



**MBM RESOURCES BERHAD**

(Incorporated in Malaysia)  
(Co. No. 284496-V)

**MBM RESOURCES BERHAD** (284496-V)  
50-04-05 Wisma UOA Damansara, 50 Jalan Dungun, Damansara Heights  
50490 Kuala Lumpur, Malaysia Tel: 603-2093 3230 Fax: 603-2093 3251

# Contents

2	Corporate Information
3	Notice Of Annual General Meeting
7	Statement Accompanying Notice Of Annual General Meeting
8	Corporate Structure
9	Profile Of Directors
13	Financial Highlights
14	Chairman's Statement
17	Statement On Corporate Governance
22	Statement Of Directors' Responsibility In Relation To The Financial Statements
23	Report On Audit Committee
26	Statement Of Internal Control
27	Financial Statements
83	List Of Properties
87	Analysis Of Shareholdings
	Form Of Proxy



**BOARD OF DIRECTORS**

Y. Bhg. Dr. Nawawi bin Mat Awin  
(Chairman)

Y. Bhg. Dato' Abdul Rahim bin Abdul Halim  
(Managing Director)

Y. Bhg. Tan Sri Dato' Lee Lam Thye

Encik Aqil bin Tan Sri Dato' Hj. Ahmad Azizuddin

Mr Low Hin Choong

Mr Looi Kok Loon

Mr Wong Wei Khin

Dato' Mohd Ridzuan bin Abdul Halim  
(resigned on 28 May 2004)

Tan Sri Dato' Abdul Aziz bin Abdul Rahman  
(retired on 28 May 2004)

**COMPANY SECRETARIES**

Puan Shahrizat bt Othman  
(MAICSA 0764744)

Puan Zaharah bt Ibrahim  
(MAICSA 7012004)

## Corporate Information

**REGISTERED OFFICE**

Suite 11-3A, 11th Floor  
Menara Haw Par  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel: (603) 2072 8007  
Fax: (603) 2072 8006

**CORPORATE OFFICE**

50-04-05 Wisma UOA Damansara  
50 Jalan Dungun, Damansara Heights  
50490 Kuala Lumpur, Malaysia  
Tel: (603) 2093 3230  
Fax: (603) 2093 3251

**PRINCIPAL BANKERS**

HSBC Bank (Malaysia) Berhad  
Citibank Berhad  
Bumiputra Commerce Bank Berhad  
Affin Bank Berhad

**AUDITORS**

Ernst & Young  
Public Accountants

**SHARE REGISTRAR**

AAJ Registration Services Sdn Bhd  
Suite 11-3A, 11th Floor  
Menara Haw Par  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel: (603) 2072 8007  
Fax: (603) 2072 8006

**STOCK EXCHANGE LISTING**

The Main Board  
Bursa Malaysia Securities Berhad

# Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of the Company will be held on Tuesday, 31 May 2005 at the Pacific Ballroom C, Pan Pacific Hotel, Jalan Putra, 50746 Kuala Lumpur at 10.00 a.m..

## AGENDA

1. To receive, consider and adopt the Audited Accounts for the year ended 31 December 2004 together with the Reports of the Directors and Auditors therein.
2. To re-elect the following Directors who retire by rotation in accordance with Article 78 of the Articles of Association of the Company:
  - (a) Dr. Nawawi bin Mat Awin
  - (b) Mr Low Hin Choong
3. To approve the Directors' fees for the year ended 31 December 2004.
4. To re-appoint Messrs. Ernst & Young as the Auditors of the Company and to authorise the Directors to fix their remuneration.
5. As Special Business  
To consider and, if thought fit, pass with or without any modification, the following Ordinary Resolutions:

### 5.1 Ordinary Resolution

#### Authority to allot shares pursuant to the Employees' Share Option Scheme

"THAT pursuant to MBM Resources Berhad Employees Share Option Scheme ("ESOS") which was approved by an Ordinary Resolution at the Extraordinary General Meeting of the Company held on 15 August 2002, approval be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to allot and issue such number of new ordinary shares of RM1.00 each in the capital of the Company from time to time in accordance with the Bye-Laws of the ESOS."

Resolution 1

Resolution 2

Resolution 3

Resolution 4

Resolution 5

Resolution 6

## 5.2 Ordinary Resolution

### Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

"THAT pursuant to Chapter 10.09, Part E of the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and/or its subsidiaries to enter into and give effect to the categories of recurrent related party transactions with those related parties as specified in Section 2.2 of the Circular to Shareholders dated 9 May 2005, provided that such transactions are of a revenue or trading nature which are necessary for the Group's day-to-day operations in the ordinary course of business made on an arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company (hereinafter referred to as "the Mandate");

AND THAT the Mandate, unless revoked or varied by the Company in a general meeting, shall continue in force until the next annual general meeting of the Company or at the expiration of the period within which the next annual general meeting is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act) whichever is earlier;

AND FURTHER THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Mandate."

Resolution 7

## 5.3 Ordinary Resolution

### Proposed Renewal of Authority to Purchase the Company's Own Shares

"THAT subject to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares of RM1.00 each in the Company's issued and paid-up capital through the Bursa Securities at anytime and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject to the following:

- (i) the maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the issued and paid-up ordinary share capital for the time being of the Company ("MBMR Shares");

Resolution 8

- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the MBMR Shares shall not exceed the aggregate of the retained profits and the share premium account of the Company. As of 31 December 2004, the audited retained profits and share premium of the Company were RM36.8 million and RM19.8 million respectively;
- (iii) the authority conferred by this resolution shall commence upon the passing of this ordinary resolution and will continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company (at which time it shall lapse unless by ordinary resolution passed at that meeting the authority is renewed, either unconditionally or subject to conditions), or unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting or the expiration of the period within which the next AGM is required by the law to be held, whichever occurs first, but not so as to prejudice the completion of purchase (s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of the Bursa Securities or any other relevant authority;
- (iv) upon completion of the purchase(s) of the MBMR Shares by the Company, the Directors of the Company be hereby authorised to deal with the MBMR Shares in the following manner:
  - (a) cancel the MBMR Shares so purchased; or
  - (b) retain the MBMR Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or
  - (c) retain part of the MBMR Shares so purchased as treasury shares and cancel remainder;

and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the Bursa Securities and any other relevant authority for the time being in force;

AND THAT the Directors of the Company be hereby authorised to take all such steps as are necessary or expedient (including the appointment of a stockbroking firm and the opening and maintaining of a Central Depository Account designated as a Share Buy Back Account) and to enter into any agreements, arrangements and guarantees with any party or parties to implement or to effect the purchase(s) of the MBMR Shares with full powers to assent to any conditions, notification, revaluations, variations and/or amendments (if any) as may be required by the relevant authorities."

6. To consider any other business of which due notice shall have been given.

By Order of the Board  
**MBM RESOURCES BERHAD**

Shahrizat bt Othman (MAICSA No.: 0764744)  
Zaharah bt Ibrahim (MAICSA No.: 7012005)  
Company Secretaries

Kuala Lumpur  
9 May 2005

#### Notes:

1. **Proxy**
  - (i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company.
  - (ii) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney.
  - (iii) The instrument appointing a proxy must be deposited at the Registered Office of the Company, Suite 11-3A, 11th Floor, Menara Haw Par, Jalan Sultan Ismail, 50250 Kuala Lumpur, at least forty-eight hours before the time appointed for holding the Meeting.
2. **Explanatory Notes to Special Business**

**Resolution 6**  
The Ordinary Resolution proposed under item 5.1 above, if passed, will empower the Directors to offer and grant options and issue shares in the Company pursuant to ESOS which was approved at the Extraordinary General Meeting of the Company held on 15 August 2002.

**Resolution 7**  
The Ordinary Resolution proposed under item 5.2 above, if passed, will renew the Shareholders' Mandate granted by the shareholders of the Company at the Annual General Meeting held on 28 May 2004. The proposed renewal of the Shareholders' Mandate will enable the Group to enter into the Recurrent Related Party Transactions of a revenue or trading nature which are necessary for the Group day to day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

**Resolution 8**  
The Ordinary Resolution proposed under item 5.3 above, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten percent (10%) of the issued and paid-up capital of the Company ("Proposed Share Buy Back") by utilizing the funds allocated which shall not exceed the aggregate of the retained profits and share premium of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

# Statement Accompanying Notice of Annual General Meeting

1. Directors who are standing for re-election at the Eleventh Annual General Meeting of MBM Resources Berhad are:

(i) Dr. Nawawi bin Mat Awin (Resolution 2)

(ii) Mr Low Hin Choong (Resolution 3)

The profile of the Directors standing for re-election are on pages 9 to 10.

2. Details of Attendance of Directors at Board Meetings

Four (4) Board of Directors Meetings were held during the financial year ended 31 December 2004. Attendance of the Directors holding office at the end of the financial year is shown below:

Names of Directors	No. of Meetings Attended
1. Y. Bhg. Dr. Nawawi bin Mat Awin	4
2. Y. Bhg. Dato' Abdul Rahim bin Abdul Halim	4
3. Y. Bhg. Tan Sri Dato' Lee Lam Thye	4
4. Encik Aqil bin Ahmad Azizuddin	4
5. Mr Low Hin Choong	4
6. Mr Looi Kok Loon	4
7. Mr Wong Wei Khin	4

3. Place, date and time of General Meetings

One (1) General Meeting was held during the year ended 31 December 2004.

Date	Time	Place
Annual General Meeting 28 May 2004	10.00 a.m.	Pacific Ballroom, Pan Pacific Hotel, Jalan Putra, 50746 Kuala Lumpur.



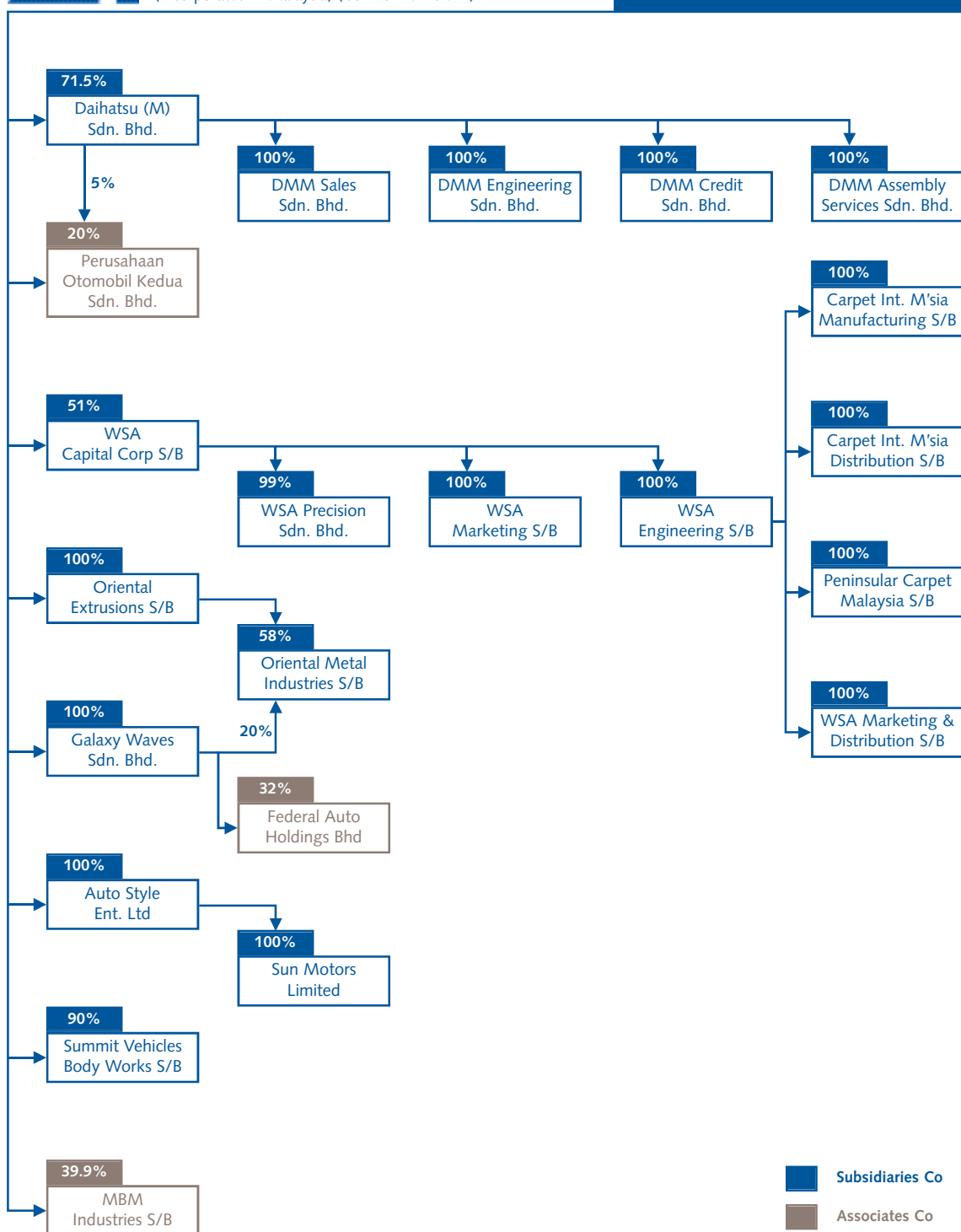


# MBM RESOURCES BERHAD

(Incorporated in Malaysia) (Co. No. 284496-V)

## Corporate Structure

as at 31 March 2005



## Profile Of Directors

**Y. BHG.  
DR. NAWAWI  
BIN MAT AWIN**

Aged 67  
(Non-Executive Chairman/  
Independent Director; Malaysian)



A chartered accountant by profession, he was appointed to the Board on 12 June 2001 and is currently Chairman of the Board besides being a member of all the Company's standing committees. Dr. Nawawi has extensive experience in the public sector where he served on several public and professional bodies, both national and international, including as Chairman/President of, inter alia, ASEAN Chambers of Commerce and Industry, the Malaysian Association of Certified Public Accountants (MACPA) and as a member of, inter alia, the National Economic Consultative Committee (NECC). Dr. Nawawi is currently Chairman of Kennedy Burkill & Co Berhad and a director of Rubberex Corporation (M) Berhad and Perak Corporation Berhad.



**Y. BHG. DATO'  
ABDUL RAHIM  
BIN ABDUL HALIM**

Aged 56  
(Managing Director;  
Malaysian)

A qualified economist, Dato' Abdul Rahim is MBMR's Managing Director and Audit Committee member. He held several senior positions in the Ministry of International Trade and Industry (MITI) and Daihatsu (Malaysia) Sdn Bhd (DMSB) prior to his appointment to MBMR's Board on 17 December 1993. Dato' Abdul Rahim has extensive experience in the motor vehicle industry and is presently on the Board of Intelligent Edge Berhad, Rubberex Corporation Berhad and Central Cables Berhad as well as several other private companies. He holds a Bachelor of Economics (Honours) from the University of Malaya.

**ENCIK AQIL BIN  
TAN SRI DATO'  
HJ. AHMAD AZIZUDDIN**

Aged 46  
(Executive Director;  
Malaysian)



Encik Aqil began his career with DMSB where he held various senior management positions prior to his appointment to the Board on 18 May 2001. He is currently the Managing Director of DMSB and he holds a Bachelor of Science in Business Economics and an Associate Degree in Commercial Graphics from Southern Illinois University, USA.



**MR  
LOOI KOK LOON**  
Aged 38  
(Non-Independent  
Non-Executive Director;  
Malaysian)

He was appointed to the Board on 18 May 2001 and is currently a member of the Nomination Committee. He brings with him more than a decade of experience in financial markets having worked for Cazenove, an independent British investment bank. Mr Looi holds a Bachelor's degree in Government and Economics from Brunel University and a Master's degree in Management from the University of Kent, United Kingdom. He is currently the executive director of a financial consulting firm he co-founded.



**Y. Bhg. Tan Sri Dato'  
Lee Lam Thye**  
Aged 59  
(Independent  
Non-Executive Director;  
Malaysian)

He was appointed to the Board on 28 February 1994 and is a member of all the Company's standing committees. Before retiring from politics in 1990, he was the elected State Legislative Assemblyman for Bukit Nenas, Selangor from 1969 to 1974 and served as a Member of Parliament for Bandar Kuala Lumpur from 1974 to 1990. In the private sector, Tan Sri Dato' Lee serves as a director of several public-listed companies, namely Arab-Malaysian Corporation Berhad, AMDB Berhad, FFM Berhad, Sime-UEP Properties Berhad and Media Prima Berhad.



**MR  
LOW HIN CHOONG**  
Aged 44  
(Non-Independent  
Non-Executive Director;  
Malaysian)

Mr Low joined the Board on 18 May 2001 and is currently a member of the Remuneration Committee. He has more than 18 years experience in the IT industry, having worked as a systems analyst and software manager. He graduated from Queen's University of Belfast, United Kingdom with a Bachelor of Science (Honours) in Business Administration & Computer Science and is currently managing his own successful software applications business.



**MR  
WONG WEI KHIN**  
Aged 37  
(Non-Independent  
Non-Executive Director;  
Malaysian)

Mr Wong previously served MBMR as the corporate manager and was nominated to the Board on 23 May 2002. He graduated from the University of Sydney with a Bachelor of Economics and Bachelor of Laws.

## Attendance At Board Of Directors' Meetings

The number of Board of Directors' meetings held during the directors' tenure in office in the current financial year and the number of meetings attended by each director are as follows:

Directors	Number of Board meetings held during directors' tenure in office	Number of meetings attended by directors
Y. Bhg. Dato' Abdul Rahim bin Abdul Halim	4	4
Y. Bhg. Tan Sri Dato' Lee Lam Thye	4	4
Y. Bhg. Dr. Nawawi bin Mat Awin	4	4
Encik Aqil bin Tan Sri Dato' Hj. Ahmad Azizuddin	4	4
Mr Low Hin Choong	4	4
Mr Looi Kok Loon	4	4
Mr Wong Wei Khin	4	4
Y. Bhg. Dato' Mohd Ridzuan bin Abdul Halim	2	2
Y. Bhg. Tan Sri Dato' Abdul Aziz bin Abdul Rahman	2	2

## Additional Information On The Board Of Directors

### Family Relationship with any Director and/or Major Shareholder

- None of the directors have family relationship with any other directors or major shareholders of the Company.

### Convictions for Offences (within the past 10 years, other than traffic offences)

- None of the directors have any convictions for offences other than traffic offences.

## Other Information Required By The Listing Requirements Of The Bursa Securities

### **SHARE BUYBACK**

During the financial year, the company did not enter into any share buyback transactions.

### **OPTIONS or WARRANTS**

During the financial year, 272,000 option shares of par value RM1.00 each were exercised at an option price of RM2.54 per share. Total number of unexercised share options as at 31 December 2004 was 4,083,000.

The company does not have any outstanding warrants during the financial year.

### **AMERICAN DEPOSITORY RECEIPT ("ADR") or GLOBAL DEPOSITORY RECEIPT ("GDR")**

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

### **IMPOSITION OF SANCTIONS and PENALTIES**

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

### **NON-AUDIT FEES**

There were no non-audit fees paid to the external auditors by the Group and by the Company during the year.

### **PROFIT ESTIMATE, FORECAST and PROJECTION**

There were no variances of 10% or more between the results for the financial year and the unaudited results previously announced.

### **PROFIT GUARANTEE**

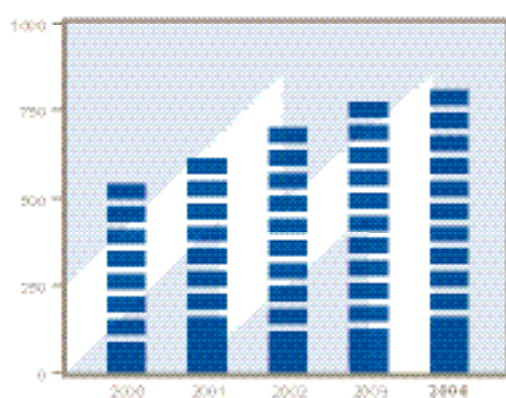
During the financial year, there were no profit guarantees given by the Company.

## Financial Highlights

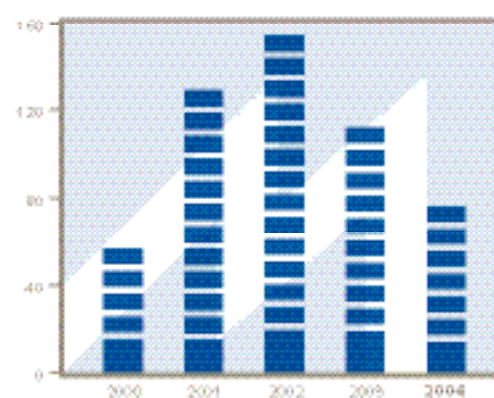
as at 31 March 2005

		2000	2001	2002	2003	2004
<b>TURNOVER</b> (RM Million)		537.7	612.6	697.8	768.5	<b>805.8</b>
<b>PROFIT BEFORE TAX</b> (RM Million)		57.8	130.1	155.2	113.2	<b>72.6</b>
<b>SHAREHOLDERS' EQUITY</b> (RM Million)		361.9	431.6	481.5	528.5	<b>544.9</b>
<b>GROSS DIVIDEND</b> (Sen)		4.8	24.0	18.0	18.0	<b>18.0</b>
<b>SALES</b> (Units)	<b>PERODUA</b>	10,602	10,629	11,809	12,133	<b>11,221</b>
	<b>DAIHATSU</b>	2,973	3,855	4,446	5,672	<b>6,140</b>

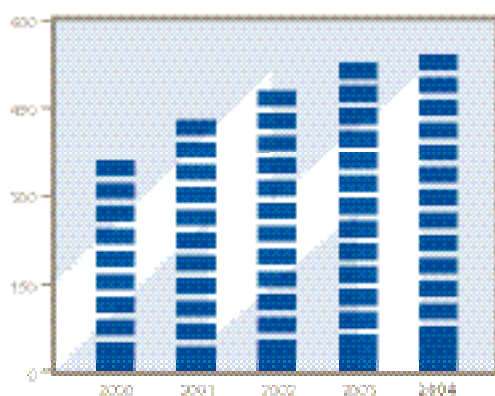
**TURNOVER** (RM million)



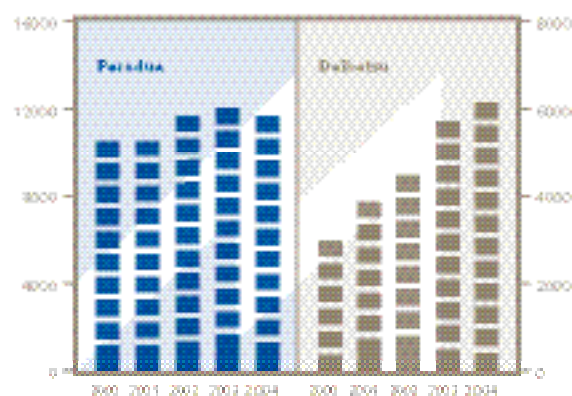
**PROFIT BEFORE TAX** (RM million)



**SHAREHOLDERS' EQUITY** (RM Million)



**SALES** (Units)



# Chairman's Statement

On behalf of the Board of Directors of MBMR, it is my pleasure to present the Annual Report and financial statements of the Group and the Company for the financial year ended 31 December 2004

## FINANCIAL PERFORMANCE

The Group's financial performance for the financial year ended 31 December 2004 declined with pre-tax profit lower by 35.9% at RM72.6 million (2003: RM113.2 million) despite the continued improvement in turnover, which rose by 4.8% to RM805.8 million (2003: RM768.5 million).

## DIVIDEND

The Company paid a first ordinary interim dividend of 9 sen per share on 21 September 2004 and a second ordinary interim dividend of 9 sen per share on 31 March 2005, bringing the total ordinary dividends declared for the financial year ended 31 December 2004 to 18 sen per share, similar to the total ordinary dividends paid in 2003.

## CORPORATE DEVELOPMENTS

The Company undertook several acquisitions during the year under review. These acquisitions were carried out to enable the Company to enhance shareholder value by better utilising its available cash reserves as well as to extend its participation in the motor industry.

The proposed acquisition of Oriental Extrusions Sdn Bhd ("OESB") on 18 March 2004, an investment holding company that owns 55.0% of Oriental Metal Industries (M) Sdn Bhd ("OMI"), was completed on 29 July 2004. Several months later, on 18 October 2004, the Company's now wholly-owned subsidiary, OESB, acquired another 3.0% in OMI, raising the Company's effective shareholding in OMI from 20.0% to 78.0% during the year under review.

On 20 April 2004, the Company acquired a 50.98% stake in WSA Capital Corporation Sdn Bhd ("WCC"), a company primarily involved in the manufacture of car interior components and commercial carpets, for RM5.2 million. This exercise was completed on 20 August 2004.

The Company proposed the acquisition of Inai Benua Sdn Bhd ("IBSB"), which owns 42.0% of Hino Motors (Malaysia) Sdn Bhd ("HMMMSB"), the sole distributor of Hino motor vehicles in Malaysia, for RM25.8 million on 26 November 2004. This corporate exercise is pending completion as at the time of writing.



## REVIEW OF OPERATIONS

### TRADING DIVISION

Motor vehicle sales soared to a record high of 487,605 units last year, up 20.2% from 405,745 units in 2003. Amid the motor industry's improved sales volume, Daihatsu (M) Sdn Bhd's ("DMSB") turnover increased by 1.7% to RM778.3 million (2003: RM765.0 million) but this did not translate into a stronger bottom line due to sustained advertising and promotional costs as well as the strong Japanese yen. Consequently, DMSB's pre-tax profit for the financial year ended 31 December 2004 declined by 22.5% to RM41.5 million (2003: RM53.5 million). DMSB, the sole distributor of Daihatsu motor vehicles in Malaysia and owner of the largest Perodua dealership network in the country, sold 6,140 (2003: 5,672) and 11,221 (2003: 12,133) units of Daihatsu and Perodua vehicles in 2004. This represents a 8.3% increase and 7.5% decrease respectively in terms of units sold.

### MANUFACTURING DIVISION

Steel wheel manufacturer, OMI, registered sales of RM25.1 million with pre-tax earnings coming in at RM3.4 million for the 9-month period ending 31 December 2004. Compared to the prior 9 months, this represents a 5.4% increase in turnover but a 14.6% decline in pre-tax earnings, largely due to higher raw material costs.

WCC, which was acquired in late-August 2004, achieved sales of RM32.8 million (2003: RM34.6 million), lower by 5.1%, and registered a pre-tax loss of RM5.1 million in 2004 (2003: RM1.1 million profit). A large proportion of the loss is due to provision for retirement benefit and doubtful debts incurred by WCC's commercial carpet manufacturing division.

Summit Vehicles Body Works Sdn Bhd ("SVBW") experienced a pre-tax loss of RM0.6 million (2003: RM0.6 million loss) on the back of RM6.0 million (2003: RM4.9 million) turnover during the year under review amid a difficult operating environment.

### ASSOCIATES

Perusahaan Otomobil Kedua Sdn Bhd ("Perodua") registered a lower turnover of RM3,862.5 million in 2004 (2003: RM4,044.4 million), down by 4.5% largely due to lower unit sales, which ended the year at 121,499 units (2003: 126,097 units). Although the decrease in turnover was marginal, profit before tax fell considerably by 40.0% to RM108.7 million (2003: RM181.0 million) due to the stronger-than-expected Japanese yen and an increasingly competitive trading environment, which necessitated the introduction of significant sales incentives.

Federal Auto Holdings Berhad ("FAHB") delivered a better performance last year. Losses narrowed to RM0.7 million from RM11.9 million recorded in 2003 despite a lower sales figure of RM188.9 million (2003: RM219.4 million), down by 13.9% from the prior year.

MBM Industries Sdn Bhd, which manufactures precision stamping parts for the electrical and electronics industries, delivered a stronger performance last year. Turnover rose by 14.3% to RM58.4 million (2003: RM51.1 million) while profit before tax was higher at RM3.5 million (2003: RM1.9 million), up by 84.4%.



## **FUTURE PROSPECTS**

The continuous introduction of new car models as well as sustained low interest rate environment are likely to help bolster buying interest and boost unit sales going forward. Positive trends include the increase in motor vehicle sales by 21.6% year-on-year to a record monthly high of 50,558 units in March 2005 (March 2004: 41,579 units). I am confident that the Company will perform reasonably well this year in light of recent sales performance and Malaysian Automobile Association's 2.5% projected sales growth to 500,000 units in 2005.

## **APPRECIATION**

My predecessor, Dato' Mohd Ridzuan, resigned from the Board of Directors on 28 May 2004 due to personal reasons. On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude for his contribution to the Company during his tenure as Chairman of the Company.

I would also like to express my appreciation to all employees for their contribution and commitment, and to the shareholders for their continued confidence in the Company.

Dr. Nawawi bin Mat Awin  
Chairman

The Group's policy is to achieve best practice in its standards of business integrity in all its activities. This includes a commitment to follow the highest standards of corporate governance throughout the Group.

The Principles and Best Practices of the Malaysian Code on Corporate Governance (the "Code") published in October 2000, were incorporated into the revamped Listing Requirements of the Bursa Securities. The principles of the Code are divided into four Sections:

Section 1: Directors  
Section 2: Directors' Remuneration  
Section 3: Shareholders  
Section 4: Accountability and Audit

In preparing this report, the Board has considered the manner in which it has applied these Principles and Best Practices.

## Statement On Corporate Governance

### SECTION 1: DIRECTORS

#### Composition of the Board

The Board has seven members. Five out of the seven members are non-executive directors, two of whom are independent. No individual or group of individuals dominates the Board's decision-making and the number of directors fairly reflects the investment of the shareholders.

Dr. Nawawi bin Mat Awin is Chairman of the Board while Dato' Abdul Rahim bin Abdul Halim is the Managing Director. There is a clear division of responsibility between these two roles to ensure a balance of power and authority.

The Company considers that its complement of non-executive directors provide for an effective Board with a mix of industry-specific knowledge and commercial experience. This balance enables the Board to provide clear and effective leadership to the Company and bring informed and independent judgement to many aspects of the Company's strategy and performance so as to ensure that the Company maintains the highest standards of conduct and integrity. The profile of the Board members are set out on pages 9 to 10.

One-third of the Board comprise independent directors since the Company recognises the contribution of independent directors as equal Board members to the development of the Company's strategies, the importance of representing the interest of public shareholders and providing a balanced and independent view to the Board. All independent directors are independent of management and free from any relationship that could interfere with their independent judgement.

#### Board Responsibilities

The Board retains full and effective control of the Company. This includes responsibility for determining the Company's overall strategic direction as well as development and control of the Group. Key matters, such as approval of annual and interim results, acquisitions and disposals, as well as material agreements are reserved for the Board.

The Board has four regularly scheduled meetings annually. In 2004, the Board held four meetings on the following dates: 26 February, 28 May, 20 August and 26 November. At each regularly scheduled meeting, there is a full financial and business review and discussion, including trading performance to-date against the same period the year before.

The Board has also delegated certain responsibilities to other Board committees, which operate within clearly defined terms of reference. Standing committees of the Board include the Audit Committee (please refer to the Report on Audit Committee set out on pages 23 to 25), Nomination Committee and Remuneration Committee.

### Supply of Information

Each Board member receives quarterly operating results, including a comprehensive review and analysis. Prior to each Board meeting, directors are sent an agenda and a full set of Board papers for each agenda item to be discussed at the meeting. This is issued in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be sufficiently briefed before the meeting.

Directors have access to all information within the Company whether as full board or in their individual capacity, in furtherance of their duties. Directors also have direct access to the advice and the services of the Group's Company Secretary who is responsible for ensuring that Board procedures are followed.

### Appointments of the Board and Re-election

The Board has a Nomination Committee comprising two independent directors. Members of the Nomination Committee are Tan Sri Dato' Lee Lam Thye, Dr. Nawawi Mat Awin and Mr Looi Kok Loon. This Committee is empowered to bring to the Board recommendations as to the appointment of any new executive or non-executive director, provided that the Chairman of the Nomination Committee, Tan Sri Dato' Lee Lam Thye, in developing such recommendations, consults all directors and reflects that consultation in any recommendation of the Nomination Committee brought forward to the Board.

The Nomination Committee also ensures that the Board has an appropriate balance of expertise and ability. For this purpose, the Committee regularly reviews the profile of the required skills and attributes. This profile is used to assess the suitability as executive or non-executive directors of candidates put forward by the directors. In addition, the Committee also regularly assesses the effectiveness of the Board as a whole and the contribution of each individual director.

The directors have direct access to the advice and services of the Company Secretary who is responsible for ensuring that all appointments are in order and all necessary information is obtained from directors, both for the Company's own records and for the purposes of meeting the requirements of the Companies Act 1965, Listing Requirements of the Bursa Securities and other regulatory requirements.

On appointment, directors take part in an induction programme where they receive the latest information about the Group. This is supplemented by visits to key locations and meetings with senior executives. Directors are also advised on appointment of their legal and other obligations as a director of a public-listed company.

In accordance with the Company's Articles of Association, all directors, except for the Managing Director who is on contract with the Company, shall retire from office once at least in each three years but shall be eligible for re-election.

## SECTION 2: DIRECTORS' REMUNERATION

### Remuneration Policy and Procedure

The Remuneration Committee comprises two independent directors. The members of the Remuneration Committee are Tan Sri Dato' Lee Lam Thye, Dr. Nawawi Mat Awin and Mr Low Hin Choong. The Remuneration Committee reviews and approves the annual salaries, incentive arrangements, service arrangements and other employment conditions for the executive directors.

The executive directors will not be present when matters affecting his/her own remuneration arrangements are considered. The determination of remuneration of non-executive directors is a matter for the Board as a whole. The non-executive directors abstain from discussing their own remuneration.

The policy of the Remuneration Committee is in line with the Group's overall practice on compensation and benefits, which is to reward employees competitively, taking into account performance, market comparisons and competitive pressures in the industry. Whilst not seeking to maintain a strict market position, it takes into account comparable roles in similar organisations.

The remuneration package for the Chairman, Managing Director and other directors comprise some or all of the following elements:

- **Basic Salaries and Fees**  
In setting the basic salary for each executive director, the Remuneration Committee takes into account the compensation practices of other companies and the performance of each individual director. Salaries are reviewed (although not necessarily increased) annually depending on the category of employment. Salaries are increased only where the Committee believes that adjustments are appropriate to reflect performance, increased responsibilities and/or market pressures.  
  
The Board determines fees payable to all directors with the approval from shareholders at the Annual General Meeting.
- **Annual Incentive Plan (Bonus Scheme)**  
The Group operates a bonus scheme for all employees, including the executive directors, and the criteria for this scheme is dependent on the financial performance of the Group. Bonus payable to the executive directors are reviewed by the Remuneration Committee and approved by the Board.
- **Retirement Plan**  
Contributions are made to the Employees Provident Fund ("EPF"), the national mandatory defined contribution plan, in respect of all Malaysian-resident executive directors.
- **Other Benefits**  
Other benefits include car and driver allowance as well as medical insurance policy.
- **Service Contracts**  
The Managing Director has a service contract with the Company, which expires on 8 February 2006.

## Directors' Remuneration

The number of directors of the Company whose total remuneration during the year fall within the following bands is as follows:

Directors	Number of Directors 2004	Number of Directors 2003
<b>Executive directors:</b>		
RM200,001 - RM250,000	1	1
RM250,001 - RM350,000	1	-
RM1,650,001 - RM1,700,000	-	1
<b>Non-Executive directors:</b>		
Below RM50,000	5	6
RM 50,001 - RM100,000	-	1
RM100,001 - RM200,000	2	-

The number of Remuneration Committee meetings held during the financial year 2004 and the number of meetings attended by each director are as follows:

Members of the Remuneration Committee	Number of meetings held in 2004	Number of meetings attended by each member
Tan Sri Dato' Lee Lam Thye (Chairman)	1	1
Dr. Nawawi bin Mat Awin	1	1
Mr Low Hin Choong	1	1

## SECTION 3: SHAREHOLDERS

### Dialogue Between the Company and Investors

As part of the Board's responsibility in developing and implementing an investor relations programme, regular formal and informal dialogues were held between senior management and analysts/fund managers throughout the year. Permissible disclosures are made to explain the Group's performance and major development programmes. Price-sensitive information about the Group is, however, not disclosed in these exchanges until after the prescribed announcement to Bursa Malaysia has been made. During the year 2004, the Company held two formal analysts/fund managers briefing on 1 March and 24 August 2004.

### Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders. Notice of the Annual General Meeting and annual reports are sent out to shareholders at least 21 days before the date of meeting.

Besides the usual agenda for the Annual General Meeting, the Board provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. All directors are available to provide responses to questions from the shareholders during these meetings.

For re-election of directors, the Board ensures that full information is disclosed through the notice of meeting regarding directors who are retiring and who are willing to serve if re-elected.

An explanatory statement to facilitate full understanding and evaluation of the issues involved will accompany items of special business included in the notice of the meeting.

## SECTION 4: ACCOUNTABILITY AND AUDIT

### Financial reporting

For financial reporting through quarterly reports to Bursa Malaysia Securities Berhad and the annual report to shareholders, the directors have a responsibility to present a fair assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinising information for disclosure to ensure accuracy, adequacy and completeness. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 33 of this annual report.

### Relationship with Auditors

The role of the Audit Committee in relation to the auditors may be found in the report on Audit Committee set out on pages 23 to 25. The Company has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

### Statement of Compliance with the Best Practice of the Code

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings. The Board considers that it has complied throughout the financial year with the Best Practices as set in the Code.

Statement made in accordance with the resolution of the Board of Directors dated 25 April 2005.

Dr. Nawawi bin Mat Awin  
Chairman

## Statement Of Directors' Responsibility In Relation To The Financial Statements

This statement is prepared as required by the Listing Requirements of the Bursa Securities.

The directors are required to prepare 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 each financial year and of their results and their cash flows for that year then ended.

The directors consider that in preparing the financial statements,

- the Group and the company have used appropriate accounting policies and are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

## COMPOSITION

### Chairman

Y. Bhg. Dr. Nawawi bin Mat Awin  
Independent Non-Executive Director

### Members

Y. Bhg. Dato' Abdul Rahim Abdul Halim  
Executive Director

Y. Bhg. Tan Sri Dato' Lee Lam Thye  
Independent Non-Executive Director  
(Appointed on 28 May 2004)

Y. Bhg. Tan Sri Dato' Abdul Aziz Abdul Rahman  
Independent Non-Executive Director  
(Retired on 28 May 2004)

All members of the Committee have a working familiarity with basic finance and accounting practices, and one of its members i.e Y. Bhg. Dr. Nawawi bin Mat Awin is a member of the Malaysian Institute of Accountants.

## Report On Audit Committee

## MEETINGS

The Audit Committee shall be appointed by the Board from amongst the Directors of the Company and shall consist of not less than three (3) members of whom the majority shall be from the Independent Non-Executive Directors. A quorum should be 2 independent members, one of whom shall be the Chairman of the Audit Committee.

Meetings shall be held not less than 4 times a year. One meeting shall be held prior to the annual financial statements being presented to the Board for approval. Additional meetings may be held at the discretion of the Committee or at the request of the external auditor. The external auditor has the right to appear and be heard at any meetings of the Audit Committee and shall appear before the Committee when required to do so by the Audit Committee.

The Company secretary shall be Secretary of the Audit Committee.

The Committee met four times during the year for the following purposes:

- To review the financial statements before the quarterly announcements to Bursa Malaysia.
- To review year-end financial statements together with external auditors' management letter and management's response.



- To discuss with external auditors the audit plan and scope for the year as well as the audit procedures to be utilised.
- To discuss with internal auditors on its scope of work, adequacy of resources and co-ordination with external auditors.
- Review the reports prepared by the internal auditors on the state of internal control of the Group.

The number of Audit Committee meetings held during the members' tenure in office in the current financial year and the number of meetings attended by each member are as follows:

Committee Members	Number of Audit Committee meetings held during members' tenure in office	Number of meetings attended by members
Y. Bhg. Dr. Nawawi bin Mat Awin	4	4
Y. Bhg. Dato' Abdul Rahim Abdul Halim	4	4
Y. Bhg. Tan Sri Dato' Lee Lam Thye	2	2
Y. Bhg. Tan Sri Dato' Abdul Aziz Abdul Rahman	2	2

### RESPONSIBILITIES AND DUTIES

The duties of the Committee shall be:

- To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;
- To discuss with external auditors before the audit commences, the nature and scope of audit, and ensure co-ordination where more than one audit firm is involved;
- To review the quarterly and year-end financial statements of the Group and the Company, focusing particularly on any changes in or implementation of major accounting policies and procedures, significant adjustments arising from the audit, the going concern assumption and compliance with applicable approved accounting standards and other legal and regulatory requirements;
- To discuss problems and reservation arising from the interim and final audit, and any matter the auditors may wish to discuss (in absence of management where necessary);

- To review external auditors' management letters and management's response;
- To do the following in respect of the internal audit function:
  - \* review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - \* review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendation of the internal audit function;
  - \* review any appraisal or assessment of the performance of members of the internal audit function; and
  - \* approve any appointment or termination of senior staff members of the internal audit function and to provide the opportunity for the resigning staff member to submit his reasons for resigning;
- To consider any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- To consider the major findings of internal investigation and the management's response;
- To have explicit authority to investigate certain matters, the resources which it needs to do so e.g. professional advice and full access to information; and
- To promptly report to the Bursa Malaysia Securities Berhad on matters reported by it to the Board that have not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities.
- To consider other topics as defined by the Board.

## INTERNAL AUDIT FUNCTION

The Audit Committee is supported in its functions by the respective internal audit function of the main subsidiary, two main associates' audit committees and the external auditors.

The main role of the internal audit function is to review the effectiveness of the system of internal control and this is performed with impartiality, proficiency and due professional care.

## Statement Of Internal Control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement the Board's policies on risk and control. Due to limitations that are inherent in any system of internal control, the system is designed to manage, rather than eliminate, the risk of failure in achieving the Group's business objectives. Internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the financial year under review and up to date of approval of the annual report and financial statements.

The process is regularly reviewed by the Board and is in accordance with the guidance as contained in the publication - Statement of Internal Control: Guidance for Directors of Public Listed Companies.

The key processes that the directors have established in reviewing the adequacy and integrity of the system of internal control are as follows:

1. The Group's risk management principles and procedures are clearly documented. The Group's management operates a risk management process that identifies the key risks by line of business and key functional activities.
2. The Board receives and reviews regular reports from the management on key operating statistics, legal, environmental and regulatory matters. The Board approves appropriate responses or amendments to the Group's policy.
3. There is a comprehensive budgeting and forecasting system that is governed by policies and guidelines of the Group. The financial results of the lines of business are reported monthly in the management financial reports where variances are analysed against budget and acted on in a timely manner. Forecasts are revised on a quarterly basis, taking into account significant business risks.
4. The Group's internal audit department, reporting to the Audit Committee, performs regular reviews of business processes to assess the effectiveness of internal controls and highlight significant risks facing the Group. The Audit Committee conducts annual reviews on the adequacy of the internal audit department's scope of work and resources.
5. The Audit Committee, on behalf of the Board, regularly reviews and holds discussions with management on the action taken on internal control issues identified in reports prepared by the internal audit department, the external auditors and the management.
6. There is a clearly defined framework for investment appraisal covering the acquisition or disposal of any business, acceptance of projects, application of capital expenditure and approval of borrowings. Post implementation reviews are conducted and reported to the Board.
7. Policies and standard operating procedures manuals are sent to all employees setting out the Group's reporting hierarchy and procedures.

Statement made in accordance with the resolution of the Board of Directors dated 25 April 2005.

# Financial Statements

28	Directors' Report
33	Statement By Directors
33	Statutory Declaration
34	Report Of The Auditors
35	Income Statements
36	Balance Sheets
38	Consolidated Statement Of Changes In Equity
38	Company Statement Of Changes In Equity
39	Consolidated Cash Flow Statement
41	Company Cash Flow Statement
42	Notes To The Financial Statements



# Directors' Report as at 31 December 2004

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are described in Note 39 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year other than the acquisition of subsidiaries as disclosed in Note 13 to the financial statements.

## RESULTS

	Group RM'000	Company RM'000
Profit after taxation	55,758	22,877
Minority interests	(9,626)	-
Net profit for the year	46,132	22,877

There were no material transfers to or from reserves or provisions during the year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the acquisition of subsidiaries.

## DIVIDENDS

The amount of dividends paid by the Company since 31 December 2003 were as follows:

	RM'000
In respect of the financial year ended 31 December 2003 as reported in the directors' report of that year:	
Second interim dividend of 9% less 28% taxation, on 234,759,667 ordinary shares, declared on 26 February 2004 and paid on 31 March 2004	15,212
In respect of the financial year ended 31 December 2004:	
First interim dividend of 9% less 28% taxation, on 234,764,667 ordinary shares, declared on 20 August 2004 and paid on 21 September 2004	15,213
	30,425

On 28 February 2005, the directors declared a second interim dividend in respect of the current financial year ended 31 December 2004 of 9% less 28% taxation on 234,764,667 ordinary shares amounting to RM15,212,750 (6.48 sen net per ordinary share). The financial statements for the current financial year do not reflect this declared dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2005.

## DIRECTORS

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

Dr. Nawawi bin Mat Awin  
 Dato' Abdul Rahim bin Abdul Halim  
 Tan Sri Dato' Lee Lam Thye  
 Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin  
 Low Hin Choong  
 Looi Kok Loon  
 Wong Wei Khin  
 Dato' Mohd Ridzuan bin Abdul Halim (*resigned on 28 May 2004*)  
 Tan Sri Dato' Abdul Aziz bin Abdul Rahman (*retired on 28 May 2004*)

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Options Scheme ("ESOS").

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM1 Each			
	1.1.2004	Acquired	Sold	31.12.2004
<b>The Company</b>				
<b>Direct Interest</b>				
Dr. Nawawi bin Mat Awin	346,000	-	-	346,000
Dato' Abdul Rahim bin Abdul Halim	909,495	-	-	909,495
Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin	346,666	-	-	346,666
Looi Kok Loon	137,243	20,000	-	157,243
Low Hin Choong	-	10,000	-	10,000
Wong Wei Khin	385,533	-	20,000	365,533
<b>Indirect Interest</b>				
Dato' Abdul Rahim bin Abdul Halim	1,698,333	-	-	1,698,333
Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin	2,848,147	-	-	2,848,147
Low Hin Choong	895,598	-	-	895,598
Looi Kok Loon	1,678,440	168,000	125,000	1,721,440
Wong Wei Khin	1,072,431	-	-	1,072,431

**DIRECTORS' INTERESTS (CONTD.)**

		Number of Options over Ordinary Shares of RM1 Each		
	1.1.2004	Granted	Exercised	31.12.2004
Dato' Abdul Rahim bin Abdul Halim	250,000	-	-	250,000
Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin	200,000	-	-	200,000

		Number of Ordinary Shares of RM1 Each		
	1.1.2004	Acquired	Sold	31.12.2004

**Holding Company - Med-Bumikar Mara Sdn. Bhd.****Direct Interest**

Dato' Abdul Rahim bin Abdul Halim	2,757,539	1,976,661	1,541,465	3,192,735
Wong Wei Khin	494,002	322,585	276,147	540,440

**Indirect Interest**

Aqil bin Tan Sri Dato' Haji Ahmad Azizuddin	3,282,050	2,143,186	1,834,665	3,590,571
Looi Kok Loon	3,282,050	2,143,186	1,834,665	3,590,571
Wong Wei Khin	2,636,104	1,721,381	1,473,583	2,883,902

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

**ISSUE OF SHARES**

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM234,492,667 to RM234,764,667 by way of the issuance of 272,000 ordinary shares of RM1 each for cash pursuant to the Company's ESOS at exercise price of RM2.54 per ordinary share.

The ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

**EMPLOYEE SHARE OPTIONS SCHEME**

The MBM Resources Berhad ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 15 August, 2002. The ESOS was implemented on 2 September 2002 and is to be in force for a period of 10 years from the date of implementation.

The main features of the ESOS are disclosed in Note 30 (b) to the financial statements.

Details of the options granted to directors are disclosed in the section on Directors' Interests in this report.

## OTHER STATUTORY INFORMATION

- (a) Before income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) the amount written off as 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; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.



**SIGNIFICANT EVENTS**

The significant events during the financial year are as disclosed in Note 35 to the financial statements.

**SUBSEQUENT EVENT**

The subsequent event is as disclosed in Note 36 to the financial statements.

**AUDITORS**

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

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

**Dr. Nawawi bin Mat Awin**

**Dato' Abdul Rahim bin Abdul Halim**

Kuala Lumpur, Malaysia  
25 April 2005

## Statement By

## Directors pursuant to section 169(15) of the Companies Act, 1965

We, Dr. Nawawi bin Mat Awin and Dato' Abdul Rahim bin Abdul Halim, being two of the directors of MBM Resources Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 35 to 82 are drawn up in accordance with applicable MASB Malaysian Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

**Dr. Nawawi bin Mat Awin**

**Dato' Abdul Rahim bin Abdul Halim**

Kuala Lumpur, Malaysia  
25 April 2005

## Statutory

## Declaration pursuant to section 169(16) of the Companies Act, 1965

I, Dato' Abdul Rahim bin Abdul Halim, being the director primarily responsible for the financial management of MBM Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 35 to 82 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed Dato' Abdul Rahim bin Abdul Halim  
at Kuala Lumpur in the Federal Territory  
on 25 April 2005

)  
)  
)  
)

**Dato' Abdul Rahim bin Abdul Halim**

Before me,

Barathan A/L Sinniah@Chinniah AMN, PJK (W 202)  
Commissioner for Oaths

# Report Of The Auditors

to the members of MBM Resources Berhad

We have audited the financial statements set out on pages 35 to 82. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1967 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Malaysian Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

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

**Ernst & Young**  
**AF: 0039**  
**Chartered Accountants**

**Wong Kang Hwee**  
**No. 1116/01/06(J)**  
**Partner**

Kuala Lumpur, Malaysia  
25 April 2005

# Income Statements

for the year ended 31 December 2004

		Group		Company	
	Note	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Revenue	3	805,755	768,527	32,150	26,155
Cost of sales	4	(724,265)	(691,730)	-	-
Gross profit		81,490	76,797	32,150	26,155
Other operating income		11,662	28,830	2,187	598
Administrative and operating expenses		(23,007)	(25,284)	(2,028)	(4,528)
Selling and marketing expenses		(26,153)	(16,296)	-	-
Profit from operations	5	43,992	64,047	32,309	22,225
Finance (costs)/income, net	8	(133)	1,639	(717)	741
Share of results of associates		28,705	47,516	-	-
Profit before taxation		72,564	113,202	31,592	22,966
Taxation					
Company and subsidiaries		(11,326)	(14,052)	(8,715)	(7,167)
Associates		(5,480)	(11,585)	-	-
	9	(16,806)	(25,637)	(8,715)	(7,167)
Profit after taxation		55,758	87,565	22,877	15,799
Minority interests		(9,626)	(12,659)	-	-
Net profit for the year		46,132	74,906	22,877	15,799
Earnings per share (sen)	10	19.7	32.2		

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

# Balance Sheets

as at 31 December 2004

		Group		Company	
	Note	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	129,725	75,299	327	294
Subsidiaries	13	-	-	103,647	55,796
Associates	14	312,865	280,032	163,586	163,586
Other investment	15	4,000	4,000	4,000	4,000
Hire purchase receivables	16	26,600	37,761	-	-
Goodwill on consolidation	17	5,791	-	-	-
		478,981	397,092	271,560	223,676
<b>CURRENT ASSETS</b>					
Inventories	18	97,680	102,416	-	-
Trade receivables	19	72,034	44,771	-	-
Other receivables	20	17,977	17,573	1,325	3,847
Due from an associate	21	17	15	17	15
Due from subsidiaries	22	-	-	35,320	31,758
Marketable securities	23	19,332	34,740	19,332	34,740
Cash and bank balances	24	95,868	137,910	39,907	46,043
		302,908	337,425	95,901	116,403
<b>CURRENT LIABILITIES</b>					
Provision for liabilities	25	2,686	1,879	-	-
Short term borrowings	26	49,716	30,779	-	-
Trade payables	28	26,930	36,996	-	-
Other payables	29	18,700	14,718	630	1,578
Due to holding company	21	1,022	217	55	217
Due to subsidiaries	21	-	-	35,349	-
Tax payable		247	5	-	-
		99,301	84,594	36,034	1,795
<b>NET CURRENT ASSETS</b>					
		203,607	252,831	59,867	114,608
		682,588	649,923	331,427	338,284

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

		Group		Company	
	Note	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>FINANCED BY:</b>					
Share capital	30	234,765	234,493	234,765	234,493
Reserves		310,138	294,012	56,662	63,791
Shareholders' equity		544,903	528,505	291,427	298,284
Minority interests		89,738	73,091	-	-
		634,641	601,596	291,427	298,284
Negative goodwill	17	-	8,100	-	-
Long term borrowings	26	45,247	40,000	40,000	40,000
Deferred taxation	32	2,700	227	-	-
		682,588	649,923	331,427	338,284

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

## Consolidated Statement Of Changes In Equity for the year ended 31 December 2004

	Share Capital RM'000	Share Premium RM'000	<-Non-Distributable-> Foreign Exchange Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 January 2003	231,667	15,077	(63)	234,797	481,478
Exercise of ESOS (Note 30)	2,826	4,352	-	-	7,178
Realisation of foreign exchange reserve	-	-	63	-	63
Net profit for the year	-	-	-	74,906	74,906
Dividends (Note 11)	-	-	-	(35,120)	(35,120)
At 31 December 2003	234,493	19,429	-	274,583	528,505
At 1 January 2004	234,493	19,429	-	274,583	528,505
Exercise of ESOS (Note 30)	272	419	-	-	691
Net profit for the year	-	-	-	46,132	46,132
Dividends (Note 11)	-	-	-	(30,425)	(30,425)
At 31 December 2004	234,765	19,848	-	290,290	544,903

## Company Statement Of Changes In Equity for the year ended 31 December 2004

	Share Capital RM'000	Non- Distributable Share Premium RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 January 2003	231,667	15,077	63,683	310,427
Exercise of ESOS (Note 30)	2,826	4,352	-	7,178
Net profit for the year	-	-	15,799	15,799
Dividends (Note 11)	-	-	(35,120)	(35,120)
At 31 December 2003	234,493	19,429	44,362	298,284
At 1 January 2004	234,493	19,429	44,362	298,284
Exercise of ESOS (Note 30)	272	419	-	691
Net profit for the year	-	-	22,877	22,877
Dividends (Note 11)	-	-	(30,425)	(30,425)
At 31 December 2004	234,765	19,848	36,814	291,427

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

# Consolidated Cash Flow Statement

for the year ended 31 December 2004

	2004 RM'000	2003 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	72,564	113,202
Adjustment for:		
Share of results of associates	(28,705)	(47,516)
Amortisation of net goodwill arising on consolidation	(294)	(540)
Amortisation of goodwill arising on acquisition of associates	316	337
Bad debts written off	4	-
Depreciation	5,595	2,226
Goodwill written off	-	273
Impairment of investment	-	658
Interest expense	3,536	2,750
Inventories written down/off	196	121
Pension costs - defined benefit plan	361	344
Property, plant and equipment written off	43	55
Provision for doubtful debts	2,286	154
Provision for warranty	2,136	1,511
Bad debts recovered	(421)	(406)
Gain on disposal of an associate	-	(9,772)
Gain on disposal of property, plant and equipment	(111)	-
Gain on disposal of marketable securities	(87)	-
Inventories written back	(66)	(137)
Interest income	(3,398)	(4,599)
Unrealised foreign exchange gain	(3,940)	(7,503)
Operating profit before working capital changes	50,015	51,158
Decrease in receivables	2,005	1,698
Decrease/(increase) in inventories	16,097	(27,947)
Net changes in related companies balances	804	(153)
Increase/(decrease) in payables	(51,944)	8,759
Increase in provision for liabilities	(3,011)	(1,855)
Cash generated from operations	13,966	31,660
Interest paid	(3,519)	(2,745)
Taxes paid	(14,827)	(17,936)
Net cash (used in)/generated from operating activities	(4,380)	10,979

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



	2004 RM'000	2003 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received from an associate	11,067	13,963
Interest received	3,398	4,599
Purchase of property, plant and equipment	(10,473)	(7,214)
Proceeds from disposal of property, plant and equipment	367	-
Proceeds from disposal of marketable securities	15,495	-
Acquisition of other investments and marketable securities	-	(15,398)
Proceeds from disposal of an associate	-	43,932
Acquisition of subsidiaries (Note 13(e))	(36,033)	(1,439)
Additional investment in a subsidiary	(1,997)	(582)
Net cash (used in)/generated from investing activities	(18,176)	37,861
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(30,425)	(35,120)
Proceeds from exercise of ESOS	691	7,178
Net repayment of term loans	(5,220)	(804)
Net drawdown of other short term borrowings	13,493	11,024
Net repayment of hire purchase payables	(47)	(8)
Net cash used in financing activities	(21,508)	(17,730)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(44,064)</b>	<b>31,110</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<b>133,163</b>	<b>102,053</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 24)</b>	<b>89,099</b>	<b>133,163</b>

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

# Company Cash Flow Statement

for the year ended 31 December 2004

	2004 RM'000	2003 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	31,592	22,966
Adjustment for:		
Bad debts written off	4	-
Depreciation	87	94
Impairment of investment	-	1,267
Interest expense	2,044	1,967
Gain on disposal of marketable securities	(87)	-
Gross dividends income	(32,150)	(26,155)
Interest income	(1,327)	(2,708)
Provision for doubtful debts written back	(2,100)	-
Operating loss before working capital changes	(1,937)	(2,569)
Decrease/(increase) in receivables	2,937	(3,374)
(Decrease)/increase in payables	(1,056)	1,118
Net changes in related companies balances	33,634	(1,755)
Cash generated from/(used in) operations	33,578	(6,580)
Interest paid	(1,846)	(1,962)
Taxes paid	(132)	(309)
Net cash generated from/(used in) operating activities	31,600	(8,851)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	23,148	18,832
Interest received	1,327	2,708
Purchase of property, plant and equipment	(338)	-
Proceeds from disposal of property, plant and equipment	218	-
Proceeds from disposal of marketable securities	15,495	-
Acquisition of subsidiaries	(47,852)	(1,335)
Additional investment in a subsidiary	-	(582)
Acquisition of other investments and marketable securities	-	(15,398)
Net cash (used in)/generated from investing activities	(8,002)	4,225
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	(30,425)	(35,120)
Proceeds from exercise of ESOS	691	7,178
Net cash used in financing activities	(29,734)	(27,942)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,136)</b>	<b>(32,568)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<b>46,043</b>	<b>78,611</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 24)</b>	<b>39,907</b>	<b>46,043</b>

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

# Notes To The Financial Statements

31 December 2004

## 1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are described in Note 39.

There have been no significant changes in the nature of the principal activities during the financial year other than the acquisition of subsidiaries as disclosed in Note 13.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at 50-04-05, Wisma UOA Damansara, 50 Jalan Dungun, Damansara Heights, 50490 Kuala Lumpur.

The holding and ultimate holding company of the Company is Med-Bumikar Mara Sdn. Bhd., which is incorporated in Malaysia.

The number of employees in the Group and in the Company at the end of the financial year were 1,044 (2003: 630) and 12 (2003: 12) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 April 2005.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention except for the revaluation of leasehold land included within property, plant and equipment.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Malaysian Accounting Standards in Malaysia.

### (b) Basis of Consolidation

#### (i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### (b) Basis of Consolidation (Contd.)

#### (i) Subsidiaries (Contd.)

The 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 and exchange differences.

Minority interest in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

#### (ii) Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

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

### (c) Goodwill

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

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the respective carrying amounts of these investments.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary and associate at the date of acquisition over the cost of acquisition.

Goodwill and negative goodwill are amortised on a straight-line basis over the shorter of its estimated useful life or 25 years.

### (d) Investments in Subsidiaries and Associates

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### (e) Property, Plant and Equipment and Depreciation

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

Leasehold land is stated at valuation less impairment losses. Revaluations are made at least once in every five years based on a valuation by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation decrease is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

Freehold land is not depreciated. Long term and short term leasehold land are depreciated over the period of the respective leases which ranges from 44 years to 99 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Buildings	2% - 5%
Renovations and leasehold improvements	10% - 33 1/3%
Plant and machinery	5% - 33 1/3%
Furniture, fixtures, fittings, equipment and tools & implement	8% - 33 1/3%
Motor vehicles	10% - 25%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

### (f) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### (g) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks and deposits at call and short term highly liquid investment which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### (h) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred taxation is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. 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 when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

### (i) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### (j) Provision for Liabilities

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

### (k) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

#### (i) Dividend Income

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

#### (ii) Sales of Goods

Revenue relating to sales of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

#### (iii) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

#### (iv) Interest Income

Interest income from hire purchase transactions are recognised on the sum of digits method. When an account becomes non-performing, interest is suspended until it is realised on a cash basis. Hire purchase accounts are deemed to be non-performing when repayments are in arrears for more than six months.

### (l) Foreign Currencies

#### (i) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

**2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)****(l) Foreign Currencies (Contd.)****(ii) Foreign Operations**

Where the operations of a foreign company are integral to the operations of the Company, the translation principles described above are applied as if the transactions of the foreign operation had been those of the Company.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2004 RM	2003 RM
New Zealand Dollars	2.70	2.40
Japanese Yen (per 100 units)	3.70	3.20
United States Dollars	3.80	3.80

**(m) Impairment of Assets**

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

An impairment loss is charged to the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

**(n) Employee Benefits****(i) Short term benefits**

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

**(ii) Defined contribution plans**

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.



## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### (n) Employee Benefits (Contd.)

#### (iii) Retirement benefits

Daihatsu (Malaysia) Sdn. Bhd. and its subsidiaries ("Daihatsu Group") operates a funded, defined Retirement Benefit Scheme ("Scheme") for its eligible employees. The Daihatsu Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value.

The subsidiary companies of WSA Engineering Sdn. Bhd., namely, Carpet International Malaysia (Distribution) Sdn. Bhd., Peninsular Carpet Manufacturing Sdn. Bhd. and Carpet International Manufacturing Malaysia Sdn. Bhd. (hereinafter collectively referred to as "WSAE Subsidiaries") operate an unfunded Scheme for its eligible employees based on certain terms of the employment contract. Contributions relating to the plan are charged to the income statement when incurred.

The amounts recognised in the balance sheet represents the present value of the defined benefit obligations and reduced by the fair value of plan assets for Daihatsu Group and full provision for eligible employees for WSAE Subsidiaries.

### (o) Financial Instruments

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

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

#### (i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

#### (ii) Marketable Securities

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

#### (iii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

### (o) Financial Instruments (Contd.)

#### (iv) Payables

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

#### (v) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

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

#### (vi) Equity Instruments

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

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

#### (v) Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements on inception.

Forward foreign exchange contracts:

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rates and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items.

## 3. REVENUE

Revenue of the Group and the Company consist of the following:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Gross dividends from:				
- subsidiaries	-	-	24,310	12,155
- associates	-	-	7,840	14,000
Sale of goods and services	801,772	763,824	-	-
Interest income from hire purchase arrangements	3,983	4,703	-	-
	805,755	768,527	32,150	26,155

#### 4. COST OF SALES

Cost of sales of the Group consist of the following:

	Group	
	2004 RM'000	2003 RM'000
Cost of sales for goods and services	724,205	690,583
Cost of sales for hire purchase arrangements	60	1,147
	724,265	691,730

#### 5. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Amortisation of goodwill arising on acquisition of associates	316	337	-	-
Auditors' remuneration				
- current year	166	99	15	15
- underprovision in prior years	40	-	-	-
Bad debts written off	4	-	4	-
Depreciation	5,595	2,226	87	94
Directors' remuneration (Note 7)	1,684	2,531	823	1,955
Goodwill written off	-	273	-	-
Impairment of investment in marketable securities	-	658	-	1,267
Inventories written down/off	196	121	-	-
Provision for doubtful debts	2,286	154	-	-
Provision for warranty	2,136	1,511	-	-
Property, plant and equipment written off	43	55	-	-
Rental expense	943	256	-	-
Royalty expense	225	-	-	-
Staff costs (Note 6)	17,202	13,042	1,021	1,307
Amortisation of net goodwill arising on consolidation	(294)	(540)	-	-
Bad debts recovered	(421)	(406)	-	-
Gain on disposal of marketable securities	(87)	-	-	-
Gain on disposal of property, plant and equipment	(111)	-	-	-
Gain on disposal of an associate	-	(9,772)	-	-
Inventories written back	(66)	(137)	-	-
Net foreign exchange gains:				
- realised	(15)	-	-	-
- unrealised	(3,940)	(7,503)	-	-
Provision for doubtful debts written back	-	-	(2,100)	-
Rental income	(1,448)	(1,316)	-	-

**6. STAFF COSTS**

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Wages and salaries	13,777	10,553	859	1,096
Pension costs - defined contribution plans	1,711	1,333	159	208
Pension costs - defined benefit plan (Note 25)	361	344	-	-
Social security costs	206	160	3	3
Other staff related expenses	1,147	652	-	-
	17,202	13,042	1,021	1,307

**7. DIRECTORS' REMUNERATION**

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Directors of the Company</b>				
Executive:				
Salaries and other emoluments	416	396	284	264
Fees	87	112	26	32
Bonus	68	261	36	212
Ex-gratia payment to a former director	-	1,175	-	1,175
	571	1,944	346	1,683
Non-Executive:				
Fees	206	272	188	272
Ex-gratia payment to former directors	289	-	289	-
	495	272	477	272
<b>Directors of subsidiaries</b>				
Executive:				
Salaries and other emoluments	388	120	-	-
Fees	38	50	-	-
Bonus	29	45	-	-
	455	215	-	-
Non-Executive:				
Fees	117	100	-	-
Benefits-in-kind	46	-	-	-
	163	100	-	-
<b>Total</b>	<b>1,684</b>	<b>2,531</b>	<b>823</b>	<b>1,955</b>

## 7. DIRECTORS' REMUNERATION (Contd.)

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is as follows:

	Number of Directors	
	2004	2003
Executive directors:		
RM200,001 - RM250,000	1	1
RM250,001 - RM350,000	1	-
RM1,650,001 - RM1,700,000	-	1
Non-executive directors:		
Below RM50,000	5	6
RM50,001 - RM100,000	-	1
RM100,001 - RM200,000	2	-

## 8. FINANCE (COSTS)/INCOME, NET

Included in finance (costs)/income, net are:

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Interest expenses				
- ultimate holding company	(155)	-	-	-
- borrowings	(3,381)	(2,750)	(2,044)	(1,967)
Interest income				
- marketable securities	1,327	2,708	1,327	2,708
- fixed deposits	2,071	1,891	-	-

## 9. TAXATION

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Income tax expense:				
Current year	11,597	13,883	8,715	7,167
Overprovision in prior years	(14)	(21)	-	-
	11,583	13,862	8,715	7,167
Deferred tax (Note 32):				
Relating to origination and reversal of temporary differences	5	(37)	-	-
(Over)/underprovision in prior years	(262)	227	-	-
	(257)	190	-	-
Share of taxation of associates	5,480	11,585	-	-
	16,806	25,637	8,715	7,167

**9. TAXATION (Contd.)**

Income tax is calculated at the statutory tax rate of 28% (2003: 28%) of the estimated assessable profit for the year. Taxation for a small and medium scale subsidiaries with paid-up capital of RM2,500,000 and below are calculated at the rate of 20% on chargeable income of up to RM500,000 (2003: RM100,000). For chargeable income in excess of RM500,000, the statutory tax rate of 28% is applicable.

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

	2004 RM'000	2003 RM'000
<b>Group</b>		
Profit before taxation	72,564	113,202
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	20,318	31,697
Effect of different tax rate for a small and medium scale subsidiaries of 20% for the first chargeable income of RM500,000 (2003: RM100,000)	(86)	(8)
Effect of income not subject to tax	(245)	(84)
Effect of expenses not deductible for tax purposes	1,301	3,304
Effect of 70% tax exemption on pioneer status	(9)	-
Subsidiaries companies domiciled in tax haven country	(1,626)	(7,200)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(157)	-
Utilisation of reinvestment allowance	(3,734)	(3,129)
Deferred taxation assets not recognised during the year	1,599	108
(Over)/underprovision of deferred tax in prior years	(262)	227
(Over)/underprovision of income tax expense in prior years		
- company and subsidiaries	(14)	(21)
- associates	(279)	743
Tax expense for the year	16,806	25,637
<b>Company</b>		
Profit before taxation	31,592	22,966
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	8,846	6,430
Effect of income not subject to tax	(681)	(348)
Effect of expenses not deductible for tax purposes	550	1,085
Tax expense for the year	8,715	7,167
Tax savings of the Group during the financial year arising from:		
Utilisation of current tax losses	32	2
Utilisation of previously unrecognised tax losses	126	-

## 10. EARNINGS PER SHARE

### (a) Basic

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

	Group	
	2004	2003
Net profit for the year (RM'000)	46,132	74,906
Weighted average number of ordinary share in issue ('000)	234,731	232,451
Basic EPS (sen)	19.7	32.2

### (b) Diluted

Fully diluted earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the year adjusted for the dilutive effects of share options granted to employees.

	Group	
	2004	2003
Net profit for the year (RM'000)	46,132	74,906
Weighted average number of ordinary shares in issue ('000)	234,731	232,451
Adjustment for assumed exercise of ESOS ('000)	4,083	4,355
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	238,814	236,806
Diluted EPS (sen)	19.3	31.6

## 11. DIVIDENDS

	Amount		Net Dividends per Ordinary Share	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
In respect of the financial year ended 31 December 2002:				
Second interim dividend of 12% less 28% taxation	-	20,016	-	8.6
In respect of the financial year ended 31 December 2003:				
First interim dividend of 9% less 28% taxation	-	15,104	-	6.5
Second interim dividend of 9% less 28% taxation	15,212	-	6.5	-

**11. DIVIDENDS (Contd.)**

	Amount		Net Dividends per Ordinary Share	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
In respect of the financial year ended 31 December 2004:				
First interim dividend of 9% less 28% taxation	15,213	-	6.5	-
	30,425	35,120	13.0	15.1

On 28 February 2005, the directors declared a second interim dividend in respect of the current financial year ended 31 December 2004 of 9% less 28% taxation on 234,764,667 ordinary shares amounting to RM15,212,750 (6.48 sen net per ordinary share). The financial statements for the current financial year do not reflect this declared dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2005.

**12. PROPERTY, PLANT AND EQUIPMENT**

	*Land and buildings RM'000	Plant and machinery RM'000	Renovation and leasehold improvements RM'000	Furniture, fixtures, fittings, equipment and tools and implement RM'000	Motor vehicles RM'000	Total RM'000
<b>Group</b>						
<b>Cost/Valuation</b>						
At 1 January 2004	80,078	5,422	5,298	7,956	2,430	101,184
Additions	5,197	473	3,264	975	659	10,568
Acquisition of subsidiaries	30,833	75,923	811	21,483	1,302	130,352
Disposals	-	-	-	(5)	(759)	(764)
Write-off	-	-	(90)	(170)	-	(260)
At 31 December 2004	116,108	81,818	9,283	30,239	3,632	241,080
Representing:						
At cost	107,349	81,818	9,283	30,239	3,632	232,321
At valuation	8,759	-	-	-	-	8,759
	116,108	81,818	9,283	30,239	3,632	241,080



## 12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

	*Land and buildings RM'000	Plant and machinery RM'000	Renovation and leasehold improvements RM'000	Furniture, fixtures, fittings, equipment and tools and implement RM'000	Motor vehicles RM'000	Total RM'000
<b>Accumulated Depreciation</b>						
At 1 January 2004	8,906	5,287	3,639	6,679	1,374	25,885
Depreciation charge for the year	1,204	1,758	1,163	1,146	324	5,595
Acquisition of subsidiaries	706	61,683	680	16,760	771	80,600
Disposals	-	-	-	(5)	(503)	(508)
Write-off	-	-	(64)	(153)	-	(217)
At 31 December 2004	10,816	68,728	5,418	24,427	1,966	111,355
Representing:						
At cost	10,639	68,728	5,418	24,427	1,966	111,178
At valuation	177	-	-	-	-	177
	10,816	68,728	5,418	24,427	1,966	111,355
<b>Net Book Value</b>						
At 31 December 2004:						
At cost	96,710	13,090	3,865	5,812	1,666	121,143
At valuation	8,582	-	-	-	-	8,582
	105,292	13,090	3,865	5,812	1,666	129,725
At 31 December 2003:						
At cost	71,172	135	1,659	1,277	1,056	75,299
<b>Depreciation charge for 2003</b>	925	114	551	233	403	2,226

**12. PROPERTY, PLANT AND EQUIPMENT (Contd.)****\* Land and Buildings of the Group**

	Freehold land RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Buildings RM'000	Total RM'000
<b>Cost/Valuation</b>					
At 1 January 2004	8,405	12,909	2,580	56,184	80,078
Additions	-	4,886	-	311	5,197
Acquisition of subsidiaries	-	29,399	-	1,434	30,833
At 31 December 2004	8,405	47,194	2,580	57,929	116,108
Representing:					
At cost	8,405	38,435	2,580	57,929	107,349
At valuation	-	8,759	-	-	8,759
	8,405	47,194	2,580	57,929	116,108
<b>Accumulated Depreciation</b>					
At 1 January 2004	-	1,547	880	6,479	8,906
Depreciation charge for the year	-	381	59	764	1,204
Acquisition of subsidiaries	-	587	-	119	706
At 31 December 2004	-	2,515	939	7,362	10,816
Representing:					
At cost	-	2,338	939	7,362	10,639
At valuation	-	177	-	-	177
	-	2,515	939	7,362	10,816
<b>Net Book Value</b>					
At 31 December 2004:					
At cost	8,405	36,097	1,641	50,567	96,710
At valuation	-	8,582	-	-	8,582
	8,405	44,679	1,641	50,567	105,292
At 31 December 2003:					
At cost	8,405	11,362	1,700	49,705	71,172
Depreciation charge for 2003	-	129	65	731	925

## 12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
<b>Company</b>				
<b>Cost</b>				
At 1 January 2004	126	355	64	545
Additions	-	338	-	338
Disposals	-	(355)	-	(355)
At 31 December 2004	126	338	64	528
<b>Accumulated Depreciation</b>				
At 1 January 2004	108	101	42	251
Depreciation charge for the year	10	70	7	87
Disposals	-	(137)	-	(137)
At 31 December 2004	118	34	49	201
<b>Net Book Value</b>				
At 31 December 2004	8	304	15	327
At 31 December 2003	18	254	22	294
<b>Depreciation charge for 2003</b>	17	71	6	94

- (a) Details of the independent professional valuation of long term leasehold land owned by the Group as at 31 December 2004 are as follows:

Date of Valuation	Description of Property	Valuation Amount RM'000	Basis of Valuation
5 April 2002	Long term leasehold land in Gombak, Rawang, Selangor Darul Ehsan	3,580	Market Value
15 March 2003	Long term leasehold land in Port Klang, Selangor Darul Ehsan	6,300	Market Value

At 31 December 2004, had the revalued long term leasehold land been carried at historical cost, the net book value would have been RM4,425,041 (2003: RMNil).

- (b) During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM10,568,000 (2003: RM7,214,000) of which RM95,000 (2003: RMNil) was acquired by means of hire purchase arrangements. Net book value of property, plant and equipment held under hire purchase arrangements amounts to RM141,547 (2003: RM19,188).

**12. PROPERTY, PLANT AND EQUIPMENT (Contd.)**

- (c) The net book values of property, plant and equipment pledged for borrowings as disclosed in Note 26 are as follows:

	Group	
	2004 RM'000	2003 RM'000
Long term leasehold land	28,611	-
Plant and machinery	7,358	-

**13. SUBSIDIARIES**

	Company	
	2004 RM'000	2003 RM'000
Unquoted shares, at cost	104,255	56,404
Less: Accumulated impairment losses	(608)	(608)
	103,647	55,796

- (a) Details of the subsidiaries are disclosed in Note 39.
- (b) During the financial year, the Group acquired the following companies for a total cash consideration of RM47,852,000.

	Date of Acquisition	Equity Interest %	Principal Activities
(i) Galaxy Waves Sdn. Bhd.	15.03.2004	100.00	Investment holding
(ii) Oriental Extrusions Sdn. Bhd.	29.07.2004	100.00	Investment holding
(iii) WSA Capital Corporation Sdn. Bhd.	20.08.2004	50.98	Manufacturing, designing and supplying of automotive parts and other related activities

On 24 April 2003, the Group acquired 50.8% equity interest in Summit Vehicles Body Works Sdn. Bhd. ("SVBW"), for a cash consideration of RM1,335,000. Subsequently, on 1 December 2003, the Group acquired an additional 529,603 ordinary shares, for a cash consideration of RM582,000. As a result, the Group's equity interest has increased from 50.8% to 90%.

- (c) The acquisition had the following effect on the Group's financial results for the year:

	2004 RM'000	2003 RM'000
Revenue	26,642	4,940
Profit/(loss) from operations	5,736	(245)
Net profit/(loss) for the year	5,106	(377)

**13. SUBSIDIARIES (Contd.)**

- (d) The acquisition had the following effect on the financial position of the Group as at end of the year:

	2004 RM'000	2003 RM'000
Property, plant and equipment	47,860	3,248
Goodwill	448	-
Associates	31,286	-
Inventories	12,053	466
Trade and other receivables	18,690	2,717
Cash and bank balances	14,840	577
Trade and other payables	(44,383)	(4,198)
Borrowings	(13,573)	(1,358)
Taxation	(247)	-
Deferred taxation	(2,338)	(4)
	64,636	1,448
Less: Minority interests	(24,823)	(141)
Group's share of net assets	39,813	1,307

- (e) The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:

	Date of acquisition 2004 RM'000	2003 RM'000
Property, plant and equipment (Note 12)	49,752	3,277
Associates	31,141	-
Inventories	11,938	716
Trade and other receivables	13,008	1,560
Cash and bank balances	11,819	536
Trade and other payables	(40,485)	(2,620)
Borrowings	(13,842)	(1,464)
Taxation	(202)	-
Deferred taxation (Note 32)	(2,730)	(40)
Fair value of total net assets	60,399	1,965
Less: Minority interests	(25,692)	(966)
Group's share of net assets	34,707	999
Goodwill on acquisition (Note 17)	13,145	336
Cost of acquisition	47,852	1,335
Purchase consideration satisfied by cash	47,852	1,335
Net cash outflow arising on acquisitions:		
Cash consideration	47,852	1,335
Cash and cash equivalents of subsidiaries acquired	(11,819)	104
Net cash outflow to the Group	36,033	1,439

**14. ASSOCIATES**

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted shares, at cost	194,207	170,586	163,586	163,586
Share of post-acquisition reserves	121,053	111,525	-	-
	315,260	282,111	163,586	163,586
Less: Accumulated goodwill amortised	(2,395)	(2,079)	-	-
	312,865	280,032	163,586	163,586

	Group	
	2004 RM'000	2003 RM'000
Represented by:		
Share of net assets	306,525	273,376
Goodwill on acquisition	8,735	8,735
	315,260	282,111
Less: Accumulated goodwill amortised	(2,395)	(2,079)
	312,865	280,032

Details of associates are disclosed in Note 40.

**15. OTHER INVESTMENT**

	Group and Company	
	2004 RM'000	2003 RM'000
Unquoted bonds, at cost	4,000	4,000

The unquoted bonds have a tenor of five years from 2002 to 2007 and have variable coupon rate.

**16. HIRE PURCHASE RECEIVABLES**

	Group	
	2004 RM'000	2003 RM'000
Minimum hire purchase receivables:		
Not later than 1 year	13,187	15,524
Later than 1 year and not later than 2 years	10,894	12,924
Later than 2 years and not later than 5 years	21,590	28,653
Later than 5 years	1,756	6,019
	47,427	63,120
Less: Future finance charges	(7,987)	(12,350)

**16. HIRE PURCHASE RECEIVABLES (Contd.)**

	Group	
	2004 RM'000	2003 RM'000
Present value of hire purchase receivables	39,440	50,770
Less: Provision for doubtful debts	(3,091)	(2,071)
	<u>36,349</u>	<u>48,699</u>
Analysed as:		
Due within 12 months (Note 19)	9,749	10,938
Due after 12 months	26,600	37,761
	<u>36,349</u>	<u>48,699</u>

During the financial year, the Group has written off hire purchase receivables amounting to RM526,190 (2003: RM352,190) against provision for doubtful debts.

The weighted average effective interest rate at the balance sheet date was 9.2% (2003: 10.2%).

**17. GOODWILL**

	Group	
	2004 RM'000	2003 RM'000
<b>Goodwill</b>		
At 1 January	349	13
Acquisition of subsidiaries (Note 13(e))	13,145	336
Additional investment in a subsidiary	452	-
At 31 December	<u>13,946</u>	<u>349</u>
Less: Accumulated amortisation:		
At 1 January	(4)	(3)
Current year amortisation	(247)	(1)
	<u>(251)</u>	<u>(4)</u>
At 31 December	<u>(273)</u>	<u>(273)</u>
	<u>(524)</u>	<u>(277)</u>
	<u>13,422</u>	<u>72</u>
<b>Negative goodwill</b>		
At 1 January	(13,578)	(13,515)
Additional investment in a subsidiary	-	(63)
At 31 December	<u>(13,578)</u>	<u>(13,578)</u>

## 17. GOODWILL (Contd.)

	Group	
	2004 RM'000	2003 RM'000
Less: Accumulated amortisation:		
At 1 January	5,406	4,865
Current year amortisation	541	541
At 31 December	5,947	5,406
	(7,631)	(8,172)
	5,791	(8,100)

## 18. INVENTORIES

	Group	
	2004 RM'000	2003 RM'000
<b>Cost:</b>		
Completed and unassembled vehicles	81,809	98,362
Parts and consumables	11,376	3,848
Work in progress	2,155	206
Finished goods	2,042	-
	97,382	102,416
<b>Net realisable value:</b>		
Finished goods	298	-
	97,680	102,416

During the financial year, there was a reversal of a write-down of inventories of RM66,000 (2003: RM137,000). The reversal arose from an increase in net realisable value as a result of improving prices for the inventories during the financial year.

## 19. TRADE RECEIVABLES

	Group	
	2004 RM'000	2003 RM'000
Trade receivables	65,631	34,401
Hire purchase receivables (Note 16)	9,749	10,938
	75,380	45,339
Less: Provision for doubtful debts	(3,346)	(568)
	72,034	44,771



## 19. TRADE RECEIVABLES (Contd.)

Included in trade receivables of the Group is an amount of RM3,690,000 (2003: RMNil) due from Perusahaan Otomobil Kedua Sdn. Bhd. ("Perodua"), an associated company.

The Group's normal trade credit term ranges from 14 days to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

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

## 20. OTHER RECEIVABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits	2,623	4,378	429	3,374
Incentive due from a supplier	4,866	3,291	-	-
Prepayments	1,461	3,438	-	-
Tax recoverable	6,656	3,214	888	469
Sundry receivables	2,556	3,252	8	4
	18,162	17,573	1,325	3,847
Less: Provision for doubtful debts	(185)	-	-	-
	17,977	17,573	1,325	3,847

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

## 21. DUE FROM AN ASSOCIATE/DUE TO HOLDING COMPANY AND SUBSIDIARIES

The amounts due from an associate/due to holding company and subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

## 22. DUE FROM SUBSIDIARIES

	Company	
	2004 RM'000	2003 RM'000
Interest free	29,813	33,858
Bearing interest of 8% per annum	5,507	-
	35,320	33,858
Less: Provision for doubtful debts	-	(2,100)
	35,320	31,758

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment.

**23. MARKETABLE SECURITIES**

	Group and Company 2004 RM'000	2003 RM'000
Unit trust, at cost	19,332	35,398
Less: Impairment loss	-	(658)
	19,332	34,740
Market value of unit trust	19,830	34,740

**24. CASH AND CASH EQUIVALENTS**

	Group 2004 RM'000	2003 RM'000	Company 2004 RM'000	2003 RM'000
Cash on hand and at banks	37,227	31,404	307	43
Deposits with:				
Licensed banks	16,465	5,557	-	5,000
Other financial institution	2,576	59,949	-	-
Bankers' acceptances	39,600	41,000	39,600	41,000
Cash and bank balances	95,868	137,910	39,907	46,043
Less: Bank overdrafts (Note 26)	(6,769)	(4,747)	-	-
Cash and cash equivalents	89,099	133,163	39,907	46,043

- (a) Other financial institution is other foreign bank.
- (b) Deposits with licensed banks of the Group amounting to RM1,835,000 (2003: RM558,000) are pledged to banks for credit facilities granted to certain subsidiaries.
- (c) The weighted average interest rates at the balance sheet date were as follows:

	Group 2004 %	2003 %	Company 2004 %	2003 %
Deposits with:				
Licensed banks	2.81	2.65	-	2.65
Other financial institution	5.00	5.50	-	-
Bankers' acceptances	2.45	2.60	2.45	2.60

- (d) The average maturities as at the end of the financial year were as follows:

	Group 2004 Days	2003 Days	Company 2004 Days	2003 Days
Deposits with:				
Licensed banks	180	30	-	30
Other financial institution	30	30	-	-
Bankers' acceptances	30	30	30	30

## 25. PROVISION FOR LIABILITIES

	Retirement Benefit RM'000	Warranty RM'000	Total RM'000
At 1 January 2003	133	1,524	1,657
Additional provision during the year	344	1,511	1,855
Contribution paid during the year	(341)	-	(341)
Utilisation of provision during the year	-	(1,292)	(1,292)
At 31 December 2003	136	1,743	1,879
Additional provision during the year	361	2,136	2,497
Acquisition of subsidiaries	1,320	-	1,320
Contribution paid during the year	(330)	-	(330)
Utilisation of provision during the year	-	(2,304)	(2,304)
Unused amount reversed during the year	(96)	(280)	(376)
At 31 December 2004	1,391	1,295	2,686

### (a) Retirement benefit obligations

Daihatsu Group operates a funded, defined benefit Retirement Benefit Scheme ("Scheme") for its eligible employees. Contributions to the Scheme are made to a separately administered fund. WSAE Subsidiaries operate an unfunded Scheme for its eligible employees. Under both Scheme, eligible employees are entitled to retirement benefits of final salary on attainment of the retirement age of 55.

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

	Group	
	2004 RM'000	2003 RM'000
<b>Daihatsu Group</b>		
Present value of funded defined benefit obligations	2,688	2,316
Fair value of plan assets	(3,298)	(3,004)
	(610)	(688)
Unrecognised actuarial gains	681	824
	71	136
<b>WSAE Subsidiaries</b>		
Provision of unfunded defined benefit obligations	1,320	-
Net liability recognised in balance sheet	1,391	136

**25. PROVISION FOR LIABILITIES (Contd.)**

## (a) Retirement benefit obligations (Contd.)

The amounts recognised in the income statement are as follows:

	Group	
	2004 RM'000	2003 RM'000
Current service cost	226	249
Interest cost	182	162
Expected return on Scheme assets	(47)	(67)
Total, included in staff costs (Note 6)	361	344

The actual return on the plan assets of the Group was RM47,000 (2003: RM67,000).

Principal actuarial assumptions used:

	2004 %	2003 %
Discount rate	7	7
Average salary increase	5	5
Expected rate of return on plan assets	2	2

## (b) Warranty

Provision for warranty is made for the estimated liability on all products under warranty. A provision for warranty is recognised for products under warranty at the balance sheet date based on past experience on the level of claims arising during the period of warranty.

**26. BORROWINGS**

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Short Term Borrowings</b>				
(i) Unsecured:				
Bank overdrafts	5,412	3,558	-	-
Bankers' acceptances	33,385	25,863	-	-
	38,797	29,421	-	-

**26. BORROWINGS (Contd.)**

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(ii) Secured:				
Bank overdrafts	1,357	1,189	-	-
Bankers' acceptances	1,398	-	-	-
Term loans	3,418	-	-	-
Trade loan	1,620	-	-	-
Trust receipts	3,109	156	-	-
	10,902	1,345	-	-
Hire purchase payables (Note 27)	17	13	-	-
Total	49,716	30,779	-	-
<b>Long Term Borrowings</b>				
(i) Unsecured:				
Term loan	40,000	40,000	40,000	40,000
(ii) Secured:				
Term loans	5,172	-	-	-
Hire purchase payables (Note 27)	75	-	-	-
	5,247	-	-	-
	45,247	40,000	40,000	40,000
<b>Total Borrowings</b>				
Bank overdrafts (Note 24)	6,769	4,747	-	-
Bankers' acceptances	34,783	25,863	-	-
Term loans	48,590	40,000	40,000	40,000
Trade loan	1,620	-	-	-
Trust receipts	3,109	156	-	-
Hire purchase payables (Note 27)	92	13	-	-
	94,963	70,779	40,000	40,000
<b>Maturity of borrowings (excluding hire purchase payables):</b>				
Within one year	49,699	30,766	-	-
More than 1 year and less than 2 years	1,572	-	-	-
More than 2 years and less than 5 years	41,936	40,000	40,000	40,000
More than 5 years	1,664	-	-	-
	94,871	70,766	40,000	40,000

**26. BORROWINGS (Contd.)**

- (a) The secured bank overdrafts, bankers' acceptances, trade loans, term loans and trust receipts of the Group are secured by the following:
- (i) fixed deposits of certain subsidiaries as disclosed in Note 24;
  - (ii) first legal charge on plant and machinery of certain subsidiaries as disclosed in Note 12;
  - (iii) a deed of assignment cum loan agreement over leasehold land owned by a subsidiary as disclosed in Note 12;
  - (iv) a debenture incorporating a fixed and floating charge over the assets of subsidiaries, both present and future;
  - (v) assignment of contract proceeds from certain receivables;
  - (vi) corporate guarantees by the Company, ultimate holding company and a subsidiary; and
  - (vii) personal guarantee by a director of a subsidiary.
- (b) The weighted average effective interest rates at the balance sheet date for borrowings, excluding hire purchase payables, were as follows:

	Group		Company	
	2004	2003	2004	2003
	%	%	%	%
Bank overdrafts	7.2	6.5	-	-
Bankers' acceptances	3.2	3.3	-	-
Term loans	5.7	5.0	5.0	5.0
Trade loan	7.5	-	-	-
Trust receipts	8.0	7.8	-	-

**27. HIRE PURCHASE PAYABLES**

	Group	
	2004	2003
	RM'000	RM'000
<b>Minimum hire purchase payments:</b>		
Not later than 1 year	22	15
Later than 1 year and not later than 2 years	22	-
Later than 2 years and not later than 5 years	62	-
	106	15
Less: Future finance charges	(14)	(2)
<b>Present value of hire purchase payables</b>	<b>92</b>	<b>13</b>

## 27. HIRE PURCHASE PAYABLES (Contd.)

	Group	
	2004 RM'000	2003 RM'000
<b>Present value of hire purchase payables:</b>		
Not later than 1 year	17	13
Later than 1 year and not later than 2 years	18	-
Later than 2 years and not later than 5 years	57	-
	92	13
<b>Analysed as:</b>		
Due within 12 months (Note 26)	17	13
Due after 12 months (Note 26)	75	-
	92	13

The hire purchase payables bore interest at the balance sheet date at rates between 3.15% to 5.91% (2003: 4.95% to 9.22%) per annum.

## 28. TRADE PAYABLES

Included in trade payables of the Group is an amount of RM7,994,000 (2003: RM15,658,000) due to Perodua., an associated company.

The normal trade credit terms granted to the Group ranges from 2 days to 90 days.

## 29. OTHER PAYABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Accruals	9,504	8,651	630	1,565
Accruals for dealers and salesmen incentives	935	1,484	-	-
Amount due for insurance premium on vehicles sold	820	48	-	-
Deposits received from customers	1,775	1,473	-	-
Sales tax and import duties payable	4,156	2,369	-	-
Sundry payables	1,510	693	-	13
	18,700	14,718	630	1,578

**30. SHARE CAPITAL**

	Number of Ordinary Shares of RM1 Each		Amount	
	2004 '000	2003 '000	2004 RM'000	2003 RM'000
Authorised:				
At 1 January/31 December	500,000	500,000	500,000	500,000
Issued and fully paid:				
At 1 January	234,493	231,667	234,493	231,667
Exercise of ESOS	272	2,826	272	2,826
At 31 December	234,765	234,493	234,765	234,493

- (a) The MBM Resources Berhad ESOS is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 15 August, 2002. The ESOS was implemented on 2 September 2002 and is to be in force for a period of 10 years from the date of implementation.
- (b) The main features of the ESOS are as follows:
- (i) The ESOS shall be in force for a period of ten years from the date of the receipt of the last of the requisite approvals.
  - (ii) Eligible persons are employees of the Group (including executive directors) who have been confirmed in the employment of the Group and have served for at least one year before the date of the offer. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors.
  - (iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at any point in time during the tenure of the ESOS.
  - (iv) The option price for each share shall be based on the weighted average market price of the shares as shown in the daily official list issued by the Bursa Malaysia Securities Berhad for the 5 market days immediately preceding the date of offer subject to a discount of not more than 10%, or the par value of the shares of the Company of RM1, whichever is the higher.
  - (v) No option shall be granted for less than 1,000 shares nor more than 231,666,667 shares to any eligible employee.
  - (vi) An option granted under the ESOS shall be capable of being exercised by the grantee by notice in writing to the Company commencing from the date of the offer but before the expiry of ten years from the date of the receipt of the last of the requisite approvals.
  - (vii) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.



### 30. SHARE CAPITAL (Contd.)

- (c) Information with respect to the number of share under options pursuant to the ESOS, which were all granted at a price of RM2.54 per ordinary share of RM1.00 each, is as follows:

	Number of Share Options	
	2004 '000	2003 '000
At 1 January	4,355	7,181
Exercised	(272)	(2,826)
At 31 December	4,083	4,355

Details of share options exercised during the year are as follows:

Exercise Period	Exercise Price RM	Con- sideration Received RM'000	Number of Share Options '000
<b>2004</b>			
January - March 2004	2.54	691	272
<b>2003</b>			
April - December 2003	2.54	7,178	2,826

### 31. RETAINED PROFITS

As at 31 December 2004, the Company has tax exempt profits available for distribution of approximately RM26,000,000 (2003: RM26,000,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2004.

### 32. DEFERRED TAXATION

	Group	
	2004 RM'000	2003 RM'000
At 1 January 2004	227	-
Acquisition of subsidiaries (Note 13(e))	2,730	37
Recognised in the income statement (Note 9)	(257)	190
At 31 December 2004	2,700	227
Presented after appropriate offsetting as follows:		
Deferred tax assets	(1,305)	(653)
Deferred tax liabilities	4,005	880
	2,700	227

### 32. DEFERRED TAXATION (Contd.)

The component and movement of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Revaluation reserve RM'000	Accelerated capital allowances RM'000	Total RM'000
At 1 January 2004	-	880	880
Acquisition of subsidiaries	1,144	1,856	3,000
Recognised in the income statement	(10)	135	125
At 31 December 2004	1,134	2,871	4,005
At 1 January 2003	-	-	-
Acquisition of a subsidiary	-	37	37
Recognised in the income statement	-	843	843
At 31 December 2003	-	880	880

Deferred tax assets of the Group:

	Trade payables RM'000	Other payables RM'000	Unused tax losses and unabsorbed capital allowances RM'000	Total RM'000
At 1 January 2004	(29)	(592)	(32)	(653)
Acquisition of subsidiaries	-	(84)	(186)	(270)
Recognised in the income statement	-	(176)	(206)	(382)
At 31 December 2004	(29)	(852)	(424)	(1,305)
At 1 January 2003	-	-	-	-
Recognised in the income statement	(29)	(592)	(32)	(653)
At 31 December 2003	(29)	(592)	(32)	(653)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2004 RM'000	2003 RM'000
Unused tax losses	12,685	606
Unabsorbed capital allowances	2,563	52
Others	269	-
	15,517	658

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the respective subsidiaries.

### 33. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2004 RM'000	2003 RM'000
<b>Group</b>		
Purchases from Daihatsu Motor Co., Ltd. and/or its subsidiaries and associated companies*	215,185	72,424
Purchases from PT Astra Daihatsu Motor, a subsidiary of a foreign corporate shareholder	-	3,248
Purchases from Perodua and/or its subsidiaries	360,993	408,512
Sales to Perodua and/or its subsidiaries	14,201	-
<b>Company</b>		
Gross dividends from:		
- subsidiaries	24,310	12,155
- associates	7,840	14,000

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

\* Includes all subsidiaries and associated companies of Daihatsu Motor Co., Ltd. other than the subsidiaries of the Company.

### 34. CAPITAL COMMITMENT

	2004 RM'000	2003 RM'000
Approved and not contracted for	8,734	-

### 35. SIGNIFICANT EVENTS

- (a) On 15 March 2004, the Company has completed the acquisition of Galaxy Waves Sdn. Bhd. ("GWSB") for a cash consideration of RM33,744,000 comprising 91,340,002 ordinary shares of RM1.00 each. GWSB is an investment holding company having equity interests of 32% in Federal Auto Holdings Berhad and 20% in Oriental Metal Industries (M) Sdn. Bhd. ("OMI").
- (b) On 18 March 2004, the Company entered into a conditional sales and purchase agreement with Oriental Metal (Malaysia) Sdn. Bhd. ("OMSB") to acquire the entire equity interest in Oriental Extrusions Sdn. Bhd. ("OESB") comprising 200,000 shares of RM1.00 each for a cash consideration of approximately RM10,516,000 ("Proposed OESB Acquisition"). OESB owns 55% of OMI. The Proposed OESB Acquisition was completed on 29 July 2004 for a revised cash consideration of RM8,800,000 based on a supplemental agreement executed on 25 May 2004.

Consequently, the Company's effective interest in OMSB has increased from 20% to 75% following the completion of the OESB acquisition.

On 18 October 2004, OESB acquired an additional 315,000 ordinary shares of RM1.00 each in OMSB from Sumikin Bussan Corporation, for a cash consideration of RM1,997,100. As a result, the Group's equity interest in OMSB was further increased from 75% to 78%.

### 35. SIGNIFICANT EVENTS (Contd.)

- (c) On 20 April 2004, the Company entered into a conditional share subscription agreement with WSA Capital Corporation Sdn. Bhd. ("WCC") for the subscription of 2,600,000 new ordinary shares of RM1.00 each, representing 50.98% of the enlarged share capital in WCC for a cash consideration of RM7,124,000 ("Proposed WCC Acquisition").

The Proposed WCC Acquisition was completed on 20 August 2004 and the consideration was revised to RM5,200,000.

- (d) On 26 November 2004, the Company has entered into a conditional sale and purchase agreement ("SPA") with its holding company, MBMSB, to acquire the entire equity interest in Inai Benua Sdn. Bhd. ("IBSB"), a wholly owned subsidiary company of MBMSB, for a cash consideration of RM10,000 comprising 2 ordinary shares of RM1.00 each ("Proposed IBSB Acquisition").

On 26 November 2004, IBSB has entered into a separate SPA with MBMSB and Arah Seraya Sdn. Bhd. ("ASSB") for the proposed acquisition of 42% equity interest in Hino Malaysia Sdn. Bhd. ("HMSB") comprising 6,300,000 ordinary shares of RM1.00 each ("Proposed Hino Acquisition") for a cash consideration of RM25,830,000. MBMSB and ASSB each hold 40% and 2% equity interest in HMSB respectively.

As an integral part of the Proposed IBSB Acquisition, the Company shall advance RM25,830,000 to IBSB to settle with MBMSB and ASSB the Proposed Hino Acquisition. Upon completion of the Proposed IBSB Acquisition, IBSB and HMSB will become a wholly owned subsidiary and an associate of the Company respectively.

The Proposed IBSB Acquisition and Proposed Hino Acquisition is pending completion.

### 36. SUBSEQUENT EVENT

On 6 April 2005, the Company acquired 2 ordinary shares of RM1.00 each, representing 100% of the issued and paid-up share capital of Summer Gallery Sdn. Bhd. for a cash consideration of RM2.00.

### 37. SEGMENT INFORMATION

- (a) Business Segments:

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

- (i) Investment holding
- (ii) Trading and distribution of motor vehicles and related activities
- (iii) Manufacturing of automotive parts, trucks and vehicles body building and other related activities

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

### 37. SEGMENT INFORMATION (Contd.)

[illegible]

**37. SEGMENT INFORMATION (Contd.)**

	Investment holding		Distribution of motor vehicles and other related activities		Manufacturing of automotive parts, trucks and vehicles body building and other related activities		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS AND LIABILITIES</b>										
Segment assets	73,403	148,921	298,760	298,803	96,861	6,761			469,024	454,485
Investment in equity method of associates										
Consolidated total assets	10,396	9,367	302,469	270,665	-	-			312,865	280,032
									781,889	734,517
Segment liabilities	115,610	41,822	66,423	77,418	37,892	5,581			219,925	124,821
<b>OTHER INFORMATION</b>										
Capital expenditure	337	-	9,240	7,150	991	64			10,568	7,214
Depreciation	75	94	2,870	2,132	2,650	-			5,595	2,226
Amortisation	-	-	22	(203)	-	-			22	(203)
Non-cash expenses other than depreciation and amortisation	4	931	3,131	1,841	928	-			4,063	2,772

### 37. SEGMENT INFORMATION (Contd.)

#### (b) Geographical Segments

The Group's two major business segments are operated in two principal geographical areas of the world. In Malaysia, its home country, the Group's area of operations are principally investment holding and distribution of motor vehicles and its related activities.

The Group also operates in New Zealand in prior year.

	Malaysia		New Zealand		Consolidated	
	2004	2003	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total revenue from external customers	805,755	768,527	-	-	805,755	768,527
<b>Results</b>						
Profit from operations	43,992	45,077	-	18,970	43,992	64,047
Finance costs, net	(133)	1,639	-	-	(133)	1,639
Share of results of associated companies	28,705	46,170	-	1,346	28,705	47,516
Taxation	(16,806)	(25,193)	-	(444)	(16,806)	(25,637)
Profit after taxation					55,758	87,565
Minority interests					(9,626)	(12,659)
Net profit for the year					46,132	74,906
Segment assets	469,024	454,485	-	-	469,024	454,485
Capital expenditure	10,568	7,214	-	-	10,568	7,214

## 38. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Objectives and Policies

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

### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest bearing debt, as the Group had no substantial long-term interest-bearing assets as at 31 December 2004. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits, marketable securities and short term bankers' acceptances.

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group reviews its debt portfolio, taking into account the investment holding period and 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.

### (c) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly Japanese Yen, New Zealand Dollars and United States Dollars. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies are kept to an acceptable level. Material foreign currency transaction exposures are hedged with forward foreign exchange contracts.

### (d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash and cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

### (e) Credit Risk

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

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



### 38. FINANCIAL INSTRUMENTS (Contd.)

#### (f) Fair Values

The carrying amounts of financial assets and financial liabilities of the Group and of the Company at the balance sheet date approximate their fair values due to their relatively short term maturity except for the following:

		Group		Company	
	Note	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial assets</b>					
<b>At 31 December 2004</b>					
Other investment	15	4,000	*	4,000	*
Hire purchase receivables	16	36,349	42,486	-	-
Due from an associate	21	17	#	17	#
Due from subsidiaries	22	-	-	35,320	#
<b>At 31 December 2003</b>					
Other investment	15	4,000	*	4,000	*
Hire purchase receivables	16	48,699	55,461	-	-
Due from an associate	21	15	#	15	#
Due from subsidiaries	22	-	-	31,758	#
<b>Financial Liabilities</b>					
<b>At 31 December 2004</b>					
Due to holding company	21	1,022	#	55	-
Due to subsidiaries	21	-	-	35,349	#
Term loans	26	45,172	46,108	40,000	42,000
Hire purchase payables	27	75	75	-	-
<b>At 31 December 2003</b>					
Due to holding company	21	217	#	217	#
Term loan	26	40,000	42,000	40,000	42,000

\* It is not practical to estimate the fair values of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

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

The fair value of hire purchase receivables, term loans and hire purchase payables are estimated using discounted cash flow analysis, based on current incremental borrowing and lending rates for similar types of lending and borrowing arrangements.

**39. SUBSIDIARIES**

Name of Company	Country of Incorporation	Equity Interests Held (%)		Principal Activities
		2004	2003	
Daihatsu (Malaysia) Sdn. Bhd.	Malaysia	71.50	71.50	Marketing and distribution of motor vehicles, related spare parts and other related activities
DMM Engineering Sdn. Bhd.	Malaysia	71.50	71.50	Repair and touching-up, construction of vehicles body parts for sale, providing holding company and handling services to its distribution of spare parts and trucks
DMM Sales Sdn. Bhd.	Malaysia	71.50	71.50	Marketing and distribution of motor vehicles, related spare parts and other related activities
DMM Credit Sdn. Bhd.	Malaysia	71.50	71.50	Provision of hire purchase facilities
DMM Assembly Services Sdn. Bhd.	Malaysia	71.50	71.50	Dormant
Auto Style Enterprise Limited	British Virgin Islands	100.00	100.00	Investment holding
Sun Motor Limited	British Virgin Islands	100.00	100.00	Investment holding
Summit Vehicles Body Works Sdn. Bhd.	Malaysia	90.00	90.00	Trucks and vehicles body buildings, and general engineering works
Galaxy Waves Sdn. Bhd.	Malaysia	100.00	-	Investment holding
Oriental Extrusions Sdn. Bhd.	Malaysia	100.00	-	Investment holding
Oriental Metal Industries (M) Sdn. Bhd.	Malaysia	78.00	-	Manufacturing of steel wheel rims for motor vehicles and related activities
WSA Capital Corporation Sdn. Bhd.	Malaysia	50.98	-	Manufacturing, designing and supplying of automotive components
WSA Engineering Sdn. Bhd.	Malaysia	50.98	-	Manufacturing, designing and supplying of automotive components

**39. SUBSIDIARIES (Contd.)**

Name of Company	Country of Incorporation	Equity Interests Held (%)		Principal Activities
		2004	2003	
WSA Marketing Sdn. Bhd.	Malaysia	50.98	-	Distributor of architectural trims and PVC industrial products
WSA Precision Sdn. Bhd.	Malaysia	50.98	-	Dormant
Carpets International Manufacturing Malaysia Sdn. Bhd.	Malaysia	50.98	-	Manufacturing and distributor of carpets and rugs
Carpets International Malaysia (Distribution) Sdn. Bhd.	Malaysia	50.98	-	Distributor of carpets and rugs
Peninsular Carpet Malaysia Sdn. Bhd.	Malaysia	50.98	-	Manufacturing of carpets and rugs
WSA Marketing & Distribution Sdn. Bhd.	Malaysia	50.98	-	Dormant

**40. ASSOCIATES**

Name of Company	Financial year end	Equity Interests Held (%)		Principal Activities
		2004	2003	
Incorporated in Malaysia				
MBM Industries Sdn. Bhd.	31 December	39.9	39.9	Investment holding
Perusahaan Otomobil Kedua Sdn. Bhd.	31 December	23.6	23.6	Investment holding
Federal Auto Holdings Berhad	30 June	32.0	-	Marketing and distribution of motor vehicles, related spare parts and other related activities

# List Of Properties

Location	Land area (built-up area) sq metre	Description of property and existing use	Approx. age of building	Tenure	Book value as at 31.12.04 (RM'000)
<b>Proprietor: Daihatsu (Malaysia) Sdn Bhd</b>					
Lot 2B Jalan Keluli Section 15 40000 Shah Alam Selangor Darul Ehsan	9,821	Industrial land used as vehicle storage yard	-	Leasehold (expiring on 26.1.2087)	1,071
Lot 1 Lorong 51A/227C 46100 Petaling Jaya Selangor Darul Ehsan	1,677 (674)	Industrial land building used as workshop	13	Leasehold (expiring on 13.3.2074)	1,384
B-317 Blue Lagoon Port Dickson Negeri Sembilan Darul Khusus	(78)	2-bedroom condominium used for leisure and recreation	12	Freehold	141
Lot 1 Jalan Keluli Section 15 40000 Shah Alam Selangor Darul Ehsan	11,294 (4,860)	Industrial land with building used as showroom, workshop and office	16	Leasehold (expiring on 12.1.2086)	6,545
Lot 2A Jalan Keluli Section 15 40000 Shah Alam Selangor Darul Ehsan	14,928 (4,608)	Industrial land with building used as body building, workshop and store	12	Leasehold (expiring on 26.1.2087)	4,907
Lot 68-G, 68-1 Lot 69-G, 69-1 Selayang Baru Selangor Darul Ehsan	(944)	2 units of Ground & 1st Floor of shop office building	-	Leasehold	1,134
Apartment 401 Block 2 Jalan SS18/47 40000 Shah Alam Selangor Darul Ehsan	(66)	3-bedroom apartment used as accommodation for employees when attending training	12	Leasehold (expiring on 29.7.2096)	34
20, Jalan 54 Desa Jaya Kepong 52100 Kuala Lumpur	270 (1,080)	4-storey shop lot used as showroom and workshop	11	Leasehold (expiring on 8.3.2081)	615

Location	Land area (built-up area) sq metre	Description of property and existing use	Approx. age of building	Tenure	Book value as at 31.12.04 (RM'000)
47, Jalan Tun Abdul Razak 30100 Ipoh Perak Darul Ridzuan	3,728 (750)	Land with double-storey building used as showroom and workshop	23	Freehold	1,801
32, Jalan Tun Razak 80200 Johor Bahru Johor Darul Takzim	4,805 (939)	Land with building used as showroom and workshop	10	Leasehold (expiring on 21.12.2030)	1,690
Lot No. 20 Sedco Industrial Estate Jalan Kelembong Inanam 88450 Kota Kinabalu Sabah	4,309	Industrial land with building used as workshop	11	Leasehold (expiring on 31.12.2034)	1,077
Lot 1A Jalan Keluli Section 15 40000 Shah Alam Selangor Darul Ehsan	440	Commercial land with building used as showroom	9	Leasehold (expiring on 12.1.2086)	439
Lot 27, 28 and 29 Selayang Baru Selangor Darul Ehsan	(1,131)	3 units of 1 1/2 storey terrace factory	-	Leasehold	953
1, Jalan Memanda 7/1 Ampang Triangle Off Jalan Ampang 68000 Kuala Lumpur	304 (1,331)	Corner 4 1/2 storey shop lot used as showroom	9	Freehold	1,754
11A, Level 11 Genting View Resort Genting Highlands Bentong Pahang Darul Makmur	(92)	3-bedroom apartment used for leisure and recreation	12	Freehold	158
2, Jalan 19/36 45300 Petaling Jaya Selangor Darul Ehsan	(966)	Land with 4 storey corner shophouse	8	Freehold	2,653
Lot 6165A Bukit Beruntung Industrial Park Selangor Darul Ehsan	5,681	Industrial Land with building	-	Freehold	2,225
3/G10 Ground & First Floor Api Api Centre Kota Kinabalu Sabah	127 (242)	Showroom	8	Leasehold	543

Location	Land area (built-up area) sq metre	Description of property and existing use	Approx. age of building	Tenure	Book value as at 31.12.04 (RM'000)
5/G8 Ground & First Floor Api Api Centre Kota Kinabalu Sabah	127 (242)	Showroom	8	Leasehold	748
Lot 2, Jalan Gergaji 15/4 Shah Alam Selangor Darul Ehsan	12,070	Industrial Land with building	6	Leasehold (expiring in year 2094)	4,094
Lot 48 & 57 Bukit Beruntung Industrial Park Selangor Darul Ehsan	8,247	Industrial Land	-	Freehold	3,527
Units 3, 4, 7 and 8 Level 4 and 5 Block K Bandar Bukit Beruntung Apartments Selangor Darul Ehsan	(653)	8 units apartments	-	Freehold	154
Lot 7, 8 and 9 HS (D) 70978, 67686 Bandar Kuala Lumpur	502	Commercial land with building used as showroom	-	Leasehold (expiring on 12.1.2067)	8,177
111, Jalan Laksamana Cheng Ho 75000 Melaka	5,263 (814)	Land with double-storey building used as showroom and workshop	12	Freehold	1,845
Lot 2702 Palm Spring Port Dickson Negeri Sembilan Darul Khusus	834	Bungalow lot	-	Freehold	175
Block SA-01 Signature Offices Mid Valley Phase 1 Bandar Kuala Lumpur	(3,062)	11 storey office, commercial building (under construction)	3	Leasehold	11,518
No 1 Jalan 7/3 Kawasan Perindustrian Sri Kembangan Selangor	25,287	Industrial Land with 2 1/2 semi detached facotry	7	Leasehold	2,180
Lot 65 Section 22 Kuching Town District Sarawak	3,173	Industrial Land building	-	Leasehold	2,730

Location	Land area (built-up area) sq metre	Description of property and existing use	Approx. age of building	Tenure	Book value as at 31.12.04 (RM'000)
1/2 Miles Jalan Tuaran PO Box 22432 Kota Kinabalu	10,361	Vacant Commercial Land	-	Leasehold	4,837
<b>Proprietor: DMM Sales Sdn Bhd</b>					
1262 Jalan Baru 13700 Perai Pulau Pinang	10,775	Industrial Land with building	6	Freehold	1,608
No 1 Jalan Damai Utama Taman Industri Damaipulus 83000 Batu Pahat Johor	6,787	Industrial Land with building	5	Freehold	1,465
<b>Proprietor: Summit Vehicles Body Works Sdn Bhd</b>					
Lot 138 & 139 Jalan 5/1 Bukit Beruntung 48200 Serendah Selangor	6,271	Industrial Land with building	7	Freehold	3,013
<b>Proprietor: Oriental Metal Industries (M) Sdn Bhd</b>					
Lot 51 Jalan Utas 15/7 40200 Shah Alam Selangor	26,756	Industrial land with building used as manufacturing plant and office	-	Leasehold (expiring on 4/5/2074)	20,029
Lot No 3 Jalan 5 Kawasan Bandar Sultan Sulaiman Port Klang Selangor	32,375	Vacant Industrial land	-	Leasehold	6,175
<b>Proprietor: WSA Engineering Sdn Bhd</b>					
Lot 1 Jalan Perusahaan 1 Batu 17 Kawasan Perindustrian PKNS 48000 Rawang Selangor	7,725 (3,716)	Industrial land with building used as factory, store and office	10	Leasehold (expiring on 20/12/2097)	3,893
<b>TOTAL</b>					<b>105,292</b>

# Analysis Of Shareholders

as at 31 March 2005

Authorised Share Capital	:	500,000,000
Paid-up & Issued Share Capital	:	234,764,667
Type of Shares	:	Ordinary Shares of RM1.00
No of Shareholders	:	3,652
Voting Rights	:	One vote for every shares

## SIZE OF SHAREHOLDINGS as at 31 March 2005

	No of Holders	%	No of Shares	%
1 - 1,000	571	15.63	383,514	0.16
1,001 - 10,000	2,606	71.36	8,498,548	3.62
10,001 - 100,000	371	10.16	12,155,404	5.18
100,001 - less than 5% of issued shares	101	2.77	58,449,045	24.90
5% and above of issued shares	3	0.08	155,278,156	66.14
	3,652	100	234,764,667	100

## SUBSTANTIAL SHAREHOLDINGS as at 31 March 2005

Name of Shareholders	No of Shares Held	%
1. Med-Bumikar Mara Sdn Bhd	137,100,163 <sup>a</sup>	58.40
2. Majlis Amanah Rakyat	137,101,818 <sup>b</sup>	58.40
3. Employee Provident Fund Board	21,533,499	9.17

### Notes:

- a Include deemed interest by virtue of its shareholding in Central Shore Sdn Bhd  
b Deemed interest by virtue of its shareholding in Med-Bumikar Mara Sdn Bhd

# List Of Top 30 Shareholdings

as at 31 March 2005

No.	Names	No. of Shares	Holdings %
1	Med-Bumikar Mara Sdn Bhd	89,387,290	38.07
2	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Med-Bumikar Mara Sdn Bhd</i>	46,333,333	19.73
3	Employees Provident Fund Board	19,557,533	8.33
4	Valuecap Sdn Bhd	10,310,200	4.39
5	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>for Amanah Saham Didik</i>	2,922,400	1.24
6	Lembaga Tabung Haji	2,730,565	1.16
7	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>for Amanah Saham Bumiputera</i>	2,669,800	1.14



No.	Names	Holdings	
		No. of Shares	%
8	Permodalan Nasional Berhad	2,276,666	0.97
9	AM Nominees (Tempatan) Sdn Bhd <i>for Employees Provident Fund Board (A/C 1)</i>	1,975,966	0.84
10	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>for Sekim Amanah Saham Nasional</i>	1,901,200	0.81
11	Zaharah binti Nordin	1,598,333	0.68
12	Central Shore Sdn Bhd	1,379,540	0.59
13	Amanah Raya Berhad <i>for AMittikal</i>	1,069,066	0.46
14	Looi Kum Pak @ Looi Kam Phak	1,039,136	0.44
15	Yap Lim Sen	1,018,606	0.43
16	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>AUTB Progress Fund</i>	1,000,000	0.43
17	BHLB Trustee Berhad <i>Prusmall-Cap Fund</i>	976,700	0.42
18	Summit Holdings Sdn Berhad	955,000	0.41
19	Abd Rahim bin Abd Halim	909,495	0.39
20	Yap Jek Nan	900,033	0.38
21	Yap Siew Chin	895,598	0.39
22	Ahmad Azizuddin bin Haji Zainal Abidin	824,208	0.35
23	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>for Amanah Saham Nasional 2</i>	803,100	0.34
24	Yap Ken Nan	795,330	0.34
25	Wong Fay Ling	609,765	0.26
26	HSBC Nominees (Tempatan) Sdn Bhd <i>for Prudential Dana Al-Ilham (4173)</i>	593,000	0.25
27	Cartaban Nominees (Asing) Sdn Bhd <i>SSBT Fund TRA9 for Teacher Retirement System of Texas</i>	583,333	0.25
28	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Dana Al-Aiman</i>	581,666	0.25
29	AM Nominees (Tempatan) Sdn Bhd <i>for Lembaga Tabung Haji</i>	532,900	0.23
30	Pertubuhan Keselamatan Sosial	503,600	0.21
<b>TOTAL</b>		<b>197,633,362</b>	<b>84.18</b>

# Form Of Proxy



**MBM RESOURCES BERHAD**  
(Incorporated in Malaysia) (Co. No. 284496-V)

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member/members of **MBM RESOURCES BERHAD**, hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him/her, \_\_\_\_\_  
of \_\_\_\_\_  
or failing him/her, the Chairman of the Meeting as my proxy/our proxy to vote for me/us on my/our behalf at the  
**Eleventh Annual General Meeting** of the Company to be held at the Pacific Ballroom C, Pan Pacific Hotel, Jalan Putra,  
50746 Kuala Lumpur, on **Tuesday, 31 May 2005** at 10.00 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:

Resolutions	For	Against
Ordinary Resolution No. 1	[ ]	[ ]
Ordinary Resolution No. 2	[ ]	[ ]
Ordinary Resolution No. 3	[ ]	[ ]
Ordinary Resolution No. 4	[ ]	[ ]
Ordinary Resolution No. 5	[ ]	[ ]
Ordinary Resolution No. 6	[ ]	[ ]
Ordinary Resolution No. 7	[ ]	[ ]
Ordinary Resolution No. 8	[ ]	[ ]

(Please indicate with "X" how you wish to cast your vote)

Number of Shares	
------------------	--

.....  
Signature

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2005

**Note:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company, Suite 11-3A, 11th Floor, Menara Haw Par, Jalan Sultan Ismail, 50250 Kuala Lumpur, at least forty-eight hours (48) before the time appointed for holding the Meeting.

FOLD THIS FLAP FOR SEALING

Affix  
Stamp

**MBM RESOURCES BERHAD**  
**The Company Secretaries**

Suite 11-3A, 11th Floor  
Menara Haw Par  
Jalan Sultan Ismail  
50250 Kuala Lumpur

2nd FOLD HERE

1st FOLD HERE