

hairman's Statement

On behalf of the Board of Directors, I present the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 December 2003.

Financial Highlights

For the financial year under review, the Group recorded a turnover of RM122.3 million compared to RM95.2 million achieved in the preceding financial year. The marked improvement in turnover was mainly attributed to the higher contribution from the Group's building construction business. However, the higher turnover from the construction business did not translate into higher operating results due to the relatively low profit margin in the intensely competitive construction industry.

Profit from operations increased to RM16.4 million from RM15.0 million recorded in the preceding financial year. However, after allowing for finance cost and tax of RM23.8 million, the Group recorded a loss after tax of RM7.4 million compared to the profit after tax of RM39.6 million achieved over the comparable period. The profit of RM39.6 million in year 2002 was achieved after accounting for a one-off gain on the disposal of a subsidiary company of RM48.2 million. It is therefore imperative for the Group to dispose of some of its investment assets to reduce its debts.

Dividend

To conserve the Group's liquidity, the Board has decided not to propose any dividend for the year under review.

Corporate Development

The Company had on 22 October 2003 entered into a conditional sale and purchase agreement with ISG Asia Limited (ISG), a company listed on the Stock Exchange of Singapore Dealing and Automated Quotation System (SGX-SESDAQ) for the proposed sale of 3 wholly-owned subsidiaries and Kompleks Lien Hoe for RM392.4 million in exchange for ISG's shares and loan stocks. This is to be followed by the sell-down of the ISG shares and loan stocks, first by way of an offer to the shareholders and Irredeemable Convertible Unsecured Loan Stocks (ICULS) holders of the Company as well as the shareholders of ISG, then by way of placement to prospective investors.

The proposal is structured to allow the Company to unlock the value in some of its investment assets and through the sale of the ISG shares and loan stocks to raise cash to significantly reduce its bank borrowings.

We are currently awaiting clearance from the regulators to proceed with the proposal.

Going Forward

With the brighter economic outlook and our current proposed asset sale, the Group is set to improve its performance and pursue our financial objective and growth target in the coming year.

In the meanwhile, the Board is also aggressively searching for new viable assets that can enhance our Group's profitability and cash flow position.

Acknowledgement

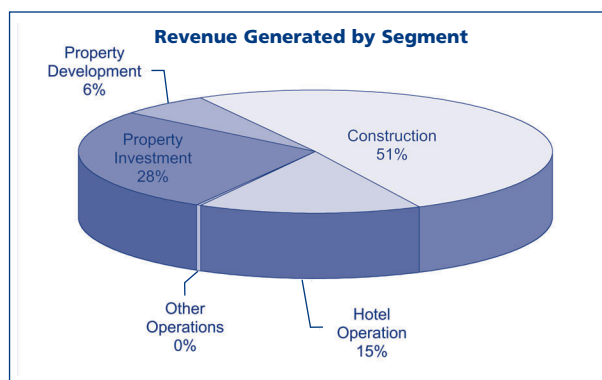
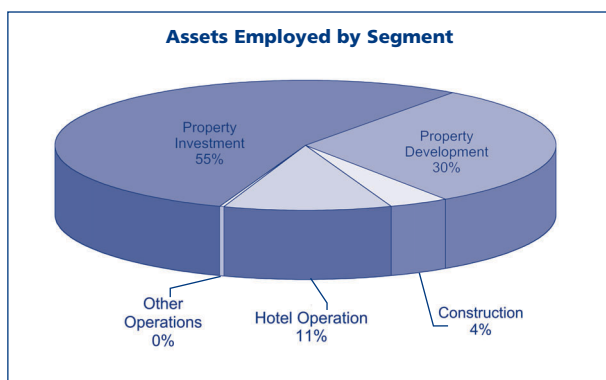
In closing and on behalf of the Board of Directors, I wish to thank my fellow colleagues on the Board for their guidance, and to bankers, shareholders and business associates for their continued support.

Tun Dato' Seri Abdul Hamid bin Omar
Chairman
20 May 2004

Review of Operations

INTRODUCTION

The business activities of the Group in financial year 2003 were focused on four segments: property investment, property development, building construction and hotel. The revenue generated and assets employed by each of the segments are as shown below.



PROPERTY INVESTMENT

Property investment is the Group's core business and the rental income generated by it represents the Group's main source of income, contributing 69% to the total operating profit of the Group in financial year 2003. The following table shows the investment properties owned by the Group together with some key information.

Building	Type	Location	Lettable Area (sq. ft)	Occupancy Rate in 2003
Kompleks Lien Hoe	Retails	Johor Bahru	821,211	67%
Plaza Armada	Retails	Petaling Jaya	106,177	68%
The Atria Shopping Centre	Retails	Petaling Jaya	204,726	96%
Menara Lien Hoe	Office	Petaling Jaya	207,764	70%

For the year under review, Kompleks Lien Hoe recorded gross rental income of RM15.0 million as compared to RM12.5 million recorded in financial year 2002, and achieved marginal improvement in profit. In 2003, we began to embark on a refurbishment and upgrading exercise on the property with the aim to further increase its occupancy rate and rental income.

Gross rental income from The Atria Shopping Centre and Plaza Armada for financial year 2003 stood at RM9.8 million and RM5.8 million respectively, up from RM9.2 million and RM5.5 million in financial year 2002. Both properties have maintained their profit level in financial year 2003. The properties also enjoy a commendable occupancy rate of 96% and 68% respectively despite the new supply coming into the market.

Looking forward, given the increased competition from newer and bigger malls which came on-stream in the neighbourhood recently, the Group's shopping malls in Petaling Jaya are anticipated to take a short term setback in year 2004. On the positive side, we are planning to embark on refurbishment and upgrading exercise on these properties to cater to the needs of wider range and higher profile of tenants. In addition, our marketing team will continue the effort to improve the occupancy rate of these properties.

There was a drop in gross rental income from Menara Lien Hoe to RM4.6 million compared to RM4.7 million last year owing to the prevailing office space overhang and stiff competition in the market. The building has an average occupancy of 70% compared to 72% recorded in financial year 2002. Given the extremely challenging prospect for the office property market, we will double our effort to improve the occupancy rate by focusing on our marketing strategies and approach.

BUILDING CONSTRUCTION

The Group's construction arm, Macro Resources Sdn Bhd, has extensive project experience in commercial and residential building construction after having successfully completed more than RM750 million worth of construction projects over the years.

Turnover from the construction business increased to RM62.1 million, up from RM32.3 million in financial year 2002, despite the competitive environment in the construction industry. There was a turnaround in the bottomline as it registered an operating profit of RM1.2 million compared to a loss of RM0.1 million last year. Although the construction business contributed half of the Group's turnover, its profit contribution is not proportionate largely due to the thin profit margin.

Macro Resources Sdn Bhd is currently undertaking works with a total contract value of over RM80 million. Given that the Government is planning for a balanced budget by 2005 and has indicated a cut in social project spending, we anticipate to face tougher competition in securing new jobs as contractors in the industry are bidding for limited jobs in the domestic construction market.

HOTEL

The Group's hotel business is spearheaded by Hotel Armada, a 242-room 4-star hotel located in Petaling Jaya. For the year under review, it recorded revenue of RM18.6 million, an increase of 12% from RM16.4 million in financial year 2002 which was fueled by higher demand for rooms and better sales of food & beverage. Except for a spell of business slowdown during the SARS epidemic, the business of the hotel generally remained strong for the whole of year 2003 to register an average occupancy rate of 76% which is above the industry average of 65% in Petaling Jaya. Operating profit rose to RM7.2 million from RM4.8 million over the comparable period as a result of the higher revenue and better profit margin.

With an improving economic climate and the absence of significant increase in the supply of the hotel room in Petaling Jaya, we are confident of revenue growth in year 2004 from the hotel business.

PROPERTY DEVELOPMENT

The Group's landbank available for development comprises the 128 acres of commercial land at Puchong, Selangor, 74 acres of mixed development land at Senai, Johor and 20 acres of mixed development land at Ulu Tiram, Johor. We are assessing the market condition and have been evaluating all risk elements in our planning and timing of a new development project. Our cautious approach has perhaps resulted in relatively slow in the progress of the development of our land.

During the financial year 2003, the Group has sold 111 commercial lots comprising 52 partly constructed lots and 60 vacant lots which form part of the mixed development land at Senai, Johor for RM7.5 million cash.

The Group is now actively working on a layout plan for the mixed development land at Ulu Tiram, Johor for launches expected to take place in year 2004/2005. The project has an estimated gross development value of RM32.3 million. This project is undertaken to capitalise on the opportunities that may arise when Johor Bahru property market improves.

OVERALL RESULTS

The operation review reflected here do not account for all interest cost, corporate and holding company expenses incurred during the year. While we are satisfied with the result of our efforts to minimise corporate and holding company overheads, the Group's profitability continue to be weighed down by high interest cost, which amounted to RM22.6 million in financial year 2003. As such, it is of utmost importance that we find new money from the sale of some of our assets to reduce the debts of the Group.

OUTLOOK FOR FINANCIAL YEAR 2004

For year 2004, our task is to focus on improving the return of our investment properties and generating higher profit from our hotel and construction businesses. Beside that, we also aim to achieve our goal of reducing the Group's debts through our planned asset sale. If our proposed asset sale is successful, the Group's financials would be strengthened enormously and this will provide a strong platform for our future business expansion and growth. However, it should be noted that the proposed sale of our assets will not alter our business direction, as we shall remain focus on the business segment where our experience and skill lie, namely property investment and development.

ACKNOWLEDGEMENT

Finally, I wish to record my sincere appreciation to the management and all the staff of the Group as well as my fellow Board members for their hard work and dedication over the past year. I would also like to extend my appreciation to our shareholders, business associates, customers and bankers for their support and confidence in us.

Dato' Yap Sing Hock
Group Managing Director
20 May 2004