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Financial Instruments (cont'd)

(iv) Interest Bearing Bank Borrowings

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

(v) 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.

(vi) 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	Total
COST/VALUATION				
At 1.7.04	**80,020,350**	**102,791,841**	**8,489,029**	**191,301,220**
Additions	**1,436,677**	**9,715,529**	**1,057,734**	**12,209,940**
Disposals	**–**	**(37,500)**	**(297,793)**	**(335,293)**
Written off	**–**	**(595,172)**	**(139,170)**	**(734,342)**
At 30.6.05	**81,457,027**	**111,874,698**	**9,109,800**	**202,441,525**
ACCUMULATED DEPRECIATION				
At 1.7.04	**12,203,809**	**60,444,118**	**6,412,157**	**79,060,084**
Charge for the year	**1,435,974**	**4,876,090**	**652,107**	**6,964,171**
Disposals	**–**	**(37,499)**	**(297,784)**	**(335,283)**
Written off	**–**	**(593,441)**	**(133,565)**	**(727,006)**
At 30.6.05	**13,639,783**	**64,689,268**	**6,632,915**	**84,961,966**
NET BOOK VALUE				
At 30.6.05	**67,817,244**	**47,185,430**	**2,476,885**	**117,479,559**
At 30.6.04	67,816,541	42,347,723	2,076,872	112,241,136
Depreciation charge for the year ended 30.6.04	1,147,485	4,983,145	498,828	6,629,458

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Analysis of cost and valuation:-

Group

In RM	Leasehold Land & Buildings	Plant & Machinery	Office Equipment, Furniture, Fittings, Renovations & Motor Vehicles	Total
2005				
COST/VALUATION				
At valuation	**46,140,000**	**–**	**–**	**46,140,000**
At cost	**35,317,027**	**111,874,698**	**9,109,800**	**156,301,525**
	81,457,027	**111,874,698**	**9,109,800**	**202,441,525**
NET BOOK VALUE				
At valuation	**35,947,698**	**–**	**–**	**35,947,698**
At cost	**31,869,546**	**47,185,430**	**2,476,885**	**81,531,861**
	67,817,244	**47,185,430**	**2,476,885**	**117,479,559**
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

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
2005				
COST/VALUATION				
At valuation	**17,550,000**	**1,300,000**	**27,290,000**	**46,140,000**
At cost	**560,267**	**761,484**	**33,995,276**	**35,317,027**
	18,110,267	**2,061,484**	**61,285,276**	**81,457,027**
NET BOOK VALUE				
At valuation	**15,160,320**	**950,630**	**19,836,748**	**35,947,698**
At cost	**525,122**	**727,217**	**30,617,207**	**31,869,546**
	15,685,442	**1,677,847**	**50,453,955**	**67,817,244**
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

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company

In RM	Office Equipment	Renovation	Furniture & Fittings	Motor Vehicles	Total
COST					
At 1.7.04	**80,611**	**190,182**	**141,671**	**877,246**	**1,289,710**
Written off	**(9,570)**	**–**	**–**	**–**	**(9,570)**
At 30.6.05	**71,041**	**190,182**	**141,671**	**877,246**	**1,280,140**
ACCUMULATED DEPRECIATION					
At 1.7.04	**36,164**	**125,117**	**106,344**	**877,244**	**1,144,869**
Charge for the year	**16,122**	**19,019**	**14,167**	**–**	**49,308**
Written off	**(8,921)**	**–**	**–**	**–**	**(8,921)**
At 30.6.05	**43,365**	**144,136**	**120,511**	**877,244**	**1,185,256**
NET BOOK VALUE					
At 30.6.05	**27,676**	**46,046**	**21,160**	**2**	**94,884**
At 30.6.04	44,447	65,065	35,327	2	144,841
Depreciation charge for the year ended 30.6.04	14,569	24,809	16,914	–	56,292

(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 21 and 25 to the financial statements are as follows:-

	Group	
In RM	**2005**	2004
Net Book Value		
Leasehold land and buildings	**22,923,198**	22,394,433
Plant and machinery	**14,744,822**	6,804,808
	37,668,020	29,199,241

(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 RM26,401,590/- (2004 : RM26,562,505/-).

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

	Group	
In RM	**2005**	2004
Cost	**621,833**	621,833
Net Book Value	**405,008**	529,375

4. CAPITAL WORK-IN-PROGRESS

In RM	Group 2005	2004
At cost,		
At beginning of the year	**–**	–
Additions	**2,141,849**	–
At end of the year	**2,141,849**	–

The capital work-in-progress is in respect of construction of plant and machinery in a subsidiary company, Kanzen Tetsu Sdn Bhd ("KTSB").

5. LAND HELD FOR PROPERTY DEVELOPMENT

In RM	Group 2005	2004
At cost,		
Leasehold land	**40,501,544**	40,501,544
Development costs		
At beginning of the year	**7,476,471**	6,957,749
Additions during the year	**841,027**	518,722
At end of the year	**8,317,498**	7,476,471
	48,819,042	47,978,015

This represents land and development expenditure incurred on a piece of land measuring 114.17 acres (2004 : 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 ("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 (2004 : 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.

6. INVESTMENT IN SUBSIDIARY COMPANIES

In RM	Company 2005	2004
Unquoted shares; at cost	**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 KTSB with a carrying amount of RM11,000,000/- pledged to a licensed bank for a revolving credit facility as disclosed in note 21 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 2005	Direct 2004	Indirect 2005	Indirect 2004
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%	**–**	–
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%	**–**	–

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest Direct 2005	Direct 2004	Indirect 2005	Indirect 2004
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 welded pipes and butt-weld fittings	**100%**	100%	**–**	–
Kanzen Ventures Sdn Bhd	Malaysia	Investment holding	**100%**	100%	**–**	–
* Restonic (M) Sdn Bhd	Malaysia	Investment holding	****50% + 1**	**50% + 1	**–**	–
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 welded pipes and butt-weld fittings	**–**	–	**60%**	60%

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest Direct		Effective Equity Interest Indirect	
			2005	2004	**2005**	2004
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	Malaysia	Providing slitting and shearing services and trading in stainless steel plates	**–**	–	**70%**	70%
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

6. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest Direct 2005	Direct 2004	Indirect 2005	Indirect 2004
* 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
* 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, 2004 and management financial statements for the six months ended 30th June, 2005.

(b) 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.

7. INTEREST IN ASSOCIATED COMPANIES

In RM	Group **2005**	2004
Unquoted shares, at cost		
At beginning of the year	**8,849,713**	8,849,713
Additions	**2,110,576**	–
At end of the year	**10,960,289**	8,849,713
Group's share of post-acquisition reserves	**1,028,931**	930,293
	11,989,220	9,780,006
Represented by:-		
Group's share of net assets	**11,989,220**	9,780,006

The associated companies are as follows:-

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest **2005**	2004
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%
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%
Jiangyin Chengdong Power Supply Co Ltd	The People's Republic of China	Supply of electricity and steam	**16.5%**	–

7. INTEREST IN ASSOCIATED COMPANIES (CONT'D)

(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, 2004 and management financial statements for the six months ended 30th June, 2005.

(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:-

	Group	
In RM	**2005**	2004
Loss for the year	**147**	32,958
Accumulated losses	**231,023**	230,876

8. OTHER INVESTMENT

	Group/Company	
In RM	**2005**	2004
Unquoted shares in Malaysia		
At cost	**56,500**	56,500
Less: Allowance for diminution in value	**(16,500)**	–
	40,000	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
	41,010	57,510
Market value		
Quoted shares in Malaysia	**920**	1,160

9. DEFERRED TAX

In RM	Group 2005	Group 2004
DEFERRED TAX ASSETS		
At beginning of the year	**150,000**	126,000
Transfer from income statement (note 30)	**256,000**	24,000
At end of the year	**406,000**	150,000
DEFERRED TAX LIABILITIES		
At beginning of the year	**8,311,000**	7,042,000
Transfer (to)/from income statement (note 30)	**(7,200)**	1,269,000
At end of the year	**8,303,800**	8,311,000

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

In RM	Group 2005	Group 2004
DEFERRED TAX ASSETS		
Difference between the carrying amounts of property, plant and equipment and their tax base	**(903,400)**	–
Unabsorbed capital allowances	**915,000**	–
Unrelieved tax losses	**190,100**	–
Deductible temporary differences arising from expenses	**204,300**	150,000
Net deferred tax assets recognised	**406,000**	150,000
DEFERRED TAX LIABILITIES		
Difference between the carrying amounts of property, plant and equipment and their tax base	**2,662,700**	2,946,200
Difference between the carrying amounts of industrial building and their tax base	**1,036,000**	957,000
Unabsorbed capital allowances	**–**	(183,800)
Deductible temporary differences arising from expenses	**(194,200)**	(300,700)
Surplus arising from revaluation of leasehold land and buildings	**4,799,300**	4,892,300
Net deferred tax liabilities provided for	**8,303,800**	8,311,000

The deferred tax assets and liabilities are not available for set-off as they arise from different taxable entities within the Group.

9. DEFERRED TAX (CONT'D)

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

In RM	Group 2005	2004
Difference between the carrying amounts of property, plant and equipment and their tax base	**(400)**	(1,300)
Deductible temporary differences arising from expenses	**(702,000)**	(528,000)
Unrelieved tax losses	**1,975,500**	2,096,700
Unabsorbed capital allowances	**1,665,200**	1,301,500
Net deferred tax assets not recognised	**2,938,300**	2,868,900

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.

10. PROPERTY DEVELOPMENT COSTS

In RM	Group 2005	2004
At cost,		
Leasehold land	**4,778,456**	4,778,456
Development costs		
At beginning of the year	**3,454,372**	2,819,304
Additions during the year	**12,852,804**	635,068
At end of the year	**16,307,176**	3,454,372
	21,085,632	8,232,828
Less : Cost recognised as an expense in income statement		
– previous years	**(983,091)**	(415,885)
– current year	**(5,565,239)**	(567,206)
	(6,548,330)	(983,091)
	14,537,302	7,249,737

The land measuring 13.47 acres (2004 : 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 5 to the financial statements.

11. INVENTORIES

In RM	Group 2005	2004
At cost,		
Finished goods	**50,952,452**	33,812,328
Raw materials	**36,837,014**	50,595,382
Work-in-progress	**28,808,364**	28,898,895
Goods-in-transit	**8,618,211**	4,077,981
Spare parts and consumables	**563,863**	404,565
	125,779,904	117,789,151
At net realisable value,		
Raw material	**4,212,098**	–
Goods-in-transit	**303,937**	–
Finished goods	**15,924,949**	12,655,308
	20,440,984	12,655,308
	146,220,888	130,444,459

12. TRADE RECEIVABLES

In RM	Group 2005	2004
Trade receivables	**77,079,439**	55,387,502
Less: Allowance for doubtful debts	**(2,252,555)**	(1,779,823)
	74,826,884	53,607,679

Included in trade receivables of the Group is an amount of RM39,687/- (2004 : Nil) owing to TPCO Investment Co Ltd ("TPCOI"), a related company of a corporate shareholder of a subsidiary company, Kanzen TPCO Ltd ("KTPCO").

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

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

In RM	Group 2005	Group 2004	Company 2005	Company 2004
Other receivables	**13,210,889**	11,976,579	**378,237**	6,704
Less: Allowance for doubtful debts	**(60,337)**	(67,387)	**–**	–
	13,150,552	11,909,192	**378,237**	6,704
Sundry deposits	**1,795,307**	2,686,477	**66,750**	66,750
Prepayments	**1,605,047**	1,299,220	**84**	84
	16,550,906	15,894,889	**445,071**	73,538

14. TAX ASSETS

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

15. AMOUNTS OWING BY/(TO) SUBSIDIARY COMPANIES

In RM	Company 2005	Company 2004
Amount owing by:		
Beribu Ukiran Sdn Bhd	**31,551,856**	30,264,199
Global Glister Limited	**30,279,920**	29,577,223
Kanzen Energy Ventures Sdn Bhd	**4,624**	17,258
Kanzen Hartanah Sdn Bhd	**18,152**	16,085
Kanzen Kagu Sdn Bhd	**14,179,000**	15,025,001
Kanzen Land Sdn Bhd	**18,182**	16,110
Kanzen Management Sdn Bhd	**6,870,056**	6,924,440
Kanzen Stainless Processors Sdn Bhd	**8,925**	–
Kanzen Tetsu Sdn Bhd	**9,173,781**	13,936,183
Kanzen Ventures Sdn Bhd	**3,447,436**	3,443,583
	95,551,932	99,220,082
Less: Allowance for doubtful debts		
Kanzen Management Sdn Bhd	**(200,000)**	(200,000)
	95,351,932	99,020,082

15. AMOUNTS OWING BY/(TO) SUBSIDIARY COMPANIES (CONT'D)

In RM	Company 2005	2004
Amount owing to:-		
Dreamland Spring Sdn Bhd	**(558,859)**	(40,532)

Included in the amount owing by KTSB is an amount of RM8,565,693/- (2004 : RM12,500,000/-) which is pledged for the revolving credit facility granted to the Company as disclosed in note 21 to the financial statements.

These amounts are non-trade in nature, unsecured, interest free and with no fixed term of repayment except for the amount owing by Global Glister Limited of RM30,279,920/- (2004 : RM29,577,223/-) which bears interest ranging from 1.42% to 3.23% (2004 : 1.10% to 1.24%) per annum.

16. AMOUNTS OWING BY ASSOCIATED COMPANIES

In RM	Group 2005	2004
Dreamland Dalian Pte Ltd	**567,622**	567,622
Dreamland Shanghai Pte Ltd	**573,190**	456,042
Dreamland Tianjin Pte Ltd	**621,163**	584,542
Jiangyin Bingjiang Power Supply Co Ltd	**212,381**	2,110,575
	1,974,356	3,718,781

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

17. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

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

(a) an amount of RM820,658/- (2004 : RM221,573/-) pledged to a licensed bank for revolving credit facility as disclosed in note 21 to the financial statements; and

(b) an amount of RM2,258,190/- (2004 : RM2,196,808/-) pledged to a licensed bank for bank guarantee facility granted to a subsidiary company, Beribu Ukiran Sdn Bhd ("BUSB").

18. TRADE PAYABLES

Included in trade payables of the Group are:-

(i) an amount of RM1,527,376/- (2004 : RM1,527,376/-) due to TPCOI; and

(ii) an amount of RM5,886,272/- (2004 : RM277,019/-) being progress billings in respect of property development costs of BUSB.

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

19. OTHER PAYABLES AND ACCRUALS

	Group		Company	
In RM	**2005**	2004	**2005**	2004
Other payables	**40,765,711**	42,851,872	**67,446**	46,641
Deposits received	**22,000**	22,000	**–**	–
Accruals	**10,541,878**	9,742,274	**310,464**	229,395
	51,329,589	52,616,146	**377,910**	276,036

Included in other payables:-

(a) of the Group and of the Company are amounts of RM8,679,239/- (2004 : RM8,679,239/-) and RM17,527/- (2004 : RM17,527/-) respectively due to KCB;

(b) of the Group is an amount of RM15,900,000/- (2004 : RM16,980,000/-) due to DHSB in respect of outstanding purchase consideration for the Group's development land;

(c) of the Group is an amount of RM2,267,401/- (2004 : RM2,267,401/-) due to FACB Capital Sdn Bhd, a subsidiary company of KCB;

(d) of the Group is an amount of Nil (2004 : RM29,444/-) due to a corporate shareholder of a subsidiary company, KTPCO; and

(e) of the Group is an amount of RM5,252,476/- (2004 : RM2,768,476/-) due to TPCOI.

These amounts are unsecured and with no fixed term of repayment.

20. BANK OVERDRAFT – UNSECURED

The bank overdraft of the Group is supported by a letter of comfort from a corporate shareholder of a subsidiary company.

21. OTHER BORROWINGS

	Group		Company	
In RM	**2005**	2004	**2005**	2004
SECURED				
Hire purchase payables (note 26)	**94,796**	88,426	**–**	–
Revolving credit	**9,500,000**	12,500,000	**9,500,000**	12,500,000
Term loans (note 25)	**10,894,025**	20,417,723	**–**	–
	20,488,821	33,006,149	**9,500,000**	12,500,000
UNSECURED				
Bankers' acceptance	**60,652,384**	37,929,000	**–**	–
Foreign currency loans	**25,842,904**	31,412,111	**–**	–
Negotiated bills	**583,365**	–	**–**	–
	87,078,653	69,341,111	**–**	–
	107,567,474	102,347,260	**9,500,000**	12,500,000

The secured revolving credit facility bears interest at 5.60% (2004 : 5.60%) 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 6 to the financial statements;

(b) a first charge over the fixed deposit of RM820,658/- (2004 : RM221,573/-) of the Company as disclosed in note 17 to the financial statements; and

(c) Deed of Assignment on advances given by the Company to KTSB of RM8,565,693/- (2004 : RM12,500,000/-) as disclosed in note 15 to the financial statements.

The unsecured foreign currency loans and negotiated bills denominated in United States Dollar of USD6,203,033/- (2004 : USD8,241,177/-) and USD153,589/- (2004 : Nil) respectively, bear interest at rates ranging from 4.30% to 4.84% (2004 : 2.15% to 3.14%) per annum and are supported by the corporate guarantees from the Company and a subsidiary company, Kanzen Kagu Sdn Bhd ("KKSB").

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.

22. SHARE CAPITAL

In RM	Group/Company 2005	2004
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 2005	2004
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 23)	**(1,279,700)**	(873,700)
	83,882,800	84,288,800

23. RESERVES

	Group		Company	
In RM	**2005**	2004	**2005**	2004
DISTRIBUTABLE				
Retained profits	**80,927,173**	68,838,478	**19,833,110**	21,535,933
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	**902,985**	960,408	**–**	–
Reserves of subsidiary companies*	**144,726**	136,797	**–**	–
	30,037,046	30,086,540	**33,413,684**	33,413,684
Treasury shares	**(1,225,544)**	(868,912)	**(1,225,544)**	(868,912)
	109,738,675	98,056,106	**52,021,250**	54,080,705

* 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.

23. RESERVES (CONT'D)

Treasury Shares

	Group/Company			
	2005		2004	
	Number of Shares	**RM**	Number of Shares	RM
Shares repurchased				
At beginning of the year	**873,700**	**868,912**	–	–
Additions during the year	**406,000**	**356,632**	873,700	868,912
At end of the year (note 22)	**1,279,700**	**1,225,544**	873,700	868,912

During the financial year, the Company repurchased 406,000 (2004 : 873,700) of its issued and fully paid ordinary shares from the open market at an average price of RM0.88 (2004 : RM0.99) per share. The total consideration paid for the repurchased shares including transaction costs was RM356,632/- (2004 : 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:-

		<———— Price Per Share ————>			
Month	No. of Shares Repurchased	Highest RM	Lowest RM	Average RM	Total Consideration RM
July 2004	**10,100**	**0.95**	**0.89**	**0.90**	**9,175**
August 2004	**194,800**	**0.90**	**0.85**	**0.88**	**173,013**
September 2004	**25,300**	**0.92**	**0.88**	**0.89**	**22,791**
October 2004	**12,300**	**0.91**	**0.87**	**0.87**	**10,835**
November 2004	**48,100**	**0.89**	**0.83**	**0.86**	**41,744**
December 2004	**100**	**0.92**	**0.92**	**0.92**	**105**
May 2005	**115,300**	**0.88**	**0.84**	**0.85**	**98,969**
	406,000				**356,632**

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

24. NEGATIVE GOODWILL

In RM	Group 2005	2004
At cost,		
Negative goodwill	**15,608,672**	15,608,672
Less: Accumulated amortisation		
At beginning of the year	**(2,861,590)**	(1,300,723)
Amortisation during the year	**(1,560,867)**	(1,560,867)
At end of the year	**(4,422,457)**	(2,861,590)
	11,186,215	12,747,082

This arises from the acquisition of remaining 30% equity interest in a subsidiary company, KTSB as disclosed in note 6 to the financial statements.

25. TERM LOANS – SECURED

In RM	Group 2005	2004
CURRENT LIABILITIES		
Within 1 year (note 21)	**10,894,025**	20,417,723
NON-CURRENT LIABILITIES		
More than 1 year but less than 5 years	**5,670,726**	2,124,275
More than 5 years	**1,579,848**	–
	7,250,574	2,124,275
	18,144,599	22,541,998

The term loans of the subsidiary companies bear effective interest at rates ranging from 3.19% to 7.75% (2004 : 3.19% to 7.75%) per annum and 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 RM21,963,324/- (2004 : RM26,443,324/-); and

(b) corporate guarantees from the Company.

26. HIRE PURCHASE PAYABLES

In RM	Group 2005	2004
Total instalment payables	**379,767**	492,975
Less: Future finance charges	**(36,870)**	(61,652)
Present value of hire purchase liabilities	**342,897**	431,323
Payable within 1 year		
Total instalment payables	**113,208**	113,208
Less: Future finance charges	**(18,412)**	(24,782)
Present value of hire purchase liabilities (note 21)	**94,796**	88,426
Payable after 1 year but not later than 5 years		
Total instalment payables	**266,559**	379,767
Less: Future finance charges	**(18,458)**	(36,870)
Present value of hire purchase liabilities	**248,101**	342,897
Present value of hire purchase liabilities	**342,897**	431,323

27. REVENUE

Revenue comprises the following:-

	Group		Company	
In RM	**2005**	2004	**2005**	2004
Sale of goods	**394,326,709**	252,533,800	**–**	–
Attributable property development revenue	**6,136,566**	619,741	**–**	–
Dividend revenue	**–**	–	**800,000**	2,000,000
	400,463,275	253,153,541	**800,000**	2,000,000

28. DIRECT OPERATING COSTS

Direct operating costs comprise the following:-

In RM	Group 2005	2004
Cost of goods sold	**343,234,396**	210,530,084
Attributable property development costs	**5,565,239**	567,206
Others	**78,636**	66,876
	348,878,271	211,164,166

29. PROFIT BEFORE TAXATION

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

(i) Directors' remuneration

	Group		Company	
In RM	**2005**	2004	**2005**	2004
Directors' fees				
– Non-executive Directors	**174,000**	150,000	**174,000**	150,000
Other emoluments consist of salary, bonus, employees provident fund and allowances				
– Executive Directors	**1,635,910**	1,398,464	**–**	–
Benefits-in-kind				
– estimated monetary value of other benefits				
– Executive Directors	**58,900**	64,467	**–**	–

29. PROFIT BEFORE TAXATION (CONT'D)

(a) Profit before taxation is arrived at after charging/(crediting):- (cont'd)

(ii) Other items

	Group		Company	
In RM	**2005**	2004	**2005**	2004
Allowance for diminution in value of other investment	**16,500**	–	**16,500**	–
Allowance for doubtful debts	**649,453**	535,994	**–**	–
Auditors' remuneration	**161,019**	151,446	**11,000**	11,000
Bad debts written off	**650,000**	160,408	**–**	36,900
Deferred expenditure written off	**–**	646,599	**–**	646,599
Deposit written off	**100**	–	**–**	–
Depreciation of property, plant and equipment	**6,964,171**	6,629,458	**49,308**	56,292
Interest expense	**4,856,438**	3,054,999	**684,105**	694,212
Write down of inventories	**1,091,587**	1,364,452	**–**	–
Management fees	**216,000**	200,090	**–**	–
Net (gain)/loss on foreign exchange				
– realised	**(190,010)**	(100,723)	**–**	–
– unrealised	**(91,661)**	1,473	**–**	–
Property, plant and equipment written off	**7,336**	36,811	**649**	36,341
Rental expenses				
– equipment	**31,160**	21,750	**–**	–
– premises	**891,805**	886,629	**12,000**	12,000
(Gain)/Loss on disposal of property, plant and equipment	**(52,040)**	(129,719)	**–**	5,372
Allowance for doubtful debts no longer required	**(10,450)**	(291,585)	**–**	–
Amortisation of negative goodwill	**(1,560,867)**	(1,560,867)	**–**	–
Bad debts recovered	**–**	(79,230)	**–**	–
Interest revenue				
– a subsidiary company	**–**	–	**(702,697)**	(346,077)
– others	**(276,055)**	(375,245)	**(86,417)**	(181,943)
Rental revenue	**(9,436)**	(6,509)	**–**	–

29. PROFIT BEFORE TAXATION (CONT'D)

(b) Employees Information

	Group		Company	
In RM	**2005**	2004	**2005**	2004
Staff costs	**28,949,153**	29,347,446	**44,536**	39,909

The number of employees including full-time Directors of the Group and of the Company as at the financial year end were 1,219 (2004 : 1,055) and 1 (2004 : 1) respectively.

30. TAXATION

	Group		Company	
In RM	**2005**	2004	**2005**	2004
Based on results for the year	**5,061,996**	2,201,938	**7,000**	401,000
Deferred tax relating to origination and reversal of temporary differences (note 9)				
Deferred tax assets	**(256,000)**	(24,000)	**–**	–
Deferred tax liabilities	**(7,200)**	1,269,000	**–**	–
	(263,200)	1,245,000	**–**	–
	4,798,796	3,446,938	**7,000**	401,000
Share of associated companies' taxation	**249,650**	274,715	**–**	–
Underprovision/(Overprovision) in prior years	**798,429**	(40,630)	**(47,659)**	1,107
Tax expense	**5,846,875**	3,681,023	**(40,659)**	402,107

30. TAXATION (CONT'D)

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 2005	Group 2004	Company 2005	Company 2004
Profit before taxation	**19,686,433**	14,097,067	**70,877**	411,035
Taxation at Malaysian statutory tax rate at 28%	**5,512,200**	3,947,500	**19,900**	115,000
Effect of lower tax rate for Malaysian subsidiary companies with issued and fully paid share capital of RM2.5 million and below	**(103,400)**	(66,100)	**–**	–
Effect of different tax rates in foreign jurisdiction	**70,100**	(162,700)	**–**	–
Tax effect of non-taxable revenue	**(897,300)**	(900,900)	**(197,000)**	(97,000)
Tax effect of non-deductible expenses	**1,302,770**	1,881,604	**184,100**	383,000
Double deduction incentives	**(78,000)**	(59,600)	**–**	–
Deferred tax assets not recognised during the year	**712,500**	387,000	**–**	–
Reversal of temporary differences not recognised	**(119,000)**	–	**–**	–
Utilisation of reinvestment allowance	**(1,190,300)**	(680,300)	**–**	–
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	**(61,400)**	(70,100)	**–**	–
Deferred tax liabilities overprovided in prior year	**(102,024)**	(97,951)	**–**	–
Underprovision/(Overprovision) in prior years	**798,429**	(40,630)	**(47,659)**	1,107
Others	**2,300**	7,200	**–**	–
Tax expense for the year	**5,846,875**	3,681,023	**(40,659)**	402,107

Subject to agreement by the IRB:-

(a) the Company has tax exempt income available for distribution by way of tax exempt dividend of approximately RM10,109,000/- (2004 : 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 RM5,323,000/- (2004 : RM6,228,000/-) under Section 108 of the Income Tax Act, 1967, available to frank future payment of dividends up to approximately RM13,688,000/- (2004 : RM16,015,000/-) 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 RM13,910,982/- (2004 : RM10,079,636/-) divided by 84,018,483 (2004 : 84,976,625) 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 3% per share less 28% taxation amounting to RM1,814,359/- (2.16 sen per share) in respect of the financial year ended 30th June, 2004 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, 2005 of 3% on 83,882,800 ordinary shares less 28% taxation amounting to a net dividend of RM1,811,868/- (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 financial year ending 30th June, 2006.

33. ACQUISITION OF SUBSIDIARY COMPANY

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

The financial effects of the subsidiary company acquired in the previous 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 in the previous financial year are as follows:-

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

33. ACQUISITION OF SUBSIDIARY COMPANY (CONT'D)

(b) Effect on Consolidated Income Statement

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

In RM	Group KSP 2004
Operating revenue	356,533
Direct operating costs	(289,848)
Gross profit	66,685
Other operating revenue	7,242
Administrative costs	(190,905)
Other operating costs	(47,164)
Loss from operations	(164,142)
Finance costs	(10,182)
Loss before taxation	(174,324)
Taxation	(3,000)
Loss after taxation but before minority interest	(177,324)
Minority interest	53,197
Loss after taxation and minority interest	(124,127)

(c) Effect on Consolidated Financial Position

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

In RM	Group KSP 2004
Non-current assets	4,517,989
Current assets	1,926,816
Current liabilities	(121,129)
Non-current liability	(1,000)
Minority interest	(1,896,803)
	4,425,873

34. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM12,209,940/- (2004 : RM46,729,654/-) and Nil (2004 : RM19,542/-) respectively which are satisfied as follows:-

	Group		Company	
In RM	**2005**	2004	**2005**	2004
Hire purchase financing	**–**	390,000	**–**	–
Cash payments	**12,209,940**	46,339,654	**–**	19,542
	12,209,940	46,729,654	**–**	19,542

35. CASH AND CASH EQUIVALENTS

	Group		Company	
In RM	**2005**	2004	**2005**	2004
Cash and bank balances	**10,611,454**	10,725,165	**975,466**	728,912
Cash held under housing development account	**133,125**	260,481	**–**	–
Deposits with licensed financial institutions	**11,087,848**	16,309,220	**4,278,848**	5,866,241
	21,832,427	27,294,866	**5,254,314**	6,595,153
Bank overdraft - unsecured	**(6,410)**	(73,070)	**–**	–
	21,826,017	27,221,796	**5,254,314**	6,595,153

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

(a) deposits with licensed financial institutions of the Group and of the Company amounting to RM820,658/- (2004 : RM221,573/-) pledged to a licensed bank for revolving credit facility granted to the Company;

(b) deposits with licensed financial institutions of the Group and of the Company amounting to RM2,258,190/- (2004 : RM2,196,808/-) pledged to a licensed bank for bank guarantee facility granted to BUSB; and

(c) cash held under housing development account of the Group amounting to RM133,125/- (2004 : RM260,481/-) are maintained pursuant to the requirements of the Housing Developers (Housing Development Account) Regulations, 1991.

The cash and cash equivalents of (a) and (b) above are only available to be utilised against the said facilities.

36. CONTINGENT LIABILITIES

In RM	Company 2005	2004
(i) 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	**15,930,000**	7,312,000
– Kanzen Stainless Processors Sdn Bhd	**11,987,000**	–
– Kanzen Tetsu Sdn Bhd	**95,397,000**	71,640,000
	123,314,000	78,952,000
In respect of corporate guarantees by the Company for purchase of raw material granted to a subsidiary company		
– Kanzen Tetsu Sdn Bhd	**7,235,000**	–
	132,649,000	81,052,000

(ii) During the financial year, IRB finalised the tax assessment of a subsidiary company, KKSB in which certain allowances claimed by the subsidiary company were disallowed. The disallowance resulted in additional tax payable of RM1,244,709/-.

The subsidiary company is in process of appealing to the Special Commissioners of Income Tax. As such, no provision has been made in the financial statements pending the appeal.

37. CAPITAL COMMITMENTS

In RM	Group 2005	2004
Capital expenditure		
– Approved but not contracted for	**7,864,700**	20,691,036
– Approved and contracted for	**10,709,245**	5,103,400
	18,573,945	25,794,436

38. SIGNIFICANT RELATED PARTIES TRANSACTIONS

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

In RM	Company 2005	2004
TRADE		
Received from a subsidiary company		
Dividend revenue		
– Kanzen Tetsu Sdn Bhd	**(800,000)**	(2,000,000)
NON-TRADE		
Received and receivable from a subsidiary company		
Interest revenue		
– Global Glister Limited	**(702,697)**	(346,077)
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 2005	2004
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	**97,811**	228,392
NON-TRADE		
Paid to a corporate shareholder of a subsidiary company		
Pacific Brand Household Products Pty Limited		
– management fees	**216,000**	200,090
– upkeep and maintenance of computer equipment	**92,000**	82,545

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 welded pipes and butt-weld fittings and carbon steel pipes, trading in stainless steel plates, providing 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 and supply of electricity and steam.

Geographical Segments

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

(i) Malaysia – manufacturing of stainless steel welded pipes and butt-weld fittings, carbon steel pipes, trading in stainless steel plates, providing 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 welded pipes and butt-weld fittings, mattresses, bedding related products, furniture, steel wire and supply of electricity and steam.

(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
2005						
REVENUE						
External revenue	**335,066,045**	**59,260,664**	**–**	**6,136,566**	**–**	**400,463,275**
Inter-segment revenue	**–**	**–**	**84,000**	**–**	**(84,000)**	**–**
Total revenue	**335,066,045**	**59,260,664**	**84,000**	**6,136,566**	**(84,000)**	**400,463,275**
RESULT						
Segment result	**19,576,169**	**2,261,442**	**795,095**	**554,609**	**–**	**23,187,315**
Interest expense						**(4,856,438)**
Interest revenue						**276,055**
Share of associated companies results	**–**	**–**	**1,079,501**	**–**	**–**	**1,079,501**
Taxation						**(5,846,875)**
Profit after taxation but before minority interest						**13,839,558**
Minority interest						**71,424**
Net profit for the year attributable to shareholders						**13,910,982**
OTHER INFORMATION						
Segment assets	**321,008,724**	**32,167,486**	**13,774,896**	**66,385,269**	**–**	**433,336,375**
Interest in associated companies	**–**	**–**	**11,989,220**	**–**	**–**	**11,989,220**
Unallocated corporate assets						**14,124,508**
Consolidated total assets						**459,450,103**

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
2005						
OTHER INFORMATION						
Segment liabilities	**46,751,366**	**10,525,611**	**443,942**	**37,857,841**	**–**	**95,578,760**
Unallocated corporate liabilities						**128,351,667**
Consolidated total liabilities						**223,930,427**
Capital expenditure	**11,519,036**	**690,904**	**–**	**–**	**–**	**12,209,940**
Depreciation of property, plant and equipment	**5,899,095**	**1,009,859**	**55,217**	**–**	**–**	**6,964,171**
Significant non-cash expenses other than depreciation						
Allowance for diminution in value of other investment	**–**	**–**	**16,500**	**–**	**–**	**16,500**
Allowance for doubtful debts	**47,468**	**601,985**	**–**	**–**	**–**	**649,453**
Bad debts written off	**–**	**650,000**	**–**	**–**	**–**	**650,000**
Write down of inventories	**900,000**	**191,587**	**–**	**–**	**–**	**1,091,587**
Property, plant and equipment written off	**17**	**6,670**	**649**	**–**	**–**	**7,336**
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

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
2004						
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 for the year attributable to shareholders						10,079,636
OTHER INFORMATION						
Segment assets	278,904,869	32,339,486	14,962,203	55,971,294	–	382,177,852
Interest in associated companies	–	–	9,780,006	–	–	9,780,006
Unallocated corporate assets						19,057,592
Consolidated total assets						411,015,450
Segment liabilities	30,153,602	10,484,381	345,920	29,255,722	–	70,239,625
Unallocated corporate liabilities						115,347,313
Consolidated total liabilities						185,586,938

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
2004						
OTHER INFORMATION						
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

(b) Secondary Reporting Format – Geographical Segments

In RM	Malaysia	Hong Kong	The People's Republic of China	Consolidated
2005				
Total revenue from external customers	**348,482,306**	**–**	**51,980,969**	**400,463,275**
Segment assets	**349,636,970**	**9,297,012**	**74,402,393**	**433,336,375**
Interest in associated companies	**11,989,220**	**–**	**–**	**11,989,220**
Unallocated corporate assets				**14,124,508**
Consolidated total assets				**459,450,103**
Capital expenditure	**10,132,562**	**–**	**2,077,378**	**12,209,940**

39. SEGMENT INFORMATION – GROUP (CONT'D)

(b) Secondary Reporting Format – Geographical Segments (cont'd)

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	310,317,954	9,310,518	62,549,380	382,177,852
Interest in associated companies	9,780,006	–	–	9,780,006
Unallocated corporate assets				19,057,592
Consolidated total assets				411,015,450
Capital expenditure	4,824,628	–	41,905,026	46,729,654

40. SIGNIFICANT 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") 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, 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 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) On 21st October, 2004, the Company announced that it will be seeking its shareholders' approval for a proposed renewal of its existing authority to purchase and/or hold up to 10% of its issued and paid-up share capital.

(c) On 22nd October, 2004, the Company announced that the Board has decided to abort the following proposals which were approved by the Securities Commission ("SC") on 28th October, 2002 with final extension up to 27th October, 2004:-

(i) Proposed 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 Free Detachable 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 the Company ("Proposed Rights Issue with Warrants");

40. SIGNIFICANT EVENTS (CONT'D)

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

(iii) Proposed establishment of an Employees' Share Option Scheme; and

(iv) Proposed amendment to Article 149 of the Articles of Association of the Company.

(d) On 19th January, 2005, the Company paid a final dividend of 3% per share less tax to shareholders, whose names appears in the Records of Depositors on 21st December, 2004.

(e) On 18th April, 2005, the Company announced that its wholly owned subsidiary company, KTSB entered into an agreement ("Agreement") with Jang Wuel Steel Machinery Co Ltd, Taiwan ("JWSM") for the supply and installation by JWSM of one complete set of new large diameter stainless steel welded pipe mill ("Equipment") at its existing plant in Shah Alam, Selangor Darul Ehsan, Malaysia.

Pursuant to the Agreement, the purchase consideration of the Equipment is USD2,818,000/- (equivalent to approximately RM10,708,400/- at an exchange rate of USD1 = RM3.80) which was arrived at on a "willing-buyer-willing-seller" basis in line with the current market price.

41. 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	Others	United States Dollar	Total
Functional currencies of Group							
2005							
TRADE RECEIVABLES							
Ringgit Malaysia	**8,057**	–	–	**1,173,821**	–	**5,097,785**	**6,279,663**
Chinese Renminbi	–	–	–	–	–	**4,673,755**	**4,673,755**
	8,057	–	–	**1,173,821**	–	**9,771,540**	**10,953,418**

41. FINANCIAL INSTRUMENTS (CONT'D)

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

i. Foreign Exchange Risk (cont'd)

In RM	Euro	Chinese Renminbi	Japanese Yen	Singapore Dollar	Others	United States Dollar	Total
Functional currencies of Group							
2005							
OTHER RECEIVABLES							
Ringgit Malaysia	–	–	–	–	–	**57**	**57**
Chinese Renminbi	–	–	–	–	–	**21,892**	**21,892**
Hong Kong Dollar	–	–	–	–	–	**9,226,917**	**9,226,917**
	–	–	–	–	–	**9,248,866**	**9,248,866**
AMOUNT OWING BY ASSOCIATED COMPANIES							
Ringgit Malaysia	–	**1,974,356**	–	–	–	–	**1,974,356**
CASH AND BANK BALANCES							
Ringgit Malaysia	–	**899,161**	–	**38**	**3,557**	**1**	**902,757**
Chinese Renminbi	–	–	–	–	–	**931,361**	**931,361**
Hong Kong Dollar	–	–	–	–	–	**68,530**	**68,530**
	–	**899,161**	–	**38**	**3,557**	**999,892**	**1,902,648**
TRADE PAYABLES							
Ringgit Malaysia	–	–	–	**21,569**	–	**18,654,580**	**18,676,149**
Chinese Renminbi	–	–	–	–	–	**9,386,062**	**9,386,062**
	–	–	–	**21,569**	–	**28,040,642**	**28,062,211**
OTHER PAYABLES							
Chinese Renminbi	–	–	–	–	–	**203,761**	**203,761**

41. FINANCIAL INSTRUMENTS (CONT'D)

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

i. Foreign Exchange Risk (cont'd)

In RM	Euro	Chinese Renminbi	Japanese Yen	Singapore Dollar	Others	United States Dollar	Total
Functional currencies of Group							
2005							
OTHER BORROWINGS							
Ringgit Malaysia	**–**	**–**	**–**	**–**	**–**	**25,842,906**	**25,842,906**
Chinese Renminbi	**–**	**–**	**–**	**–**	**–**	**8,376,324**	**8,376,324**
	–	**–**	**–**	**–**	**–**	**34,219,230**	**34,219,230**
2004							
TRADE RECEIVABLES							
Ringgit Malaysia	53,000	–	33,385	246,050	–	5,605,809	5,938,244
Chinese Renminbi	–	–	–	–	–	47,758	47,758
	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
DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS							
Hong Kong Dollar	–	–	–	–	–	3,853,639	3,853,639

41. FINANCIAL INSTRUMENTS (CONT'D)

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

i. Foreign Exchange Risk (cont'd)

In RM	Euro	Chinese Renminbi	Japanese Yen	Singapore Dollar	Others	United States Dollar	Total
Functional currencies of Group							
2004							
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							
Ringgit Malaysia	–	–	–	–	–	31,412,111	31,412,111
Chinese Renminbi	–	–	–	–	–	8,376,324	8,376,324
	–	–	–	–	–	39,788,435	39,788,435

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
2005						
Export sales	Singapore Dollar	**2.2906**	**4,232,741**	**4,232,741**	**–**	**–**
Export sales	United States Dollar	**3.7939**	**19,791,816**	**19,791,816**	**–**	**–**
Export sales	Euro	**4.9710**	**589,059**	**589,059**	**–**	**–**

41. FINANCIAL INSTRUMENTS (CONT'D)

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

i. Foreign Exchange Risk (cont'd)

Hedged Item In RM	Currency	Average Contract Rate	Total Notional Amounts	Maturities Within 1 Year	Maturities 1 – 5 Years	Maturities 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	–	–

The net unrecognised gain as at 30th June, 2005 on forward contracts used to hedge foreign currency sales amounted to RM204,146/- (2004 : RM93,902/-). This net exchange gain 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, negotiated bills 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.

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 In RM	Effective Interest Rate %	Total	Maturities Within 1 Year	Maturities 1– 5 Years	Maturities After 5 Years
2005					
FINANCIAL ASSETS					
All interest earning receivables					
Deposits with licensed financial institutions	**1.70 – 7.75**	**11,087,848**	**11,087,848**	**–**	**–**
Cash and bank balances	**0.08 – 0.72**	**3,358,779**	**3,358,779**	**–**	**–**

41. FINANCIAL INSTRUMENTS (CONT'D)

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

ii. Interest Rate Risk (cont'd)

Group In RM	Effective Interest Rate %	Total	<—— Maturities ——> Within 1 Year	1 – 5 Years	After 5 Years
2005					
FINANCIAL LIABILITIES					
All interest bearing payables					
Bank overdraft	**4.13**	**6,410**	**6,410**	**–**	**–**
Bankers' acceptance	**3.19 – 4.12**	**60,652,384**	**60,652,384**	**–**	**–**
Foreign currency loans	**4.30 – 4.84**	**25,842,904**	**25,842,904**	**–**	**–**
Hire purchase payables	**6.09 – 6.54**	**342,897**	**94,796**	**248,101**	**–**
Revolving credit	**5.60**	**9,500,000**	**9,500,000**	**–**	**–**
Term loans	**3.19 – 7.75**	**18,144,599**	**10,894,025**	**5,670,726**	**1,579,848**
Negotiated bills	**4.69 – 4.81**	**583,365**	**583,365**	**–**	**–**
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 overdraft	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	5.60	12,500,000	12,500,000	–	–
Term loans	3.19 – 7.75	22,541,998	20,417,723	2,124,275	–

iii. Market Risk

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

41. FINANCIAL INSTRUMENTS (CONT'D)

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

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.

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 Investment

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

iii. Borrowings

The 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.

41. FINANCIAL INSTRUMENTS (CONT'D)

(b) Fair Values (cont'd)

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
2005				
FINANCIAL ASSETS				
Other investment				
– Quoted investment	**1,010**	**920**	**1,010**	**920**
– Unquoted investment	**40,000**	**# –**	**40,000**	**# –**
FINANCIAL LIABILITIES				
Hire purchase payables	**342,897**	**338,890**	**–**	**–**
Term loans	**18,144,599**	**16,119,612**	**–**	**–**
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	–	–

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.

41. 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:-

In RM	Group Nominal/ Notional Amount	Group Fair Value	Company Nominal/ Notional Amount	Company Fair Value
2005				
Forward foreign exchange contracts	**24,613,616**	**24,409,470**	**–**	**–**
Contingent liabilities	**–**	**–**	**132,649,000**	*** –**
2004				
Forward foreign exchange contracts	10,879,973	10,786,071	–	–
Contingent liabilities	–	–	81,052,000	* –

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

42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified where necessary to conform with the current year's presentation as follows:-

(a) Reclassification of direct operating costs from other operating costs.

In RM	As Reclassified	As Previously Reported
INCOME STATEMENT		
Direct operating costs	(211,164,166)	(209,730,380)
Other operating costs	(3,036,097)	(4,469,883)

42. COMPARATIVE FIGURES (CONT'D)

(b) Reclassification to comply with the new applicable accounting standard as mentioned in note 2 to the financial statements as follows:-

In RM	As Reclassified	As Previously Reported
BALANCE SHEET		
Property development costs	7,249,737	6,972,718
Trade payables	17,623,479	17,207,742
Other payables and accruals	52,616,146	52,754,864
CASH FLOW STATEMENT		
Increase in property development costs	(286,284)	(9,265)
Increase in payables	21,540,333	21,263,314

43. DENOMINATION

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

List of Properties
as at 30th June, 2005

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	27	Factory Premises	Leasehold for 60 years expiring in 2038	938	1991
Lot 22 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	6,070	25	Factory Premises	Leasehold for 60 years expiring in 2040	1,200	1991
Lot 24 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	4,046	25	Factory Premises	Leasehold for 60 years expiring in 2040	468	1991
PLO 97 Tanjong Agas Industrial Estate 84000 Muar Johor Darul Takzim	Land & Building	6,070	19	Sales Office & Factory Premises	Leasehold for 60 years expiring in 2046	1,017	1991
Lot 4 Persiaran Perusahaan Seksyen 23 Bandar Shah Alam 40000 Shah Alam Selangor Darul Ehsan	Land & Building	81,520	15	Factory & Office Premises	Leasehold for 99 years expiring in 2098	41,271	1992
Lot D4-D5 Tianjin Port Free Trade Zone Extended Area Tianjin The People's Republic of China	Land & Building	50,000	2	Factory & Office Premises	Leasehold for 50 years expiring in 2053	22,923	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*

Shareholding
statistics
as at 3rd October, 2005

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	43	1,259	0.00
100 – 1,000	2,637	2,562,225	3.06
1,001 – 10,000	3,661	14,294,188	17.04
10,001 – 100,000	444	11,701,899	13.95
100,001 – less than 5%	41	17,030,800	20.30
5% and above	4	38,292,429	45.65
Total	**6,830**	**83,882,800**	**100.00**

After deducting 1,279,700 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	14.91
2	Permodalan Nasional Berhad	12,487,547	14.89
3	OSK Nominees (Asing) Sdn Berhad *Blue Velvet Property Corp*	8,374,389	9.98
4	SFB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Sri Dr. Chen Lip Keong*	4,925,000	5.87
5	HSBC Nominees (Asing) Sdn Bhd *HSBC-FS for Asian Emerging Countries Fund*	2,613,000	3.11
6	Sumurwang Capital Sdn Bhd	1,836,000	2.19
7	SFB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Song Meng Kong*	1,335,000	1.59
8	HDM Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Song Meng Kong*	1,100,000	1.31
9	EB Nominees (Tempatan) Sendirian Berhad *Pledged Securities Account for Wong Tow Fock*	806,600	0.96
10	Goh Leong Chuan	768,000	0.92
11	Yeoh Kean Hua	766,400	0.91
12	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Hong Siang*	750,000	0.89
13	EB Nominees (Tempatan) Sendirian Berhad *Pledged Securities Account for Tian Toh Seng*	664,500	0.79
14	Mayban Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Stuart Saw Teik Siew*	500,000	0.60

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	% #
15	Yeo Eng	364,400	0.43
16	Mayban Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Roseley Bin Omar*	340,000	0.40
17	Tan Kar Pin	328,000	0.39
18	Sak Moy @ Sak Swee Len	324,000	0.39
19	Cheang Swee Kam	282,900	0.34
20	Aida Fuad	268,000	0.32
21	Lee Kok Chong	267,000	0.32
22	BHLB Trustee Berhad *TA Small Cap Fund*	252,500	0.30
23	Ang Bee Kean	250,800	0.30
24	Lee Kow Chai @ Lee Peng Saw	209,000	0.25
25	HSBC Nominees (Asing) Sdn Bhd *AAB SG BR for Oriental Orchid Limited*	193,000	0.23
26	Lock Kai Sang	186,000	0.22
27	Mayban Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Siaw Teck Siong*	180,800	0.22
28	Gina Gan	173,100	0.21
29	Lau Tuang Nguang	173,000	0.21
30	Lim Shiu Ho	166,000	0.20
	Total	**53,390,429**	**63.65**

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	14.89	–	–
Puan Sri Lee Chou Sarn	9,800,000	11.68	*a 7,630,493	9.10
Blue Velvet Property Corp	*b 8,374,389	9.98	–	–
First Allied Holdings Sdn Bhd	*c 7,630,493	9.10	–	–
Tan Sri Dr. Chen Lip Keong	–	–	*a 7,630,493	9.10

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

FACB Industries Incorporated Berhad (48850-K)
(Incorporated in Malaysia)

Form of proxy

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 Sixth 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, 7th December, 2005 at 10.00 a.m. and at any adjournment thereof.

No.	Ordinary Resolutions	For	Against
1	Adoption of audited financial statements and reports		
2	Approval of final dividend		
3	Approval of Directors' fees		
4	Re-appointment of Dato' Sulaiman bin Sujak as Director		
5	Re-election of Tan Sri Dr. Chen Lip Keong as Director		
6	Re-election of Datuk Wan Kassim bin Ahmed as Director		
7	Re-election of Tuan Haji Harun bin Haji Faudzar as Director		
8	Re-appointment of Messrs Moore Stephens as Auditors		
9	Authority pursuant to Section 132D of the Companies Act, 1965		
10	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 thinks fit.)

Signed this __________ day of ______________, 2005

____

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