

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors ("the Board") affirms its commitment to ensure that the highest standards of corporate governance are practised throughout the Company as a fundamental part of discharging its responsibilities to safeguard the interests of stakeholders and enhance shareholder value and the financial performance of the Company. The Board fully supports the recommendations of the Malaysian Code of Corporate Governance ("the Code") and is currently moving towards full compliance with the best practices as set out in the Code.

The Board is pleased to set out below a statement of how the Company has applied the Principles of the Code.

1. THE BOARD OF DIRECTORS

The Board retains full and effective control of, and responsibility for the Company. The Board has the overall responsibility for corporate governance, reviewing the adequacy and integrity of the system of internal control, reviewing and adopting the strategic direction of the Company and overseeing the investments of the Company. In discharging its responsibility to provide effective governance over the affairs of the Company, the Board has:

- i) Reviewed and approved the Management's strategic business plans, including questioning the assumptions upon which such plans are based;
- ii) Monitored corporate performance against those strategic business plans on a regular basis to evaluate whether the business is being properly managed;
- iii) Reviewed and approved the Company's financial objectives, plans and disclosures, including significant (material) capital allocations, expenditures, or changes in financial reports or controls;
- iv) Monitored and evaluated the Company's Group Managing Director/Chief Executive Officer (GMD/CEO) and other senior management officers' performance, and developed a succession plan for those senior management officers; and
- v) Ensured that there is a balance of executive, non-executive and independent non-executive Directors on the Board. This is to ensure that there is effective representation for shareholders on the Board, and that issues of strategy, performance and resources are fully discussed and examined to take into account long-term interests of shareholders, employees, customers, suppliers and the many communities in which the Company conducts its business.

Board Balance

The role of the Chairman and the GMD/CEO are distinct and separate. There is a clear division of responsibilities between the Chairman and the GMD/CEO to ensure that there is a balance of power and authority. The non-executive Chairman avails himself to provide clarifications on issues that are raised by shareholders and investors, ensuring the integrity and effectiveness of the governance process of the Board. The Chairman also maintains regular dialogues with the GMD/CEO on all operational matters, and acts as facilitator at the meetings of the Board. The GMD/CEO is responsible to duly ensure execution of strategic goals, effective operations within the Company, and to explain, clarify and inform the Board on matters pertaining to the Company.

The Code also states that, whether or not the roles of Chairman and Chief Executive are combined, the Board should identify a senior independent non-executive director to whom concerns may be conveyed. In line with this, the Board has identified Dato' Ahmad bin Hj. Ibniহার as a senior independent non-executive director for the period under review.

As at 31 December 2004, the Board has seven (7) members, of which two (2) are executive Directors and five (5) are non-executive Directors (including the Chairman). Two (2) of the five non-executive Directors are independent. This composition is in compliance with the Code, which requires that at least one-third (or the number nearest one-third as defined by Bursa Malaysia) of the board should be non-executive and independent to ensure no individual or group of individuals may dominate the Board's decision-making process. The composition of the Board also reflects a wide variety of background and experience. The Board has directors who are able to act independently and express their views and opinions unencumbered and free from any influence. More importantly, the Board has, as members, independent non-executive directors who are independent from Management and major shareholders of the Company. The independent directors are also free from any business or other relationships that could materially interfere with the exercise of their objective and independent judgement.

The Board has at least four (4) regularly scheduled meetings annually, with additional meetings for particular matters convened as and when necessary. Informal meetings and consultations are frequently and freely held to share expertise and experience. A total of eight (8) Board meetings were held during the financial period of 1 January 2004 to 31 December 2004, of which five (5) were scheduled meetings.

PENYATA TADBIR URUS KORPORAT

Lembaga Pengarah mengukuhkan iltizamnya bagi memastikan supaya tahap tadbir urus korporat tertinggi sentiasa diamalkan di seluruh Syarikat sebagai asas penting dalam melaksanakan tanggungjawabnya untuk melindungi kepentingan pemegang hak dan mempertingkatkan nilai pemegang saham serta prestasi kewangan Syarikat. Ke arah mencapai matlamat ini, Lembaga Pengarah menyokong sepenuhnya saranan yang terkandung di dalam Kod Tadbir Urus Korporat Malaysia ("Kod") dan pada masa ini sedang dalam usaha untuk mematuhi sepenuhnya amalan terbaik seperti yang digariskan dalam Kod tersebut.

Lembaga Pengarah dengan sukacitanya membentangkan di bawah satu penyata berhubung penggunaan Prinsip Kod oleh Syarikat.

1. LEMBAGA PENGARAH

Lembaga Pengarah mengekalkan kawalan penuh dan berkesan serta tanggungjawab terhadap Syarikat. Lembaga Pengarah bertanggungjawab secara menyeluruh berhubung tadbir urus korporat, mengkaji kecukupan dan kewibawaan sistem kawalan dalaman, mengkaji dan menerima pakai halatuju strategik Syarikat dan mengawalselia pelaburan Syarikat. Dalam melaksanakan tanggungjawab menyediakan tadbir urus yang berkesan terhadap hal ehwal Syarikat, Lembaga Pengarah telah:

- i) Mengkaji dan meluluskan rancangan perniagaan strategik Pengurusan, termasuk menyoal selidik jangkaan yang menjadi asas kepada rancangan tersebut;
- ii) Memantau prestasi korporat berbanding rancangan perniagaan strategik tersebut bagi menilai sama ada perniagaan sedang diuruskan dengan sewajarnya atau tidak;
- iii) Mengkaji dan meluluskan objektif, rancangan dan pendedahan kewangan Syarikat, termasuk peruntukan modal utama (penting), perbelanjaan, atau perubahan dalam laporan kewangan atau kawalan;
- iv) Memantau dan menilai prestasi Pengarah Urusan Kumpulan/Ketua Pegawai Eksekutif Syarikat ("GMD/CEO") dan pegawai pengurusan kanan yang lain, serta merangka rancangan penggantian bagi pegawai pengurusan kanan tersebut; dan v) Memastikan keseimbangan Pengarah eksekutif, bukan eksekutif dan bukan eksekutif bebas dalam Lembaga Pengarah. Ini adalah untuk memastikan supaya terdapat perwakilan yang berkesan bagi para pemegang saham dalam Lembaga Pengarah, dan supaya isu strategi, prestasi dan sumber diperbincang dan diteliti sepenuhnya serta mengambil kira kepentingan jangka panjang para pemegang saham, pekerja, pelanggan, pembekal dan komuniti di mana Syarikat menjalankan perniagaannya.

Keseimbangan Lembaga Pengarah

Peranan Pengerusi dan GMD/CEO adalah berbeza dan berasingan. Terdapat pembahagian tanggungjawab yang jelas antara Pengerusi dan GMD/CEO bagi memastikan wujud keseimbangan kuasa dan autoriti. Pengerusi bukan eksekutif sentiasa bersedia untuk memberi penjelasan berhubung isu-isu yang dibangkitkan oleh para pemegang saham dan pelabur bagi memastikan kewibawaan dan keberkesanan proses tadbir urus Lembaga Pengarah. Pengerusi turut mengadakan perbincangan yang kerap dengan GMD/CEO berhubung semua hal operasi, dan berperanan sebagai pemudah cara di Mesyuarat Lembaga Pengarah. GMD/CEO bertanggungjawab untuk memastikan pelaksanaan matlamat strategik, operasi yang efektif dalam Syarikat, serta memberi penerangan, penjelasan dan memaklumkan kepada Lembaga Pengarah berhubung perkara berkaitan Syarikat.

Kod tersebut turut menyatakan bahawa, sama ada peranan Pengerusi dan Ketua Pegawai Eksekutif digabungkan atau tidak, Lembaga Pengarah perlu mengenalpasti seorang pengarah bebas bukan eksekutif kanan yang boleh menangani masalah berkaitan Syarikat. Justeru, Lembaga Pengarah telah melantik Dato' Ahmad Ibhijahar sebagai pengarah bebas bukan eksekutif kanan bagi tempoh yang ditinjau.

Pada 31 Disember 2004, Lembaga Pengarah terdiri daripada tujuh (7) orang ahli, yang mana dua (2) orang daripada mereka adalah Pengarah eksekutif dan lima (5) orang adalah Pengarah bukan eksekutif (termasuk Pengerusi). Dua (2) daripada lima (5) orang Pengarah bukan eksekutif adalah pengarah bebas. Komposisi ini mematuhi Kod, yang memerlukan supaya sekurang-kurangnya satu per tiga (atau bilangan yang terdekat dengan satu pertiga seperti yang ditakrif oleh Bursa Malaysia) daripada lembaga pengarah hendaklah terdiri daripada pengarah bukan eksekutif bebas bagi memastikan tiada individu atau sekumpulan kecil individu boleh mendominasi proses membuat keputusan Lembaga Pengarah. Komposisi Lembaga Pengarah juga menggambarkan kepelbagaian latarbelakang dan pengalaman. Lembaga Pengarah mempunyai ahli yang mampu bertindak secara bebas dan menyatakan pandangan dan pendapat mereka secara bebas serta tidak terikat dengan sebarang pengaruh. Apa yang lebih penting, Lembaga Pengarah mempunyai ahli yang antaranya terdiri daripada para pengarah bebas bukan eksekutif yang bebas daripada Pengurusan dan pemegang saham utama Syarikat. Pengarah bebas tersebut juga bebas daripada sebarang perniagaan atau perhubungan lain yang boleh menjejaskan dengan ketara objektif dan pertimbangan bebas mereka.

Lembaga Pengarah mengadakan sekurang-kurangnya empat (4) mesyuarat setiap tahun yang dijadualkan secara tetap, dengan mesyuarat tambahan bagi perkara-perkara tertentu diadakan jika perlu. Mesyuarat dan rundingan tidak rasmi diadakan dengan kerap dan bebas bagi membolehkan para pengarah berkongsi kepakaran dan pengalaman. Sebanyak lapan (8) mesyuarat Lembaga Pengarah telah diadakan pada tempoh kewangan dari 1 Januari 2004 hingga 31 Disember 2004, yang mana lima (5) daripadanya adalah mesyuarat berjadual.

Board Balance (continued)

Details of the Board movement and attendance at meetings for financial period ended 31 December 2004 are set out below:

Directors	Designation	Appointment	Retirement	Attendance
Dato' Seri Syed Anwar Jamalullail	Chairman	24 January 2002	–	(8/8)100%
Shahril Ridza Ridzuan	Group Managing Director/ Chief Executive Officer	9 August 2001	–	(8/8)100%
Abdul Rahman Ahmad	Non-independent, non-executive Director	9 August 2001	–	(8/8)100%
Datuk Zahari Omar	Executive Vice-President	26 July 1999	–	(8/8)100%
Dato' Ahmad Ibnihajar	Independent, non-executive Director	27 September 2000	–	(8/8) 100%
Dato' Zainol Abidin Dato' Haji Salleh *	Independent, non-executive Director	27 September 2000	20 May 2004	(4/4) 100%
Dato' Dr. Mohd Shahari Ahmad Jabar	Independent, non-executive Director	22 July 2002	–	(8/8)100%
Dr. Roslan A Ghaffar	Non-independent, non-executive Director	3 November 2003	–	(8/8)100%

* Based on four (4) board meetings held before retirement.

A brief description of the background of each Director is presented on page 12 to 19 of the Annual Report.

Supply of Information to the Board

The Board has unrestricted access to timely and accurate information necessary in the furtherance of their duties, which is not only on quantitative but also on other information deemed suitable such as customer satisfaction, product and service quality, market share and market reaction.

All Directors review the Board report prior to the Board meeting. This is issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting.

In addition to the Company's performance discussed at the meeting, there is a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans and

Supply of Information to the Board (continued)

budgets, acquisitions and disposals of assets that are material to the Company, major investments and changes to management and control structure of the Company including key policies, procedures and authority limits.

All Directors have access to the advice and services of the Company Secretary and where necessary, in the furtherance of their duties, take independent professional advice at the Company's expense. Additionally the Board invites the Company's senior management to brief the Board as necessary on matters being deliberated, as they are able to deliver a detailed insight on these matters.

Keseimbangan Lembaga Pengarah (sambungan)

Butir-butir mengenai perubahan yang berlaku di dalam Lembaga Pengarah dan kehadiran di mesyuarat bagi tempoh kewangan berakhir 31 Disember 2004 adalah seperti berikut:

Pengarah	Jawatan	Pelantikan	Persaraan	Kehadiran
Dato' Seri Syed Anwar Jamalullail	Pengerusi	24 Januari 2002	–	(8/8) 100%
Shahril Ridza Ridzuan	Pengarah Urusan Kumpulan/ Ketua Pegawai Eksekutif	9 Ogos 2001	–	(8/8) 100%
Abdul Rahman Ahmad	Pengarah Bukan Eksekutif Bukan Bebas	9 Ogos 2001	–	(8/8) 100%
Datuk Zahari Omar	Naib Presiden Eksekutif	26 Julai 1999	–	(8/8) 100%
Dato' Ahmad Ibnihajar	Pengarah Bukan Eksekutif Bebas	27 September 2000	–	(8/8) 100%
Dato' Zainol Abidin Dato' Haji Salleh *	Pengarah Bukan Eksekutif Bebas	27 September 2000	20 Mei 2004	(4/4) 100%
Dato' Dr. Mohd Shahari Ahmad Jabar	Pengarah Bukan Eksekutif Bebas	22 Julai 2002	–	(8/8) 100%
Dr. Roslan A. Ghaffar	Pengarah Bukan Eksekutif Bukan Bebas	3 November 2003	–	(8/8) 100%

* Berdasarkan kepada empat (4) mesyuarat lembaga pengarah yang diadakan sebelum persaraan.

Satu keterangan ringkas mengenai latar belakang setiap Pengarah dibentangkan di muka surat 12 hingga 19 di dalam Laporan Tahunan ini.

Bekalan Maklumat kepada Lembaga

Lembaga Pengarah mempunyai akses yang tidak terhalang untuk mendapatkan maklumat yang menepati masa dan tepat, yang perlu untuk menjalankan tugas mereka tetapi tidak terhad kepada maklumat kuantitatif sahaja malah turut meliputi maklumat lain yang dianggap sesuai seperti kepuasan pelanggan, kualiti produk dan perkhidmatan, bahagian dan tindak balas pasaran.

Semua Pengarah akan mengkaji laporan Lembaga sebelum mesyuarat Lembaga Pengarah berlangsung. Laporan ini dikeluarkan dengan memberi masa yang mencukupi bagi membolehkan para Pengarah mendapat penjelasan lanjut, jika perlu, supaya mereka memperoleh maklumat yang sewajarnya sebelum mesyuarat diadakan.

Selain daripada membincangkan prestasi Syarikat di mesyuarat tersebut, terdapat satu jadual perkara-perkara yang khusus untuk diputuskan oleh

Bekalan Maklumat kepada Lembaga (sambungan)

Lembaga Pengarah. Ia termasuk meluluskan rancangan dan belanjawan korporat, pengambilalihan dan penjualan aset yang penting kepada Syarikat, pelaburan utama, perubahan dalam pengurusan dan struktur kawalan Syarikat, termasuk dasar-dasar penting, prosedur dan had autoriti.

Semua Pengarah boleh mendapatkan nasihat dan khidmat Setiausaha Syarikat dan jika perlu dalam menjalankan tugas mereka, mendapatkan nasihat profesional bebas dengan perbelanjaan ditanggung oleh Syarikat. Selain daripada itu, Lembaga Pengarah menjemput pengurusan kanan Syarikat untuk memberi taklimat kepada Lembaga Pengarah jika perlu berhubung perkara yang diperbincangkan kerana mereka boleh menyampaikan maklumat dalaman secara terperinci berhubung perkara ini.

Relationship of the Board with Management

The Board believes that a key principle to its effective functioning is that it is able to function independently of Management. The Board, under the able leadership of the Chairman, acts independently and makes decisions premised on objective, informed and quality information provided to it by Management. The decision-making process and practices currently in place ensure that directors are able to actively exchange viewpoints to enable them to effectively assess the direction of the Company and the performance of Management, one of the Board's principal responsibilities.

The Board, in evaluating information, is assured of quality and complete information that is both qualitative and quantitative. Materials and documents that are supplied to the Board are circulated in advance and specific notice of the proposal is given in the Board's agenda. When the occasion demands, the Board invites the Company's advisers to render advice in furtherance of their duties.

Director's Education

As an integral element of the process of appointing new directors, there is an orientation and education programme for new Board members. Directors also receive further training from time to time, particularly on relevant new laws and regulations and changing commercial risks.

All Directors have attended the Continuous Education Programme as required under the Bursa Securities ruling.

Re-election of Director

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to re-election by shareholders at the first Annual General Meeting ("AGM") following their appointment. The Articles of Association also provide that at least one third of the remaining Directors are subject to re-election by rotation at each AGM.

2. BOARD COMMITTEES

The Board has delegated certain functions to several Committees it has established to assist in the execution of its responsibilities for the Company. The Committees operate under clearly defined terms of reference, which have been approved by the Board of Directors. These Committees have the authority to examine particular issues and report back to the Board with their recommendations. The Chairman of the respective Committees will report to the Board on the outcome of the Committee meetings and its recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The following Board Committees have been established:

Nomination Committee

The Code endorses, as good practice, a formal procedure for appointments to the Board, with a Nomination Committee making recommendations to the Board. In line with this, the Nomination Committee ("NC") was established on 31 October 2001.

The NC's terms of reference include:

- i) Identifying and recommending new nominees to the Board and committees of the Board of MRCB, and nominees to the boards of its subsidiaries. All decisions and appointments are made by the respective boards after considering the recommendation of the NC;
- ii) Assisting the Board, committees of the Board and directors in assessing its overall effectiveness on an on-going basis; and
- iii) Assisting the Board in periodically reviewing its required mix of skills and experience and other qualities that non-executive Directors should bring to the Board.

Perhubungan Lembaga Pengarah dengan Pengurusan

Lembaga Pengarah percaya bahawa prinsip utama yang membolehkan ia berfungsi dengan berkesan adalah kebolehan ia berfungsi secara bebas daripada pihak Pengurusan. Di bawah kepimpinan Pengerusi, Lembaga Pengarah bertindak secara bebas dan membuat keputusan berdasarkan maklumat objektif, termaklum dan berkualiti yang disediakan kepadanya oleh pihak Pengurusan. Proses dan amalan membuat keputusan yang wujud pada masa ini memastikan supaya para pengarah boleh bertukar pandangan secara aktif untuk membolehkan mereka menilai secara berkesan halatuju Syarikat dan prestasi pihak Pengurusan, yang merupakan salah satu daripada tanggungjawab utama Lembaga Pengarah.

Dalam menilai maklumat yang disediakan, Lembaga Pengarah telah diberi kepastian tentang kualiti dan kecukupan maklumat, baik dari segi kualitatif mahupun kuantitatif. Bahan dan dokumen yang dibekalkan kepada Lembaga Pengarah diedar terlebih dahulu dan notis tertentu berhubung cadangan diberi dalam agenda Lembaga Pengarah. Jika keadaan memerlukan, Lembaga Pengarah akan meminta para penasihat Syarikat untuk memberi nasihat dalam menjalankan tugas mereka.

Pendidikan Pengarah

Sebagai elemen penting dalam proses pelantikan para pengarah baru, program orientasi dan pendidikan diatur untuk ahli-ahli Lembaga Pengarah yang baru. Para Pengarah turut menerima latihan lanjut dari semasa ke semasa, khususnya berhubung undang-undang dan peraturan baru yang berkaitan serta risiko perdagangan yang sering berubah-ubah.

Semua Pengarah telah menghadiri Program Pendidikan Berterusan seperti yang ditetapkan oleh peraturan Bursa Securities.

Pemilihan Semula Pengarah

Selaras dengan Artikel Pertubuhan Syarikat, semua Pengarah yang dilantik oleh Lembaga Pengarah tertakluk kepada pemilihan semula oleh para pemegang saham pada Mesyuarat Agung Tahunan ("MAT") pertama selepas pelantikan mereka. Artikel Pertubuhan Syarikat turut memperuntukkan bahawa sekurang-kurangnya satu per tiga daripada baki Lembaga Pengarah tertakluk kepada pemilihan semula mengikut giliran pada setiap MAT.

2. JAWATANKUASA LEMBAGA PENGARAH

Lembaga Pengarah telah mengagihkan fungsi tertentu kepada beberapa Jawatankuasa yang telah ditubuhkan untuk membantu melaksanakan tanggungjawabnya terhadap Syarikat. Jawatankuasa ini beroperasi di bawah takrifan jelas bidang yang telah diluluskan oleh Lembaga Pengarah. Jawatankuasa ini mempunyai autoriti untuk meneliti isu-isu tertentu dan membuat laporan kepada Lembaga Pengarah berserta syor-syornya. Pengerusi setiap Jawatankuasa tersebut akan melapor kepada Lembaga Pengarah berhubung hasil mesyuarat Jawatankuasa dan syor-syornya. Walau bagaimanapun, tanggungjawab muktamad untuk membuat keputusan muktamad berhubung semua perkara terletak kepada keseluruhan Lembaga Pengarah.

Jawatankuasa Lembaga Pengarah berikut telah diwujudkan:

Jawatankuasa Pencalonan

Kod mengesahkan sebagai satu amalan terbaik, sebuah prosedur formal bagi pelantikan ke Lembaga Pengarah, berasaskan usul yang dikemukakan oleh Jawatankuasa Pencalonan kepada Lembaga Pengarah. Sejajar dengan itu, Jawatankuasa Pencalonan ("JP") telah ditubuhkan pada 31 Oktober 2001.

Bidang kuasa JP termasuk:

- i) Menenalpasti dan mengesyorkan calon-calon baru ke Lembaga Pengarah dan jawatankuasa Lembaga Pengarah MRCB, dan calon ke Lembaga Pengarah syarikat-syarikat subsidiarinya. Semua keputusan dan pelantikan dibuat oleh Lembaga Pengarah masing-masing selepas mempertimbangkan syor JP;
- ii) Membantu Lembaga Pengarah, jawatankuasa Lembaga Pengarah dan para pengarah dalam menilai keberkesanan menyeluruh mereka secara berterusan; dan
- iii) Membantu Lembaga Pengarah mengkaji secara berkala campuran kemahiran dan pengalaman serta kualiti-kualiti lain yang perlu dibawa oleh para Pengarah bukan eksekutif ke dalam Lembaga Pengarah.

Nomination Committee (continued)

The members of the NC are:

Dato' Zainol Abidin Dato' Haji Salleh *
(Chairman – w.e.f. 26 March 2004, Resigned w.e.f. 20 May 2004)

Dato' Dr. Mohd Shahari Ahmad Jabar *
(Chairman – w.e.f. 29 July 2004)

Dato' Seri Syed Anwar Jamalullail **

Dato' Ahmad Ibnihajar *

* Independent, non-executive director

** Non-independent, non-executive director

The NC shall meet at least once a year, and a quorum of three (3) is required to convene the meeting. The NC has met twice during the review period, on 26 March 2004 and 29 July 2004.

Remuneration Committee

In line with the Best Practices of the Code, a Remuneration Committee ("RC") was set up on 31 October 2001.

The terms of reference of the RC include:

- i) To determine and recommend to the Board the framework or broad policy for the remuneration packages of the Chairman of the Board, the GMD/CEO and other senior management officers it is designated to consider.
- ii) To establish a formal and transparent procedure for developing policy on the total individual remuneration package of the GMD/CEO and other designated senior management officers including, where appropriate, bonuses, incentives and share options.
- iii) To design the remuneration package for GMD/CEO and other designated senior management officers with the aim of attracting and retaining high-calibre senior management personnel who will deliver success for shareholders and high standards of service for customers, while having due regard to the business environment in which the Company operates. Once formulated, the remuneration package is recommended to the Board for approval.

Remuneration Committee (continued)

iv) To review and recommend to the Board improvements (if any) on GMD/CEO and designated senior management officers' remuneration policy and package, and any other issues relating to benefits of those designated officers on an annual basis.

v) To review any major changes in employee benefit structures throughout the Company, and where appropriate recommend to the Board for adoption.

vi) To review and recommend to the Board for adoption the framework for the Company's annual incentive scheme. The framework for the annual incentive scheme may include:

- Merit increment
- Merit bonus
- Incentives

The members of the RC are:

Dato' Ahmad Ibnihajar * (Chairman)

Dato' Seri Syed Anwar Jamalullail **

Dato' Dr. Mohd Shahari Ahmad Jabar *

Dato' Zainol Abidin Dato' Haji Salleh *
(Resigned w.e.f. 20 May 2004)

Dr. Roslan A. Ghaffar **
(Appointed w.e.f. 29 July 2004)

* Independent, non-executive director

** Non-independent, non-executive director

During the period under review, the RC held seven (7) meetings, on 29 January 2004, 25 February 2004, 26 March 2004, 29 July 2004, 30 August 2004, 8 November 2004 and 21 December 2004.

The determination of the remuneration of the non-executive Directors is a matter for the Board as a whole. The annual fees payable to non-executive directors are presented to the shareholders at the Company's AGM for approval.

Jawatankuasa Pencalonan (sambungan)

Ahli-ahli JP adalah:

Dato' Zainol Abidin Dato' Haji Salleh *

(Pengerusi – berkuatkuasa dari 26 Mac 2004, meletak jawatan berkuatkuasa dari 20 Mei 2004)

Dato' Dr. Mohd Shahari Ahmad Jabar *

(Pengerusi – berkuatkuasa dari 29 Julai 2004)

Dato' Seri Syed Anwar Jamalullail **

Dato' Ahmad Ibnihajar *

* Pengarah bukan eksekutif bebas

** Pengarah bukan eksekutif bukan bebas

JP hendaklah bermesyuarat sekurang-kurangnya sekali setahun, dan kuorum tiga (3) orang diperlukan untuk mengadakan mesyuarat. JP telah bermesyuarat dua kali pada tempoh yang ditinjau, iaitu pada 26 Mac 2004 dan 29 Julai 2004.

Jawatankuasa Imbuhan

Selaras dengan Amalan Terbaik Kod, sebuah Jawatankuasa Imbuhan ("JI") telah ditubuhkan pada 31 Oktober 2001.

Bidang kuasa RC meliputi:

- i) Untuk menentu dan mengesyorkan kepada Lembaga Pengarah rangka kerja atau dasar umum untuk pakej imbuhan Pengerusi Lembaga Pengarah, GMD/CEO dan para pegawai pengurusan kanan lain yang ditentukan untuk pertimbangannya.
- ii) Untuk menetapkan satu prosedur formal dan telus bagi mewujudkan dasar berhubung keseluruhan pakej imbuhan setiap individu bagi GMD/CEO dan para pegawai pengurusan kanan lain yang ditentukan termasuk, mengikut kesesuaian, bonus, insentif dan opsyen saham.
- iii) Untuk merangka pakej imbuhan bagi GMD/CEO dan para pegawai pengurusan kanan lain yang ditentukan dengan tujuan untuk menarik dan mengekalkan pegawai pengurusan kanan berkebolehan yang akan memberi kejayaan kepada para pemegang saham dan tahap perkhidmatan yang tinggi kepada para pelanggan, di samping memberi pertimbangan sewajarnya terhadap persekitaran perniagaan di mana Syarikat beroperasi. Setelah dirumuskan, ia akan disyorkan kepada Lembaga Pengarah untuk diluluskan.

Jawatankuasa Imbuhan (sambungan)

- iv) Untuk mengkaji semula dan mengesyorkan kepada Lembaga Pengarah peningkatan (jika ada) mengenai dasar dan pakej imbuhan GMD/CEO dan para pegawai pengurusan kanan yang ditentukan, dan sebarang isu lain yang berkaitan dengan ganjaran tahunan untuk para pegawai tersebut.
- v) Untuk mengkaji sebarang perubahan besar dalam struktur faedah pekerja di keseluruhan Syarikat, dan jika sesuai ia akan disyorkan kepada Lembaga Pengarah untuk diterima pakai.
- vi) Untuk mengkaji dan mengesyorkan kepada Lembaga Pengarah penggunaan rangka kerja untuk skim insentif tahunan Syarikat. Rangka kerja skim insentif tahunan itu boleh meliputi:
 - Kenaikan gaji mengikut merit
 - Bonus mengikut merit
 - Insentif

Ahli-ahli JI terdiri daripada:

Dato' Ahmad Ibnihajar * (Pengerusi)

Dato' Seri Syed Anwar Jamalullail **

Dato' Dr. Mohd Shahari Ahmad Jabar *

Dato' Zainol Abidin Dato' Haji Salleh *

(Meletak jawatan berkuatkuasa dari 20 Mei 2004)

Dr. Roslan A. Ghaffar **

(Dilantik berkuatkuasa dari 29 Julai 2004)

* Pengarah bukan eksekutif bebas

** Pengarah bukan eksekutif bukan bebas

Pada tempoh yang ditinjau, JI telah bermesyuarat sebanyak tujuh (7) kali, iaitu pada 29 Januari 2004, 25 Februari 2004, 26 Mac 2004, 29 Julai 2004, 30 Ogos 2004, 8 November 2004 dan 21 Disember 2004.

Penentuan imbuhan untuk Pengarah bukan eksekutif terletak kepada keseluruhan Lembaga Pengarah. Cadangan yuran tahunan yang perlu dibayar kepada para pengarah bukan eksekutif dibentangkan kepada para pemegang saham pada MAT Syarikat untuk diluluskan.

Directors' Remuneration

A summary of the remuneration of the Directors for the period, distinguishing between executive and non-executive Directors in aggregate, with categorization into appropriate components and the number of Directors whose remuneration falls into each successive band of RM50,000 are set out below:

	Executive Directors	Non-Executive Directors	Total
Fees (RM)	–	176,557.00	176,557.00
Salary (RM)	387,792.00	0.00	387,792.00
EPF (RM)	153,897.00	12,000.00	165,897.00
Bonus (RM)	78,600.00	0.00	78,600.00
Benefits-in-kind (RM)	14,084.15	39,542.09	53,626.24
Other Emoluments (RM)	200,004.00	60,000.00	260,004.00
Total (RM)	834,377.15	288,099.09	1,122,476.24
Directors' Remuneration			
RM0 – RM50,000	–	5	5
RM50,001 – RM100,000	–	–	–
RM100,001 – RM150,000	1	1	2
RM150,001 – RM200,000	–	–	–
RM200,001 – RM250,000	–	–	–
RM250,000 – RM300,000	–	–	–
RM300,001 – RM350,000	–	–	–
RM350,001 – RM400,000	–	–	–
RM400,001 – RM450,000	–	–	–
RM450,001 – RM500,000	–	–	–
RM500,001 – RM550,000	–	–	–
RM550,001 – RM600,000	–	–	–
RM600,001 – RM650,000	–	–	–
RM650,001 – RM700,000	–	–	–
RM700,001 – RM750,000	1	–	1
RM750,001 – RM800,000	–	–	–
RM800,001 – RM850,000	–	–	–
Total	2	6	8

Audit Committee

The Audit Committee Report is set out on pages 84 to 88 of this Annual Report.

3. INVESTOR RELATIONS

As a public-listed company responsible to its shareholders, the Company acknowledges the need for transparency and disclosure in its business dealings.

Various corporate announcements are made during the period under review, and this includes timely release of the quarterly financial results. In addition, corporate announcements, events and developments are issued to the media via press releases and/or by holding press conferences after general meetings or corporate events. These provide shareholders and

3. INVESTOR RELATIONS (continued)

the investing public with an overview of the Company's performance and operations. In addition, the Company has established a website at www.mrcb.com.my which shareholders and investors can conveniently access for information about the Company.

The Company regards the AGM as the forum to communicate with its shareholders. The Board, at each AGM via the Annual Report, presents the Company's progress and performance. Shareholders are then given the opportunity to ask questions or seek clarification on the business and performance of the Company. Where appropriate, the Chairman of the Board will undertake to provide the questioner with a written answer to any significant question that cannot be readily answered during the AGM.

Imbuhan Pengarah

Satu ringkasan berhubung imbuhan untuk Pengarah bagi tempoh yang ditinjau, membezakan antara Pengarah eksekutif dan bukan eksekutif secara agregat, dengan mengkategorikan dalam komponen yang sesuai bilangan Pengarah yang mana imbuhan mereka berada dalam lingkungan setiap RM50,000 dinyatakan seperti di bawah:

	Pengarah Eksekutif	Pengarah Bukan Eksekutif	Jumlah
Yuran (RM)	–	176,557.00	176,557.00
Gaji (RM)	387,792.00	–	387,792.00
KWSP (RM)	153,897.00	12,000.00	165,897.00
Bonus (RM)	78,600.00	–	78,600.00
Manfaat Seumpamanya (RM)	14,084.15	39,542.09	53,626.24
Emolumen lain (RM)	200,004.00	60,000.00	260,004.00
Jumlah (RM)	834,377.15	288,099.09	1,122,476.24
Imbuhan Pengarah			
RM0 – RM50,000	–	5	5
RM50,001 – RM100,000	–	–	–
RM100,001 – RM150,000	1	1	2
RM150,001 – RM200,000	–	–	–
RM200,001 – RM250,000	–	–	–
RM250,001 – RM300,000	–	–	–
RM300,001 – RM350,000	–	–	–
RM350,001 – RM400,000	–	–	–
RM400,001 – RM450,000	–	–	–
RM450,001 – RM500,000	–	–	–
RM500,001 – RM550,000	–	–	–
RM550,001 – RM600,000	–	–	–
RM600,001 – RM650,000	–	–	–
RM650,001 – RM700,000	–	–	–
RM700,001 – RM750,000	1	–	1
RM750,001 – RM800,000	–	–	–
RM800,001 – RM850,000	–	–	–
Jumlah	2	6	8

Jawatankuasa Audit

Laporan Jawatankuasa Audit dibentangkan di muka surat 85 hingga 89 dalam Laporan Tahunan ini.

3. PERHUBUNGAN DENGAN PELABUR

Sebagai sebuah syarikat senarai awam yang bertanggungjawab terhadap para pemegang sahamnya, Syarikat mengakui perlunya ketelusan dan pendedahan dalam urusan perniagaannya.

Pelbagai pengumuman korporat dibuat pada tempoh kewangan ini, dan ini termasuk pengeluaran keputusan kewangan suku tahunan yang tepat pada masanya. Selain daripada itu, pengumuman, acara dan perkembangan korporat dikeluarkan kepada media melalui siaran akhbar dan/atau dengan mengadakan sidang akhbar selepas mesyuarat agung atau acara korporat. Ini menyediakan gambaran menyeluruh

3. PERHUBUNGAN DENGAN PELABUR (sambungan)

kepada para pemegang saham dan masyarakat pelabur berhubung prestasi dan operasi Syarikat. Selain daripada itu, Syarikat telah mewujudkan laman web beralamat di www.mrcb.com.my di mana pemegang saham dan pelabur boleh memasukinya untuk mendapatkan maklumat berkenaan Syarikat.

Syarikat menganggap MAT sebagai sebuah forum untuk berkomunikasi dengan para pemegang saham. Pada setiap MAT, Lembaga Pengarah akan membentangkan kemajuan dan prestasi Syarikat melalui Laporan Tahunan. Para pemegang saham kemudian akan diberi peluang untuk mengemukakan soalan atau meminta penjelasan berhubung perniagaan dan prestasi Syarikat. Dimana sesuai, Pengerusi Lembaga Pengarah akan memberi jawapan bertulis kepada penanya bagi soalan-soalan yang tidak dapat diberikan jawapan semasa MAT.

4. FINANCIAL REPORTING

In presenting the annual financial statements and quarterly announcement to shareholders, the Directors aim to present a balanced and understandable assessment of the Company's position and prospects. This also applies to other price-sensitive public reports and reports to regulators.

5. DIRECTORS' RESPONSIBILITY STATEMENT FOR PREPARING THE FINANCIAL STATEMENTS

The Board is responsible for the preparation of the financial statements of the Company. The Board has ensured that the financial statements have been prepared based on accounting policies which have been consistently and properly applied, supported by reasonable and prudent judgements and estimates, in adherence to all applicable accounting standards.

It is also the Board's responsibility to ensure that accounting records are accurate, within margins of reasonableness, and which discloses the financial position of the Company in a true and fair manner.

The statements by directors pursuant to Section 169(15) of the Companies Act, 1965 in relation to the preparation of the financial statements are set out on page 92 of this Annual Report under "Statement by Directors".

6. RELATIONSHIP WITH THE AUDITORS

The Company has established transparent and appropriate relationships with its auditors through the Audit Committee.

The role of the Audit Committee in relation to the auditors is described on page 84 to 88 of the Annual Report.

7. INTERNAL CONTROL

Introduction

The Code requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets. The Bursa Malaysia Listing Requirements require directors of listed companies to include a statement in annual reports on the state of their internal controls. The Bursa Malaysia's Statement on Internal Control: Guidance for Directors of Public Listed Companies ("Guidance") provides guidance for compliance with these requirements. Set out below is the Board's Internal Control Statement, which has been prepared in accordance with the Guidance.

Responsibility

The Board recognises the importance of sound controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Company's system of internal controls and risk management, and for reviewing the adequacy and integrity of the system. Such a system, however, can only be designed to manage rather than eliminate the risk of failure to achieve business objectives. This system, by its nature, can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management Framework

The Company has in place an on-going process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives.

The Board has established an organisation structure with clearly defined lines of accountability and delegated authority. It has extended the responsibilities of the Audit Committee to include the work of monitoring all internal controls on its behalf.

4. LAPORAN KEWANGAN

Para Pengarah beriltizam untuk membentangkan satu penilaian yang seimbang dan mudah difahami mengenai kedudukan dan prospek Syarikat dalam pembentangan penyata kewangan tahunan dan pengumuman suku tahunan kepada para pemegang saham. Pendekatan ini turut digunakan kepada laporan awam lain yang bersifat sensitif harga dan laporan kepada penguatkuasa peraturan.

5. PENYATA TANGGUNGJAWAB PENGARAH DALAM MENYEDIAKAN PENYATA KEWANGAN

Lembaga Pengarah bertanggungjawab menyediakan penyata kewangan Syarikat. Lembaga Pengarah juga telah memastikan bahawa penyata kewangan disediakan berdasarkan penggunaan dasar perakaunan secara konsisten dan sesuai, disokong oleh pertimbangan dan anggaran yang munasabah dan berhemat serta mematuhi semua piawaian perakaunan yang diterima pakai. Para Pengarah turut bertanggungjawab untuk memastikan bahawa rekod perakaunan berada dalam lingkungan ketepatan munasabah, serta mendedahkan kedudukan yang benar dan saksama berhubung kewangan Syarikat.

Penyata pengarah menurut Seksyen 169(15) Akta Syarikat, 1965 berhubung penyediaan penyata kewangan dibentangkan di muka surat 92 dalam Laporan Tahunan ini di bawah "Penyata oleh Pengarah"

6. PERHUBUNGAN DENGAN JURUAUDIT

Syarikat menjalin perhubungan yang telus dan sesuai dengan juruauditnya melalui Jawatankuasa Audit.

Peranan Jawatankuasa Audit dalam hubungan dengan juruaudit tersebut dinyatakan di muka surat 85 hingga 89 dalam Laporan Tahunan ini.

7. KAWALAN DALAMAN

Pengenalan

Kod memerlukan syarikat tersenarai mengekalkan sistem kawalan dalaman yang baik untuk melindungi pelaburan pemegang saham dan aset Syarikat. Keperluan Penyenaraian Bursa Malaysia menghendaki para pengarah syarikat tersenarai untuk menyertakan satu penyata dalam laporan tahunan berhubung keadaan kawalan dalaman mereka. Penyata berhubung Kawalan Dalaman Bursa Malaysia: Panduan bagi Pengarah Syarikat Disenarai Awam ("Panduan") menyediakan panduan bagi pematuhan dengan keperluan-keperluan ini. Dibentangkan di bawah adalah Penyata Kawalan Dalaman Lembaga Pengarah, yang telah disediakan selaras dengan Panduan.

Tanggungjawab

Lembaga Pengarah mengakui kepentingan kawalan dan amalan pengurusan risiko terbaik terhadap tadbir urus korporat yang baik. Lembaga Pengarah mengesahkan tanggungjawab menyeluruhnya terhadap sistem kawalan dalaman dan pengurusan risiko Syarikat, dan bagi mengkaji kecukupan dan kewibawaan sistem ini. Sistem tersebut, walau bagaimanapun, hanya boleh direka untuk mengurus dan bukan menghapus risiko kegagalan mencapai objektif perniagaan. Berasaskan ciri-cirinya, sistem ini hanya mampu menyediakan jaminan munasabah dan bukan muktamad terhadap salahnyata atau kerugian yang ketara.

Rangka Kerja Pengurusan Risiko

Syarikat telah menyediakan proses berterusan untuk mengenalpasti, menilai, memantau dan mengurus risiko utama yang mendatangkan kesan kepada pencapaian objektif perniagaannya.

Lembaga Pengarah telah mewujudkan sebuah struktur organisasi dengan garisan akauntabiliti dan delegasi autoriti yang jelas. Ia telah meluaskan tanggungjawab Jawatankuasa Audit untuk meliputi kerja-kerja memantau semua kawalan dalaman bagi pihaknya.

Risk Management Framework (continued)

In a move towards a more integrated approach to risk management, the Board has previously established a Risk Management Framework for the Company. Key risk processes have been identified and divided into three major areas, i.e. Investment/Divestment risks, Implementation risks and Operational risk. At all levels of management, a system has been put in place to identify and manage the risks, which includes nomination of a Risk Manager in each division and quarterly risk management reporting. The Risk Management Framework is continuously reviewed, and was last revised by the Board of Directors on 24 February 2005.

Subsequently, a Risk Management Working Committee (RMWC) has been established. The RMWC, a working committee at the executive level, is chaired by the GMD/CEO and its members include the Head of Projects & Corporate Planning, the Head of Human Resources and the Head of Finance & Treasury, with the Head of Corporate Governance in attendance as a permanent invitee. Representatives from each operating unit will also be invited to attend the RMWC as required. The RMWC shall meet on a regular basis to review all major risk areas, and consider the changes to risk management and control processes that should be recommended. Its review covers matters such as responses to significant risks identified, output from monitoring processes and changes made to the internal control systems. The first RMWC meeting was held on 20 February 2004.

The RMWC reports to the Audit Committee, which also oversees the Company's Risk Management function. The Audit Committee will then report to the Board on significant changes in the business and the external environment that affect key risks.

Other Key Elements

The Board has also established a Tender Committee to ensure transparency and integrity of the award process.

The other key elements of the Company's internal control systems are described below:

- i) clearly defined lines of authority and divisionalised organisation structure for monitoring the conduct and operations of individual business units;

Other Key Elements (continued)

- ii) clear delegation of responsibilities to committees of the full Board and to operating units, including authorisation levels for all aspects of the business set out in the Company's Limits of Authority;
- iii) clearly documented internal policies and procedures set out in a series of Standard Operating Manuals which is periodically reviewed for improvements and to reflect changes in business structures and processes;
- iv) a detailed budgeting process, where operating units prepare budgets for the coming year which are approved both at operating unit level and by the full Board;
- v) monthly reporting of actual results and review against budget, with major variances being followed up and management action taken where necessary;
- vi) monthly status report on division and department activities submitted to Performance Monitoring & Risk Management department to be reviewed and discussed;
- vii) monitoring of performance including discussion of any significant issues at monthly division meeting and senior management meeting chaired by the GMD/CEO;
- viii) regular and comprehensive information provided to management, covering financial performance and key performance indicators such as staff utilisation and cash flow performance; and
- ix) regular Internal Audit visits which provide independent assurance on the effectiveness of the Company's system of internal controls and advising Management on areas for further improvements.

The Board believes that the development of the system of internal controls is an on-going process, and has taken steps throughout the period under review to improve its internal control system and will continue to do so.

Associated Companies

Representatives from the Company are appointed to the board of directors of associated companies and attend board meetings. For active associated companies, key financial information of these companies is reviewed and significant issues are reported to the MRCB Board.

Rangka Kerja Pengurusan Risiko (sambungan)

Dalam usaha ke arah mencapai kaedah pengurusan risiko yang lebih bersepadu, Lembaga Pengarah sebelum ini telah mewujudkan sebuah Rangka Kerja Pengurusan Risiko bagi Syarikat. Proses risiko penting dikenalpasti dan dibahagikan kepada tiga bidang utama, iaitu risiko Pelaburan/Pelupusan, risiko Pelaksanaan dan risiko Operasi. Sebuah sistem telah disediakan di semua peringkat pengurusan untuk mengenalpasti dan mengurus risiko, yang meliputi pencalonan Pengurus Risiko dalam setiap bahagian serta laporan pengurusan risiko setiap suku tahun. Rangka Kerja Pengurusan Risiko disemak secara berterusan dan telah disemak kali terakhir oleh Lembaga Pengarah pada 24 Februari 2005.

Kemudian, sebuah Jawatankuasa Kerja Pengurusan Risiko ("JKPR") telah ditubuhkan. JKPR dipengerusikan oleh GMD/CEO dan ahli-ahlinya termasuk Ketua Perancangan Projek & Korporat, Ketua Sumber Manusia dan Ketua Kewangan & Perbendaharaan, dengan Ketua Tadbir Urus Korporat hadir sebagai jemputan tetap. Wakil-wakil daripada setiap unit operasi juga akan dijemput untuk menghadiri JKPR. JKPR, sebuah jawatankuasa kerja di peringkat eksekutif, akan bermesyuarat secara tetap untuk mengkaji semua bidang risiko utama, dan menentukan perubahan kepada pengurusan risiko dan proses kawalan yang patut disyorkan. Kajiannya meliputi hal-hal seperti tindak balas terhadap risiko utama yang dikenalpasti, hasil daripada proses pemantauan dan perubahan yang dilakukan terhadap sistem kawalan dalaman. Mesyuarat JKPR pertama telah diadakan pada 20 Februari 2004.

JKPR melapor kepada Jawatankuasa Audit, yang turut mengawalselia fungsi Pengurusan Risiko Syarikat. Jawatankuasa Audit kemudian akan melapor kepada Lembaga Pengarah berhubung perubahan penting dalam perniagaan dan persekitaran luaran yang mempengaruhi risiko utama.

Elemen-elemen Penting Lain

Lembaga Pengarah turut menubuhkan Jawatankuasa Tender bagi memastikan ketelusan dan kewibawaan proses pemberian tender.

Elemen-elemen penting sistem kawalan dalaman lain Syarikat adalah seperti yang dinyatakan di bawah:

- i) garis autoriti dan pembahagian struktur organisasi yang ditakrif dengan jelas bagi memantau pengendalian dan operasi setiap unit perniagaan;
- ii) pengagihan tanggungjawab yang jelas kepada jawatankuasa Lembaga Pengarah penuh dan kepada unit operasi, termasuk peringkat kelulusan bagi semua aspek perniagaan yang dibentangkan dalam Had Autoriti Syarikat;

Elemen-elemen Penting Lain (sambungan)

- iii) dasar dan prosedur dalaman yang didokumentasi dengan jelas dan dibentangkan dalam satu siri Manual Operasi Standard yang dikaji secara berkala untuk dipertingkatkan dan untuk menggambarkan perubahan dalam struktur dan proses perniagaan;
- iv) proses belanjawan yang terperinci, di mana unit operasi menyediakan belanjawan bagi tahun akan datang yang diluluskan di peringkat unit operasi dan oleh Lembaga Pengarah penuh;
- v) laporan bulanan berhubung keputusan sebenar berbanding belanjawan, dengan perbezaan utama diambil tindakan susulan dan tindakan oleh pihak pengurusan jika perlu;
- vi) Laporan status bulanan berhubung aktiviti bahagian dan jabatan diserahkan kepada Jabatan Pemantauan Prestasi Dan Pengurusan Risiko untuk dikaji dan diperbincangkan;
- vii) pemantauan prestasi meliputi perbincangan berhubung sebarang isu penting pada mesyuarat bulanan bahagian dan mesyuarat pengurusan kanan yang dipengerusikan oleh GMD/CEO;
- viii) penyediaan maklumat secara kerap dan lengkap kepada pengurusan, meliputi prestasi kewangan dan petunjuk prestasi utama seperti penggunaan kakitangan dan prestasi aliran tunai; dan
- ix) lawatan kerap Audit Dalaman yang menyediakan jaminan bebas berhubung keberkesanan sistem kawalan dalaman Syarikat dan memberi nasihat kepada Pengurusan berhubung perkara-perkara yang perlu dipertingkatkan.

Lembaga Pengarah percaya bahawa pembangunan sistem kawalan dalaman merupakan satu proses berterusan, dan Lembaga Pengarah telah mengambil langkah sepanjang tempoh ini untuk mempertingkatkan sistem kawalan dalaman Syarikat dan akan terus berbuat demikian pada masa-masa akan datang.

Syarikat-syarikat Bersekutu

Para wakil daripada Syarikat dilantik ke lembaga pengarah syarikat-syarikat bersekutu dan menghadiri mesyuarat lembaga pengarah syarikat tersebut. Bagi syarikat bersekutu yang aktif, maklumat kewangan utama berhubung syarikat ini dikaji dan isu-isu penting dilaporkan kepada Lembaga Pengarah MRCB.

ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"):

(i) **Utilisation of Proceeds Raised from Corporate Proposals**

There were no proceeds raised by the Company during the financial year ended 31 December 2004.

Disclosed in accordance with Appendix 9C, Part A, item 12 of the Listing Requirements of Bursa Securities.

(ii) **Share Buy-Backs**

The Company has not sought the approval from the shareholders to purchase its own shares and therefore, has not purchased any of its own shares during the financial year. As such, there are no shares being retained as treasury shares by the Company.

Disclosed in accordance with Paragraph 12.24, Appendix 12D of the Listing Requirements of Bursa Securities.

(iii) **Options, Warrants or Convertible Securities**

The Company has not issued any options, warrants or convertible securities during the financial year ended 31 December 2004 other than the granting of options under the MRCB Employees' Share Option Scheme.

Disclosed in accordance with Appendix 9C, Part A, item 14 of the Listing Requirements of Bursa Securities.

(iv) **American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR")**

The Company did not sponsor any ADR or GDR programme.

Disclosed in accordance with Paragraph 9C, Part A, item 15 of the Listing Requirements of Bursa Securities.

(v) **Sanctions and/or Penalties Imposed**

There was no sanctions and/or penalties imposed on MRCB and its subsidiary companies, directors or management by the relevant regulatory bodies during the financial year.

Disclosed in accordance with Appendix 9C, Part A, item 16 of the Listing Requirements of Bursa Securities.

(vi) **Non-audit Fees**

The amount of non-audit fees paid to the external auditors for the financial year 2004 was RM132,000.00.

Disclosed in accordance with Appendix 9C, Part A, item 17 of the Listing Requirements of Bursa Securities.

(vii) **Variation in Results**

There was no profit forecast issued by the Company during the financial year.

Disclosed in accordance with Appendix 9C, Part A, item 18 of the Listing Requirements of Bursa Securities.

(viii) **Profit Guarantee**

There were no profit guarantees given by the Company during the financial year.

Disclosed in accordance with Appendix 9C, Part A, item 19 of the Listing Requirements of Bursa Securities.

(ix) **Material Contracts**

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and its subsidiary companies involving directors and major shareholders, which subsisted at the end of the financial year ended 31 December 2004 or, if not then subsisting, entered into since the end of the previous financial year.

Disclosed in accordance with Appendix 9C, Part A, item 20 of the Listing Requirements of Bursa Securities.

MAKLUMAT PEMATUHAN TAMBAHAN

Maklumat yang dibentangkan di bawah adalah untuk mematuhi Keperluan Penyenaraian Bursa Malaysia Securities Berhad ('Bursa Securities').

(i) **Penggunaan Kutipan yang Dikumpul daripada Cadangan Korporat**

Tidak ada kutipan yang telah dikumpulkan oleh Syarikat pada tahun kewangan berakhir 31 Disember 2004.

Didedahkan selaras dengan Lampiran 9C, Bahagian A, perkara 12 Keperluan Penyenaraian Bursa Securities.

(ii) **Pembelian Balik Saham**

Syarikat tidak meminta kelulusan daripada para pemegang saham untuk membeli sahamnya sendiri dan oleh itu, tidak membeli sebarang sahamnya sendiri pada tahun ini. Oleh itu, tidak ada saham yang disimpan sebagai saham perbendaharaan oleh Syarikat.

Didedahkan selaras dengan Perenggan 12.24, Lampiran 12D Keperluan Penyenaraian Bursa Securities.

(iii) **Pilihan, Waran atau Sekuriti Boleh Tukar**

Syarikat tidak menerbitkan sebarang pilihan, waran atau sekuriti boleh tukar pada tahun kewangan berakhir 31 Disember 2004 selain daripada pemberian pilihan di bawah Skim Pilihan Saham Kakitangan MRCB.

Didedahkan selaras dengan Lampiran 9C, Bahagian A, perkara 14 Keperluan Penyenaraian Bursa Securities.

(iv) **American Depositary Receipt ("ADR") atau Global Depositary Receipt ("GDR")**

Syarikat tidak menaja sebarang program ADR atau GDR.

Didedahkan selaras dengan Lampiran 9C, Bahagian A, perkara 15 Keperluan Penyenaraian Bursa Securities.

(v) **Sekatan dan/atau Penalti Yang Dikenakan**

Tidak ada sekatan dan/atau penalti yang telah dikenakan ke atas MRCB dan syarikat-syarikat subsidiarinya, para pengarah atau pengurusan oleh penguatkuasa peraturan berkenaan pada tahun kewangan ini.

Didedahkan selaras dengan Lampiran 9C, Bahagian A, perkara 16 Keperluan Penyenaraian Bursa Securities.

(vi) **Yuran bukan Audit**

Jumlah yuran bukan audit yang dibayar kepada juruaudit luar pada tahun kewangan 2004 adalah RM132,000.00

Didedahkan selaras dengan Lampiran 9C, Bahagian A, perkara 17 Keperluan Penyenaraian Bursa Securities.

(vii) **Variasi Keputusan**

Kumpulan tidak mengeluarkan sebarang ramalan keuntungan pada tahun kewangan ini.

Didedahkan selaras dengan Lampiran 9C, Bahagian A, perkara 18 Keperluan Penyenaraian Bursa Securities.

(viii) **Jaminan Keuntungan**

Syarikat tidak memberi sebarang jaminan keuntungan pada tahun kewangan ini.

Didedahkan selaras dengan Lampiran 9C, Bahagian A, perkara 19 Keperluan Penyenaraian Bursa Securities.

(ix) **Kontrak Penting**

Tidak ada kontrak penting (kecuali kontrak yang dimeterai dalam urusan biasa perniagaan) yang ditandatangani oleh Syarikat dan syarikat-syarikat subsidiarinya yang melibatkan para pengarah dan pemegang saham utama, yang wujud pada tahun kewangan berakhir 31 Disember 2004, atau jika tidak wujud, dimeterai sejak akhir tahun kewangan lepas.

Didedahkan selaras dengan Lampiran 9C, Bahagian A, perkara 20 Keperluan Penyenaraian Bursa Securities.

(x) **Revaluation Policy**

The Company did not have a revaluation policy on landed properties.

Disclosed in accordance with Appendix 9C, Part A, item 23 of the Listing Requirements of Bursa Securities.

(xi) **Directors' Training**

All the Directors who were required to complete the Continuing Education Programme and the Mandatory Accreditation Programme ("MAP") as prescribed by Bursa Securities during the financial year ended 31 December 2004 have successfully completed the programmes. Encik Ahmad Zaki Zahid who was appointed as a Director of the Company in early 2005 is scheduled to attend the MAP in June 2005. The Directors will continue to attend other relevant training programmes as appropriate to enhance their skills and knowledge.

(xii) **Recurrent Related Party Transactions of a Revenue or Trading Nature**

At an Annual General Meeting held on 20 May 2004, the Company had obtained a mandate from its shareholders to allow the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature.

The details of the recurrent related party transactions of a revenue or trading nature conducted during the financial year ended 31 December 2004 pursuant to the said shareholders' mandate are as follows:

Company in MRCB Group involved	Related Party	Interested Related Party	Nature of Transaction	Value of Transaction (RM'000)
MRCB	Sistem Televisyen Malaysia Berhad ("STMB")	Realmild (M) Sdn. Bhd.	Rental of Sri Pentas 2, Plaza Alam Sentral to STMB	936,000
MRCB Multimedia Consortium Sdn. Bhd.	Irshad Consulting Sdn. Bhd.	Irshad Consulting Sdn. Bhd.	Provision of consulting services by Irshad Consulting Sdn. Bhd. to MRCB Multimedia Consortium Sdn. Bhd.	735,000
MRCB Technologies Sdn. Bhd.	Maxis Broadband Sdn. Bhd.	Dato' Seri Syed Anwar Jamalullail	Provision of supply and installation of telecommunication infrastructure by MRCB Technologies Sdn. Bhd. to Maxis Broadband Sdn. Bhd.	280,000
MRCB Selborn Sdn. Bhd.	Maxis Mobile Sdn. Bhd.	Dato' Seri Syed Anwar Jamalullail	Rental of space by MRCB Selborn Sdn. Bhd. to Maxis Mobile Sdn. Bhd. for antennas installation.	30,000
Malaysian Resources Development Sdn. Bhd.	Maxis Mobile Sdn. Bhd.	Dato' Seri Syed Anwar Jamalullail	Rental of space by Malaysian Resources Development Sdn. Bhd. to Maxis Mobile Sdn. Bhd. for antennas installation.	25,200

Disclosed in accordance with Paragraph 10.09 (1)(b) and Section 4.1.5 of Practice Note 12/2001 of the Listing Requirements of Bursa Securities.

(x) **Dasar Penilaian Semula**

Syarikat tidak mempunyai dasar penilaian semula berhubung hartanah.

Didedahkan selaras dengan Lampiran 9C, Bahagian A, perkara 23 Keperluan Penyenaraian Bursa Securities.

(xi) **Latihan Pengarah**

Semua Pengarah yang dikehendaki menghadiri Program Pendidikan Berterusan dan Program Akreditasi Mandatori (MAP) seperti yang ditetapkan oleh Bursa Securities pada tahun kewangan berakhir 31 Disember 2004 telah berjaya menjalani latihan masing-masing. Encik Ahmad Zaki Zahid yang dilantik sebagai Pengarah Syarikat pada awal tahun 2005 dijadual akan menghadiri MAP pada bulan Jun 2005. Para Pengarah akan terus menghadiri program latihan berkaitan yang sesuai untuk mempertingkatkan kemahiran dan pengetahuan mereka.

(xii) **Urutiaga Pihak Berkaitan Berulang yang Berbentuk Hasil atau Perdagangan**

Pada Mesyuarat Agung Tahunan yang dijalankan pada 20 Mei 2004, Syarikat telah memperolehi mandat daripada para pemegang sahamnya untuk membolehkan Syarikat dan syarikat-syarikat subsidiarinya menjalankan urutiaga pihak berkaitan berulang yang berbentuk hasil atau perdagangan.

Butir-butir urutiaga pihak berkaitan berulang yang berbentuk hasil atau perdagangan yang dijalankan pada tahun kewangan berakhir 31 Disember 2004 menurut mandat pemegang saham tersebut adalah seperti berikut:

Syarikat dalam Kumpulan MRCB	Pihak Berkaitan	Pihak Berkaitan Berkepentingan	Bentuk Urutiaga	Nilai Urutiaga (RM'000)
MRCB	Sistem Televisyen Malaysia Berhad ("STMB")	Realmild (M) Sdn. Bhd.	Penyewaan Sri Pentas 2, Plaza Alam Sentral kepada STMB	936,000
MRCB Multimedia Consortium Sdn. Bhd.	Irshad Consulting Sdn. Bhd.	Irshad Consulting Sdn. Bhd.	Penyediaan khidmat rundingan oleh Irshad Consulting Sdn. Bhd. kepada MRCB Multimedia Consortium Sdn. Bhd.	735,000
MRCB Technologies Sdn. Bhd.	Maxis Broadband Sdn. Bhd.	Dato' Seri Syed Anwar Jamalullail	Penyediaan pembekalan dan pemasangan infrastruktur telekomunikasi oleh MRCB Technologies Sdn. Bhd. kepada Maxis Broadband Sdn. Bhd.	280,000
MRCB Selborn Sdn. Bhd.	Maxis Mobile Sdn. Bhd.	Dato' Seri Syed Anwar Jamalullail	Penyewaan ruang oleh MRCB Selborn Sdn. Bhd. kepada Maxis Mobile Sdn. Bhd. untuk pemasangan antena	30,000
Malaysian Resources Development Sdn. Bhd.	Maxis Mobile Sdn. Bhd.	Dato' Seri Syed Anwar Jamalullail	Penyewaan ruang oleh Malaysian Resources Development Sdn. Bhd. kepada Maxis Mobile Sdn. Bhd. untuk pemasangan antena	25,200

Didedahkan selaras dengan Perenggan 10.09 (1)(b) dan Seksyen 4.1..5 Nota Amalan 12/2001 Keperluan Penyenaraian Bursa Securities.

MATERIAL CONTRACTS

MRCB (January 2004 – Disember 2004)

Concession Agreement dated 27 January 2004 between Government of Malaysia ("GOM") and Semasa Sentral Sdn. Bhd. ("SSSB") whereby SSSB is the Concession Company to operate maintain and manage Stesen Sentral Kuala Lumpur situated on the land held under Title No. H.S. (D) 92385 Lot P.T. 30, Mukim Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan, for 15 years from 30 November 2000.

Sale and Purchase Agreement dated 23 March 2004 between MRCB (the "Vendor") and Lembaga Tabung Haji (the "Purchaser"), whereby the Vendor has agreed to sell to the Purchaser a land held under Geran 46227, Lot 79, Seksyen 70, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan measuring approximately 4,138 square metres in area together with a 30 storey office building to be erected thereon for a cash consideration of RM161,460,000.00.

Joint Venture and Shareholders' Agreement dated 28 April 2004 between United Malayan Land Bhd. ("UMLAND") and MRCB, where the parties are desirous to form a Joint Venture Company known as Suasana Sentral Two Sdn. Bhd. (formerly known as Panorama Prominent Sdn. Bhd.) to acquire a piece of land known as Lot L from KL Sentral Sdn. Bhd. and to develop 2 blocks of 36 storey condominium 600 units inclusive of car park and 1 storey recreational facilities on Lot L subject to any such amendment or variation as may be imposed by the relevant authority.

Agreement for Transfer of Shares and Assignment of Development Rights dated 12 May 2004 between MRCB (the "Vendor") and Maxdeluxe Sdn. Bhd. (the "Purchaser"), where the Purchaser has agreed to purchase the Vendor's shares in Zelleco (M) Sdn. Bhd. free from assets and liabilities. The Purchaser also has agreed to assign the development rights over several pieces of land to the Vendor. This agreement was duly completed on 30 June 2004.

Contract Document No. KKR/JKR/IP/UB/24/2004 dated 10 August 2004 between Jabatan Kerja Raya Malaysia on behalf of Government of Malaysia and MRCB for an upgrading of Federal Route 5 from Ipoh to Lumut, Perak Darul Ridzuan (the "Project"), where MRCB has been awarded the said Project for a total cost of RM175,000,000.00. The Project is expected to be completed by 2006.

Share Sale Agreement dated 10 November 2004 between MRCB and Irshad Consulting Sdn. Bhd. for the disposal of 1,124,000 ordinary shares of RM1.00 each in MRCB Multimedia Consortium Sdn. Bhd. for a consideration of RM1,124,000.00 to be satisfied in cash. This transaction was completed on 2 December 2004.

Share Sale Agreement dated 20 December 2004 between Kumpulan Perangsang Selangor Berhad ("KPSB") and MRCB for the disposal 6,500,000 ordinary shares representing 25% of the total issued and paid up capital of MRCB Ceramics free from all liens, claims, charges, mortgages, equities and other encumbrances to MRCB. This transaction was duly completed on the same date of the said Agreement since all the conditions precedent have been fulfilled.

KONTRAK-KONTRAK PENTING

MRCB (Januari 2004 – Disember 2004)

Perjanjian Konsesi bertarikh 27 Januari 2004 antara Kerajaan Malaysia ("KM") dan Semasa Sentral Sdn. Bhd. ("SSSB") di mana SSSB merupakan Syarikat Konsesi untuk mengendalikan, menyenggara dan mengurus Stesen Sentral Kuala Lumpur yang terletak di atas tanah No. H.S. (D) 92385 Lot P.T. 30, Mukim Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan, selama 15 tahun bermula dari 30 November 2000.

Perjanjian Jual Beli bertarikh 23 Mac 2004 antara MRCB ("Vendor") dan Lembaga Tabung Haji ("Pembeli"), di mana Vendor telah bersetuju untuk menjual kepada Pembeli sebidang tanah di bawah Geran 46227, Lot 79, Seksyen 70, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan berukuran lebih kurang 4,138 meter persegi di dalam kawasan berserta dengan sebuah bangunan 30 tingkat yang akan didirikan dengan bayaran tunai sebanyak RM161,460,000.00.

Perjanjian Usahasama dan Pemegang Saham bertarikh 28 April 2004 antara United Malayan Land Bhd. ("UMLAND") dan MRCB, di mana pihak-pihak terbabit berhasrat untuk menubuhkan sebuah Syarikat Usahasama dikenali sebagai Suasana Sentral Two Sdn. Bhd. (dahulunya dikenali sebagai Panorama Prominent Sdn. Bhd.) untuk mengambilalih sebidang tanah dikenali sebagai Lot L dari KL Sentral Sdn. Bhd. dan untuk membangunkan 2 blok kondominium 36 tingkat 600 unit termasuk medan letak kereta dan 1 tingkat kemudahan rekreasi di Lot L tertakluk kepada sebarang pindaan atau variasi yang mungkin dikenakan oleh pihak berkuasa berkaitan.

Perjanjian bagi Pindahan Saham dan Pindahmilik Hak Pembangunan bertarikh 12 Mei 2004 antara MRCB ("Vendor") dan Maxdeluxe Sdn. Bhd. ("Pembeli"), di mana Pembeli bersetuju untuk membeli saham Vendor di dalam Zelleco (M) Sdn. Bhd. bebas daripada aset dan liabiliti. Pembeli juga bersetuju untuk memindahmilik hak-hak pembangunan ke atas sebidang tanah kepada Vendor. Perjanjian ini telah disempurnakan pada 30 Jun 2004.

Kontrak Dokumen No. KKR/JKR/IP/UB/24/2004 bertarikh 10 Ogos 2004 antara Jabatan Kerja Raya Malaysia bagi pihak Kerajaan dan MRCB bagi menaiktaraf Laluan Persekutuan 5 dari Ipoh ke Lumut, Perak Darul Ridzuan ("Projek"), di mana MRCB telah diberikan Projek tersebut dengan jumlah kos RM175,000,000.00. Projek tersebut dijangka akan disiapkan menjelang 2006.

Perjanjian Jualan Saham bertarikh 10 November 2004 antara MRCB dan Irshad Consulting Sdn. Bhd. bagi penjualan sebanyak 1,124,000 saham biasa bernilai RM1.00 sesaham di dalam MRCB Multimedia Consortium Sdn. Bhd. dengan bayaran sebanyak RM1,124,000.00 yang akan dipenuhi secara tunai. Urusniaga ini telah disempurnakan pada 2 Disember 2004.

Perjanjian Jualan Saham bertarikh 20 Disember 2004 antara Kumpulan Perangsang Selangor Berhad ("KPSB") dan MRCB bagi penjualan 6,500,000 saham biasa yang merupakan 25% daripada jumlah modal terbitan dan berbayar di dalam MRCB Ceramics bebas daripada semua lien, tuntutan, caj, gadaian, ekuiti dan sandaran lain kepada MRCB. Urusniaga ini telah disempurnakan pada tarikh yang sama dengan Perjanjian kerana semua syarat terdahulu telah dipenuhi.

AUDIT COMMITTEE REPORT

1. MEMBERS

In line with the Code, the Audit Committee (AC) members shall be appointed by the Board of Directors amongst the Directors, and shall consist of not less than three (3) members. A majority of the AC members must be independent Directors.

The members of the AC shall elect a Chairman from among themselves, who shall be an independent director. An alternate director cannot be appointed as a member of the AC.

At least one member of the AC:

- i) must be a member of the Malaysian Institute of Accountants; or
- ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

In the event of any vacancy in the AC resulting in the non-compliance of the above requirements, the Company must fill the vacancy within 3 months.

MRCB's Company Secretary shall act as Secretary to the AC.

2. MEETINGS

The AC shall meet at least four (4) times in a year to discuss any matters raised by the Auditors in discharging their functions. The quorum for a meeting of the AC shall be three (3), of which the majority must be independent directors.

The AC met on seven (7) occasions for the period of 1 January 2004 to 31 December 2004. The meetings were held on 29 January 2004, 25 February 2004, 26 March 2004, 20 May 2004,

2. MEETINGS (continued)

29 August 2004, 8 November 2004 and 12 December 2004. The attendances of each member are as follows:

Members	Meetings Attended
Dato' Dr. Mohd Shahari Ahmad Jabar * (Chairman)	7/7 (100%)
Datuk Zahari Omar **	7/7 (100%)
Dato' Zainol Abidin Dato' Haji Salleh * (Resigned from the Board w.e.f. 20 May 2004)	4/4 (100%)
Dato' Ahmad Ibnihajar *	7/7 (100%)

* Independent, non-executive Directors

** Member of Malaysian Institute of Accountants

The AC Secretary is responsible for the co-ordination of administrative details of the meetings, including calling the meetings, voting and keeping of minutes.

In addition to the AC members, the GMD/CEO, the Head of Finance & Treasury and Head of Corporate Governance (Chief Internal Auditor) are invited to attend the AC meetings. The Heads of Division/Companies/Departments and their management staff may attend the AC meetings, by invitation, when audit reports of their Divisions/Companies/Departments are tabled for discussion. The presence of External Auditors will be requested when required.

The AC Chairman shall, upon the request of the External Auditor, convene a meeting of the AC to consider any matter the External Auditor believes should be brought to the attention of the Directors or shareholders. The Auditors also have the right to appear and be heard at any meeting of the AC, and shall appear before the AC when required to do so by the AC.

3. TERMS OF REFERENCE

The AC's Terms of Reference has recently being updated and approved by the Board on 24 February 2005, and are outlined below:

- i) The AC shall be granted the authority to investigate any activity of the Company, its subsidiaries and employees. All employees shall be directed to cooperate as requested by members of the AC.
- ii) The AC shall be empowered to retain persons having special competence as necessary to assist the AC in fulfilling its responsibilities.

LAPORAN JAWATANKUASA AUDIT

1. AHLI

Selaras dengan Kod, Jawatankuasa Audit ("JA") perlu dilantik oleh Lembaga Pengarah dari kalangan para Pengarah, dan perlu terdiri tidak kurang daripada tiga (3) orang ahli. Majoriti ahli JA hendaklah terdiri daripada para Pengarah bebas.

Ahli-ahli JA perlu melantik seorang Pengerusi dari kalangan mereka, yang hendaklah merupakan pengarah bebas. Pengarah pengganti tidak boleh dilantik sebagai ahli JA.

Sekurang-kurangnya seorang ahli JA:

- (i) Hendaklah merupakan ahli Institut Akauntan Malaysia; atau
- (ii) jika beliau bukan seorang ahli Institut Akauntan Malaysia, beliau hendaklah mempunyai sekurang-kurangnya 3 tahun pengalaman bekerja dan:
 - beliau telah lulus peperiksaan yang ditetapkan dalam Bahagian I Jadual Pertama Akta Akauntan, 1967; atau
 - beliau hendaklah merupakan seorang ahli persatuan akauntan yang ditetapkan dalam Bahagian II Jadual Pertama Akta Akauntan, 1967.

Sekiranya berlaku sebarang kekosongan di dalam JA yang menyebabkan keperluan di atas tidak dipatuhi, Syarikat perlu mengisi kekosongan tersebut dalam tempoh tiga bulan.

Setiausaha Syarikat MRCB akan bertindak sebagai Setiausaha kepada JA.

2. MESYUARAT

JA perlu bermesyuarat sekurang-kurangnya empat (4) kali setahun untuk membincangkan sebarang perkara yang dikemukakan oleh Juruaudit dalam melaksanakan fungsi mereka. Kuorum suatu mesyuarat JA hendaklah terdiri daripada tiga (3) orang ahli, yang majoritinya adalah Pengarah bebas.

JA telah bermesyuarat tujuh (7) kali dalam tempoh 1 Januari 2004 hingga 31 Disember 2004. Mesyuarat telah diadakan pada 29 Januari 2004,

2. MESYUARAT (sambungan)

25 Februari 2004, 26 Mac 2004, 20 Mei 2004, 29 Ogos 2004, 8 November 2004 dan 12 Disember 2004. Kehadiran setiap ahli adalah seperti berikut:

Ahli	Mesyuarat hadir
Dato' Dr. Mohd Shahari Ahmad Jabar * (Pengerusi)	7/7 (100%)
Datuk Zahari Omar **	7/7 (100%)
Dato' Zainol Abidin Dato' Haji Salleh * (Meletak jawatan dari Lembaga Pengarah berkuatkuasa dari 20 Mei 2004)	4/4 (100%)
Dato' Ahmad Ibnihajar *	7/7 (100%)

- * Pengarah bukan eksekutif bebas
** Ahli Institut Akauntan Malaysia

Setiausaha JA bertanggungjawab ke atas penyelarasan perkara-perkara berbentuk pentadbiran termasuk memanggil mesyuarat, pengundian dan penyimpanan minit mesyuarat.

Selain daripada ahli JA, GMD/CEO, Ketua Kewangan & Perbendaharaan dan Ketua Tadbir Urus Korporat (Ketua Juruaudit Dalam) turut dijemput untuk menghadiri mesyuarat JA. Ketua Bahagian/Syarikat/Jabatan dan kakitangan pengurusan mereka boleh menghadiri mesyuarat JA, melalui jemputan, apabila laporan audit bahagian/syarikat/jabatan mereka dibentang untuk perbincangan. Juruaudit Luar akan diminta hadir apabila perlu.

Di atas permintaan Juruaudit Luar, Pengerusi JA perlu mengadakan mesyuarat untuk mempertimbangkan sebarang perkara yang Juruaudit Luar percaya perlu diketengahkan untuk perhatian para Pengarah atau pemegang saham. Juruaudit juga berhak untuk hadir dan memberi pendapat pada sebarang mesyuarat JA dan perlu hadir di hadapan JA apabila diminta berbuat demikian.

3. BIDANG RUJUKAN

Bidang Rujukan JA telah dikemaskini dan diluluskan baru-baru ini oleh Lembaga Pengarah pada 24 Februari 2005, seperti yang digariskan di bawah:

- i) JA diberi kuasa untuk menyiasat sebarang aktiviti Syarikat, syarikat-syarikat subsidiarinya dan kakitangannya. Semua kakitangan akan diarah supaya bekerjasama seperti yang diminta oleh ahli JA.
- ii) JA diberi kuasa untuk mengekalkan orang-orang yang mempunyai kemahiran khas yang diperlukan untuk membantunya dalam melaksanakan tanggungjawab.

3. TERMS OF REFERENCE (continued)

- iii) The AC shall provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly relating to business ethics, policies, financial management & control.
- iv) The AC, through regularly scheduled meetings, shall maintain a direct line of communication between the Board, External Auditor, Internal Auditor and Management.
- v) The AC shall provide greater emphasis on the Audit function by increasing the objectivity and independence of the External and Internal Auditors, and providing a forum for discussion that is independent of the Management.

4. AUTHORITY

The AC shall have the following authority as empowered by the Board of Directors:

- i) To have the authority to investigate any matter within its terms of reference;
- ii) To have the resources which are required to perform its duties;
- iii) To have full, free and unrestricted access to any information, records, properties and personnel of the Company;
- iv) To have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- v) To be able to obtain independent professional or other advice; and
- vi) To be able to convene meetings with the External Auditors and Internal Auditors together with other independent members of the Board, excluding the attendance of the executive members of the AC, at least once a year or whenever deemed necessary. The AC should also be able to meet exclusively among itself whenever deemed necessary.

5. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the AC are as follows:

- i) To consider and recommend the appointment of the External Auditor, the audit fee and any questions of resignation or dismissal including considering whether there is reason (supported by grounds) to believe that the Company's External Auditor is not suitable for reappointment;

5. DUTIES AND RESPONSIBILITIES (continued)

- ii) To discuss with the External Auditor, before the audit commences, the nature and scope of the audit;
- iii) To review the external audit plan with the External Auditor, and the assistance given by the employees of the Company to the External Auditor;
- iv) To discuss with the External Auditor, his audit report and his evaluation of the system of internal controls;
- v) To review the quarterly and year-end financial statements of the Company, prior to the approval by the Board of Directors, focusing particularly on:
 - Any changes in accounting policies and practices
 - Significant adjustments arising from the audit
 - The going concern assumption
 - Compliance with accounting standards and other legal requirements;
- vi) To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss (in the absence of management where necessary);
- vii) To review the External Auditor's Management Letter and Management's response;
- viii) To do the following with regards to the internal audit function:
 - Review, on an ongoing basis, 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, processes, the results of the internal audit programme, processes or investigation undertaken. Where necessary, the AC will ensure that appropriate action is taken on the reports and recommendations of the internal audit function, and that all the above are not subject to management's approval or clearance;
 - Review any appraisal or assessment of the performance of members of the internal audit function;

3. BIDANG RUJUKAN (sambungan)

- iii) JA akan memberi bantuan kepada Lembaga Pengarah dalam memenuhi tanggungjawab fidusiarinya, khususnya berkaitan dengan etika perniagaan, dasar, pengurusan & kawalan kewangan.
- iv) Melalui mesyuarat yang dijadualkan secara tetap, JA perlu mengekalkan saluran komunikasi langsung dengan Lembaga Pengarah, Juruaudit Luar dan Dalam serta pihak Pengurusan.
- v) JA memberi penekanan yang lebih besar kepada fungsi audit dengan mempertingkatkan objektiviti dan kebebasan Juruaudit Luar dan Dalam serta menyediakan suatu forum untuk perbincangan yang bebas daripada Pengurusan.

4. BIDANG KUASA

JA mempunyai kuasa berikut seperti yang diberi oleh Lembaga Pengarah:

- i) Mempunyai kuasa untuk menyiasat sebarang perkara dalam bidang rujukannya;
- ii) Mempunyai sumber yang diperlukan untuk menjalankan tugasnya;
- iii) Mempunyai akses sepenuhnya, bebas dan tanpa halangan kepada sebarang maklumat, rekod, aset dan personel Syarikat;
- iv) Mempunyai saluran komunikasi langsung dengan Juruaudit Luar dan orang-orang yang menjalankan fungsi atau aktiviti Audit Dalam;
- v) Boleh mendapatkan nasihat profesional bebas atau nasihat lain; dan
- vi) Boleh mengadakan mesyuarat dengan Juruaudit Luar dan Juruaudit Dalam bersama-sama dengan ahli bebas Lembaga yang lain, tanpa kehadiran ahli eksekutif JA, sekurang-kurangnya sekali setahun atau apabila dianggap perlu. JA hendaklah bermesyuarat secara eksklusif di kalangan ahlinya apabila dianggap perlu.

5. TUGAS DAN TANGGUNGJAWAB

Tugas dan tanggungjawab JA adalah seperti berikut:

- i) Untuk menimbang dan mencadangkan pelantikan juruaudit luar, yuran audit tersebut dan sebarang persoalan mengenai peletakan atau pemecatan jawatan, termasuk menimbang sama ada wujud sebab (disokong dengan asas) untuk mempercayai bahawa juruaudit luar tidak sesuai untuk dilantik semula;

5. TUGAS DAN TANGGUNGJAWAB (sambungan)

- ii) Untuk berbincang dengan juruaudit luar, sebelum pengauditan dimulakan; jenis dan skop audit yang akan dijalankan;
- iii) Untuk mengkaji pelan audit luar dengan juruaudit luar dan bantuan yang akan diberikan oleh kakitangan Syarikat kepada juruaudit luar;
- iv) Untuk berbincang dengan juruaudit luar tentang laporan audit dan penilaian beliau tentang sistem kawalan dalaman;
- v) Untuk mengkaji penyata kewangan Syarikat setiap suku tahun dan akhir tahun, sebelum diluluskan oleh lembaga pengarah, dengan memfokus terutamanya kepada:
 - Sebarang perubahan dasar dan amalan perakaunan;
 - Pelarasan penting yang timbul daripada pengauditan tersebut;
 - Andaian kesinambungan perniagaan;
 - Pematuhan kepada piawaian perakaunan dan keperluan perundangan lain.
- vi) Untuk membincangkan masalah dan persoalan yang timbul daripada audit interim dan akhir dan sebarang perkara yang juruaudit luar mungkin ingin membincangkan (tanpa kehadiran pengurusan, jika perlu);
- vii) Untuk mengkaji surat pengurusan dan tindak balas pengurusan;
- viii) Untuk melakukan yang berikut berhubung dengan fungsi audit dalaman:
 - Mengkaji secara berterusan, kecukupan skop, fungsi dan sumber fungsi audit dalaman dan bahawa ia mempunyai kuasa yang diperlukan untuk menjalankan tugasnya;
 - Mengkaji program, proses, keputusan program audit dalaman, proses atau penyiasatan audit dalaman yang dijalankan. Apabila perlu, JA akan memastikan supaya tindakan sewajarnya diambil berkaitan laporan dan cadangan fungsi audit dalaman dan bahawa semua di atas tidak tertakluk kepada kelulusan atau pelepasan pengurusan;
 - Mengkaji sebarang penaksiran atau penilaian prestasi para ahli dalam fungsi audit dalaman;

5. DUTIES AND RESPONSIBILITIES (continued)

- Review the remit of the internal audit function, including the remuneration of the Chief Internal Auditor;
 - Monitor closely significant disagreement(s) between Internal Auditor and Management, whether resolved or not.
- ix) To ensure that all serious allegations involving issues such as fraud, misconduct and criminal breach of trust are brought to the AC's attention. An investigation must obtain the clearance of the AC Chairman before it can proceed, and the AC is empowered to review the major findings of such internal investigations and management's response;
- x) To consider any related party transactions and conflict of interest situation that may arise within the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
- xi) To obtain satisfactory response from management on the Internal Audit reports and reports issued by external auditors;
- xii) To submit a summary report to the Board after each AC meeting to advise on issues discussed, as well as an annual report to the Board highlighting material concerns discovered by internal audit during the year;
- xiii) To oversee the function of the Risk Management Committee and report to the Board significant changes in the business and the external environment which affect key risks;
- xiv) Where review of audit reports of subsidiaries and any related corporation also falls under the jurisdiction of the AC, all the abovementioned function shall also be performed by the AC in co-ordination with the Board of Directors of the subsidiaries and related corporation;
- xv) To review arrangements established by management for compliance with any regulatory or other external reporting requirements, by-laws and regulation related to the Company's operations.

6. ACTIVITIES

During the year, the activities of the AC include the review and deliberation of:

- i) the quarterly financial result announcements;
- ii) the year-end financial statements of the Company;

6. ACTIVITIES

- iii) the External Auditor's reports in relation to audit and accounting issues arising from the audit, and updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board;
- iv) annual audit strategy and plan of the external auditors;
- v) related party transactions that arose within the Company;
- vi) annual audit plan proposed by the Internal Auditors;
- vii) audit reports presented by the Internal Auditor on findings and recommendations with respect to system and control weaknesses; and
- viii) Risk Management Working Committee reports and findings.

7. INTERNAL AUDIT

The Company supports internal audit as an independent appraisal function to examine and evaluate its activities as a value-added service to the management. On 17 January 2005, the AC has approved a revised Internal Audit Charter to better define the objectives, mission, scope, organisation, authority and responsibilities of Internal Audit.

The Internal Audit function supports all divisions, business units and departments of the Company in areas of planning, stewardship and control in accordance with their objectives, policies and procedures guidelines. It adopts a risk-based auditing approach, taking into account best practices and industry standards. Internal Audit conducts evaluation of the system of internal controls that encompasses the Company's governance, operations, and information systems. It then provides the AC with independent and objective reports on the effectiveness of the system of internal controls within the Company, and recommendations to improve the Company's controls and risk management procedures.

Internal Audit reports are discussed at management level, and actions are agreed in response to the Internal Audit's recommendations. The status of implementation of the agreed actions are followed up by Internal Audit to ensure that they are completed and satisfactory control is maintained. The AC reviews all Internal Audit reports and management responses, and evaluates the overall effectiveness of the Company's system of internal controls and risk management processes. Significant risk issues are referred to the Board for consideration. The Board reviews the minutes of the AC meetings.

5. TUGAS DAN TANGGUNGJAWAB (sambungan)

- Mengkaji remit fungsi audit dalaman, termasuk imbuhan Ketua Juruaudit Dalaman;
 - Memantau secara rapat perselisihan pendapat (pendapat-pendapat) yang ketara antara Juruaudit Dalaman dan Pengurusan, sama ada telah diselesaikan atau belum.
- ix) Untuk memastikan supaya semua tuduhan serius yang melibatkan isu-isu seperti penipuan, salah laku dan pecah amanah dibawa ke perhatian Pengerusi JA sebelum ia diteruskan dan JA diberi kuasa untuk mengkaji penemuan utama penyiasatan dalaman sedemikian serta tindak balas pengurusan terhadapnya;
- x) Untuk menimbang sebarang urusan pihak berkaitan dan situasi konflik kepentingan yang mungkin timbul dalam Syarikat, termasuk sebarang urusan, prosedur atau tatalaku yang menimbulkan persoalan tentang kewibawaan pengurusan;
- xi) Untuk mendapatkan tindak balas memuaskan daripada pengurusan tentang laporan Juruaudit Dalaman dan laporan yang dikeluarkan oleh Juruaudit Luar;
- xii) Untuk menghantar ringkasan laporan kepada Lembaga Pengarah selepas setiap mesyuarat JA untuk memberi nasihat tentang isu-isu yang telah dibincangkan serta sebagai laporan tahunan kepada Lembaga Pengarah untuk memaklumkan tentang perkara-perkara penting yang ditemui oleh juruaudit dalaman pada tahun tersebut;
- xiii) Untuk mengawalselia fungsi Jawatankuasa Pengurusan Risiko dan laporan kepada Lembaga Pengarah tentang perubahan penting dalam perniagaan dan persekitaran luar yang membawa kesan kepada risiko-risiko utama;
- xiv) Apabila kajian laporan audit syarikat-syarikat subsidiari dan perbadanan berkaitan juga jatuh di bawah bidang kuasa JA, semua fungsi yang disebutkan di atas akan dilaksanakan oleh JA secara selaras dengan Lembaga Pengarah syarikat-syarikat subsidiari dan perbadanan berkaitan;
- xv) Untuk mengkaji pengaturan yang ditetapkan oleh pengurusan mematuhi sebarang peraturan atau keperluan laporan luaran, undang-undang kecil dan peraturan berkaitan dengan operasi Syarikat.

6. AKTIVITI

Pada tahun yang ditinjau, aktiviti JA meliputi kajian dan perbincangan perkara-perkara berikut:

- i) pengumuman keputusan kewangan suku tahunan;

6. AKTIVITI (sambungan)

- ii) penyata kewangan akhir tahun Syarikat;
- iii) laporan Juruaudit Luar berkaitan dengan isu audit dan perakaunan yang timbul daripada audit, dan kemaskini perkembangan terbaru berhubung piawaian perakaunan yang dikeluarkan oleh Lembaga Piawaian Perakaunan Malaysia;
- iv) strategi audit tahunan dan rancangan Juruaudit Luar;
- v) urusan pihak berkaitan yang timbul dalam Syarikat;
- vi) rancangan audit tahunan yang dicadangkan oleh Juruaudit Dalaman;
- vii) laporan audit yang dibentangkan oleh Juruaudit Dalaman berhubung penemuan dan syor-syor berkaitan kelemahan sistem dan kawalan; dan
- viii) laporan dan penemuan Jawatankuasa Kerja Pengurusan Risiko.

7. AUDIT DALAMAN

Syarikat menyokong audit dalaman sebagai sebuah fungsi penilaian bebas untuk memeriksa dan menilai aktiviti sebagai perkhidmatan tambah nilai kepada pengurusan. Pada 17 Januari 2005, JA telah meluluskan Piagam Audit Dalaman yang baru untuk memberi takrifan yang lebih jelas tentang objektif, misi, skop, organisasi, kuasa dan tanggungjawab Audit Dalaman.

Fungsi Audit Dalaman menyokong semua bahagian, unit perniagaan dan jabatan dalam Syarikat, termasuk perkara berkaitan perancangan, kepimpinan dan kawalan menurut objektif, dasar dan garis panduan prosedur. Ia menerima pakai pendekatan pengauditan berasaskan risiko, dengan mengambilkira amalan terbaik dan piawaian industri. Audit Dalaman mengendalikan penilaian sistem kawalan dalaman yang meliputi tadbir urus korporat, operasi dan sistem maklumat Syarikat. Selepas itu, ia memberikan kepada JA laporan bebas dan berobjektif mengenai keberkesanan sistem kawalan dalaman dalam Syarikat serta cadangan untuk mempertingkatkan taraf kawalan dan prosedur pengurusan risiko Syarikat.

Laporan Audit Dalaman dibincangkan di peringkat pengurusan dan tindakan telah dipersetujui sebagai tindak balas kepada cadangan Audit Dalaman. Status pelaksanaan tindakan yang telah dipersetujui diikuti oleh Audit Dalaman bagi memastikan ia lengkap dan kawalan yang memuaskan sentiasa terpelihara. JA mengkaji semua laporan Audit Dalaman dan tindak balas pengurusan serta menilai keberkesanan keseluruhan sistem kawalan dalaman dan proses pengurusan risiko Syarikat. Isu-isu risiko yang penting dirujuk untuk pertimbangan Lembaga Pengarah. Lembaga Pengarah mengkaji minit mesyuarat JA.



FINANCIAL STATEMENT

92	DIRECTORS' REPORT
97	STATEMENT BY DIRECTORS
97	STATUTORY DECLARATION
98	REPORT OF THE AUDITORS
99	INCOME STATEMENTS
100	BALANCE SHEETS
102	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
104	COMPANY STATEMENT OF CHANGES IN EQUITY
105	CASH FLOW STATEMENTS
108	NOTES TO THE FINANCIAL STATEMENTS



DIRECTORS' REPORT

The Directors are pleased to submit their annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The Company also engages in construction related activities, property development and provision of management services to its subsidiaries.

The Group is principally engaged in property development and investment, engineering, infrastructure and construction related activities.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit/(loss) after taxation	38,271	(18,422)
Minority interests	(4,662)	-
Net profit/(loss) attributable to shareholders	33,609	(18,422)

DIVIDENDS

No dividend has been paid or declared by the Company since 31 December 2003. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2004.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

SHARE CAPITAL

During the financial year, the issued and paid-up share capital of the Company was increased from RM768,170,868 to RM768,185,868 following the issuance of 15,000 new ordinary shares of RM1.00 each as follows:

Purpose of issue	No. of ordinary shares of RM1.00 each
Exercise of share options by eligible employee pursuant to the Company's Employees' Share Option Scheme	15,000

The new ordinary shares which were issued for cash during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

DIRECTORS' REPORT (CONTINUED)

EMPLOYEES' SHARE OPTION SCHEME

The Malaysian Resources Corporation Berhad's Employees' Share Option Scheme ('ESOS' or the 'Scheme') was approved by the shareholders at an Extraordinary General Meeting held on 12 August 2002 and became effective on 5 September 2002.

The details of the ESOS are contained in the Bye-Laws and the salient features thereof are set out in Note 38 to the financial statements.

During the financial year, the number of ordinary shares of RM1.00 each covered under options granted, exercised and lapsed were as follows:

Tranche	Date	Price	No. of ordinary shares of RM1.00 each covered under options				At 31.12.2004
			At 1.1.2004	Granted	Exercised	Lapsed	
1	6 Sep 2002	RM1.06	26,170,000	–	–	–	26,170,000
2	26 May 2003	RM1.00	9,578,076	–	(15,000)	(1,009,627)	8,553,449
3	2 Apr 2004	RM1.00	–	10,381,555	–	(364,063)	10,017,492
			35,748,076	10,381,555	(15,000)	(1,373,690)	44,740,941

The Company has been granted an exemption by the Companies Commission of Malaysia from having to disclose the names of the option holders who were granted less than 200,000 options as at 31 December 2004.

The names and the number of options granted in respect of the ESOS, in excess of 200,000 options are as follows;

Name	No. of options granted
Shahril Ridza Ridzuan	500,000
Datuk Zahari Omar	405,000
Dato' Ibrahim Abu Bakar	360,000
Wong Dor Loke	316,250
Mohd Nor Abdul Karim	309,500
Abd Rahim Abd Rahman	280,000
Chan Chee Meng	280,000
Dr. Shahrizuan Shafiei	280,000
Sabariah Mohamed Amin	221,250
Chong Chin Ann	216,000
Hussin Mohd Ali	209,250
Mohamed Noor Rahim Yahaya	202,500
Sabarudin Mansor	201,000

DIRECTORS

The Directors who have held office during the period since the date of the last report are:

Datuk Azlan Zainol (Chairman)	(appointed on 12.1.2005)
Shahril Ridza Ridzuan (Group Managing Director/ Chief Executive Officer)	
Datuk Zahari Omar (Executive Vice President)	
Dato' Ahmad Hj. Ibnihajar	
Dato' Dr. Mohd Shahari Ahmad Jabar	
Abdul Rahman Ahmad	
Dr. Roslan A Ghaffar	
Ahmad Zaki Zahid	(appointed on 12.1.2005)
YAM Dato' Seri Syed Anwar Jamalullail	(resigned on 12.1.2005)
Dato' Zainol Abidin Dato' Hj. Salleh	(retired on 20.5.2004)

In accordance with Article 106 of the Company's Articles of Association, Datuk Azlan Zainol and Ahmad Zaki Zahid, who were appointed to the Board during the period subsequent to the last Annual General Meeting of the Company, retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for election.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

In accordance with Article 101 of the Company's Articles of Association, Abdul Rahman Ahmad and Dato' Ahmad Hj. Ibniহার retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporates except for options over shares granted by the Company to Executive Directors of the Group pursuant to the ESOS.

Since the end of the previous financial period, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits disclosed in Note 12 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

According to the Register of Directors' Shareholdings, particulars of the interests of Directors who held office at the end of the financial year in shares and options over shares in the Company and its related corporations were as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2004	Acquired	Sold	At 31.12.2004
Deemed interest in the Company				
YAM Dato' Seri Syed Anwar Jamalullail (resigned on 12.1.2005)**	163,238,104	66,667	–	163,304,771
	Number of options over ordinary shares of RM1.00 each			
	At 1.1.2004	Granted	Exercised	At 31.12.2004
Company				
Shahril Ridza Ridzuan	500,000	–	–	500,000
Datuk Zahari Omar	405,000	–	–	405,000
Abdul Rahman Ahmad	500,000	–	–	(500,000)

** YAM Dato' Seri Syed Anwar Jamalullail was deemed to have an interest in shares of the Company by virtue of his substantial interest in Realmild (M) Sdn. Bhd. which in turn has a substantial interest in the Company.

On 7 January 2005, Realmild (M) Sdn. Bhd. disposed its 155,555,555 ordinary shares of RM1.00 each to Employee Provident Fund Board. Subsequently, YAM Dato' Seri Syed Anwar Jamalullail ceased to be a substantial shareholder of the Group and the Company and the subsidiaries of the Company.

By virtue of his interest in shares of the Company, YAM Dato' Seri Syed Anwar Jamalullail is also deemed to have a substantial interest in shares in the subsidiaries of the Company to the extent the Company has an interest.

The other Directors in office at the end of the financial year did not hold any interest in shares in or debentures of the Company and its related corporations.

DIRECTORS' REPORT (CONTINUED)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- (a) 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 liability of any other person; or
- (b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

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

In the opinion of the Directors:

- (a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the income statement, significant events during the financial year and prior year adjustments as disclosed in Note 46 and Note 48 to the financial statements respectively; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made except for the significant event subsequent to the balance sheet date disclosed in Note 47 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events that occurred during the financial year are disclosed in Note 46 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO BALANCE SHEET DATE

The significant event that occurred subsequent to balance sheet date is disclosed in Note 47 to the financial statements.

In accordance with a resolution of the Board of Directors dated 27 April 2005.

SHAHRL RIDZA RIDZUAN

Group Managing Director/
Chief Executive Officer

DATUK ZAHARI OMAR

Executive Vice President

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **SHAHRL RIDZA RIDZUAN** and **DATUK ZAHARI OMAR**, two of the Directors of **MALAYSIAN RESOURCES CORPORATION BERHAD**, state that, in the opinion of the Directors, the financial statements set out on pages 99 to 168 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2004 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 27 April 2005.

SHAHRL RIDZA RIDZUAN

Group Managing Director/
Chief Executive Officer

DATUK ZAHARI OMAR

Executive Vice President

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **CHONG CHIN ANN**, the Officer primarily responsible for the financial management of **MALAYSIAN RESOURCES CORPORATION BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 99 to 168 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.

CHONG CHIN ANN

Subscribed and solemnly declared by the abovenamed **CHONG CHIN ANN** at **KUALA LUMPUR**, Malaysia on 27 April 2005.

Before me,

HARON HASHIM (W 128)

No. 114, NUBE Building
Bilek 604, Penthouse
Jalan Tuanku Abd. Rahman
50100 Kuala Lumpur

COMMISSIONER FOR OATHS

REPORT OF THE AUDITORS

TO THE MEMBERS OF MALAYSIAN RESOURCES CORPORATION BERHAD

(Company No. 7994 D)

We have audited the financial statements set out on pages 99 to 168. 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 these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2004 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors 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 Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Our auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection 3 of Section 174 of the Act.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
27 April 2005

THAYAPARAN A/L S. SANGARAPILLAI

(No. 2085/09/06 (J))
Partner of the firm

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

		Group		Company	
	Note	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000
Revenue	7	188,301	359,898	42,374	28,526
Cost of sales	8	(105,242)	(293,108)	(25,954)	(304)
Gross profit		83,059	66,790	16,420	28,222
Other operating income:					
– gain/(loss) on disposal/dilution of investments	9	21,014	267,192	34,624	196,144
– gain on de-merger of a subsidiary		–	1,143	–	–
– others	9	23,763	85,395	4,687	37,800
Selling and distribution costs		(3,752)	(6,828)	(92)	(1,354)
Administrative expenses		(45,120)	(58,960)	(12,265)	(13,438)
Other operating expenses:					
– (impairment losses)/reversal of impairment losses		7,403	(55,333)	(16,480)	(20,891)
– write back of/(allowance for) doubtful debts					
• subsidiaries		–	–	(47,445)	(172,699)
• others		6,323	(55,542)	8,542	(1,760)
– others		(18,148)	(29,476)	(9,190)	(9,295)
Profit/(loss) from operations	10	74,542	214,381	(21,199)	42,729
Finance costs	13	(65,697)	(91,291)	(14,054)	(26,843)
Share of results of associates		8,567	(9,422)	–	–
Share of results of jointly controlled entities		4,926	2,715	–	–
Profit/(loss) from ordinary activities before taxation		22,338	116,383	(35,253)	15,886
Taxation	14				
• Company and subsidiaries (including tax refunds which were deemed irrecoverable in prior years of RM16,831,000 at both Group and Company (2003: RMNil))		24,801	(1,343)	16,831	–
• associates		(6,338)	(377)	–	–
• jointly controlled entities		(2,530)	–	–	–
Profit/(loss) from ordinary activities after taxation		38,271	114,663	(18,422)	15,886
Minority interests		(4,662)	9,995	–	–
Net profit/(loss) attributable to shareholders		33,609	124,658	(18,422)	15,886
Earnings per share (sen):					
– Basic	15	4.4	13.2		

BALANCE SHEETS

AS AT 31 DECEMBER 2004

	Note	Group 2004 RM'000	2003 RM'000	Company 2004 RM'000	2003 RM'000
NON CURRENT ASSETS					
Property, plant and equipment					
– operational property, plant and equipment	16(a)	20,624	34,290	1,038	1,934
– investment properties	16(b)	176,912	180,162	–	–
		197,536	214,452	1,038	1,934
Land held for property development	17(a)	823,962	816,258	3,800	3,800
Expressway development expenditure	18	–	–	–	–
Subsidiaries	19	–	–	340,634	370,706
Associates	20	266,592	297,768	4,500	1,500
Jointly controlled entities	21	5,299	2,830	–	–
Other investments	22	9,405	10,288	9,405	10,288
Goodwill on consolidation		10,000	10,478	–	–
Deferred tax assets	23	3,193	6,299	–	–
		1,315,987	1,358,373	359,377	388,228
CURRENT ASSETS					
Inventories	24	32,155	20,361	8,842	–
Property development costs	17(b)	164,217	170,356	28,002	–
Trade and other receivables	25	140,733	276,116	44,179	61,553
Amounts due from subsidiaries	25	–	–	212,427	231,716
Tax recoverable		19,853	21,481	10,472	10,667
Marketable securities	27	86,468	71,960	86,233	71,725
Bank balances and deposits	28	151,320	152,471	9,990	43,841
		594,746	712,745	400,145	419,502
CURRENT LIABILITIES					
Provisions for liabilities and charges	29	9,064	14,832	–	–
Trade and other payables	30	217,398	249,297	34,745	17,903
Amounts due to subsidiaries	30	–	–	211,904	258,815
Taxation		89	9,035	–	–
Short term borrowings – secured	32	235,018	204,150	100,987	120,987
Bonds	33	–	91,000	–	–
		461,569	568,314	347,636	397,705
NET CURRENT ASSETS		133,177	144,431	52,509	21,797

BALANCE SHEETS

AS AT 31 DECEMBER 2004 (CONTINUED)

	Note	Group 2004 RM'000	2003 RM'000	Company 2004 RM'000	2003 RM'000
NON CURRENT LIABILITIES					
Post-employment benefits obligation	34	7,001	6,107	2,201	1,846
Bonds	33	793,672	792,660	–	–
Long term borrowings	35	95,555	162,250	20,000	–
Long term liabilities	36	785	4,315	147	234
Deferred tax liabilities	23	2,161	1,131	–	–
		899,174	966,463	22,348	2,080
		549,990	536,341	389,538	407,945
CAPITAL AND RESERVES					
Share capital	37	768,186	768,171	768,186	768,171
Reserves		(301,077)	(332,536)	(378,648)	(360,226)
Shareholders' equity		467,109	435,635	389,538	407,945
MINORITY INTERESTS		82,881	100,706	–	–
		549,990	536,341	389,538	407,945

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Share Capital			
	Nominal value (Note 37) RM'000	Statutory and other reserves (Note 39) RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2004	768,171	79,332	(430,569)	416,934
Prior year adjustments (Note 48)	–	–	18,701	18,701
As restated	768,171	79,332	(411,868)	435,635
Issuance of share capital	15	–	–	15
Deferred tax liability on revaluation surplus	–	–	(2,150)	(2,150)
Net profit for the financial year	–	–	33,609	33,609
At 31 December 2004	768,186	79,332	(380,409)	467,109

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY **FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004 (CONTINUED)**

	Share Capital		Statutory	Currency	Accumulated	
	Nominal	Share	and other	translation	losses	Total
	value	premium	reserves	difference		
	(Note 37)		(Note 39)			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 September 2002	976,550	1,008,463	76,206	2,859	(1,415,836)	648,242
Prior year adjustment (Note 48)	–	–	–	–	10,585	10,585
	976,550	1,008,463	76,206	2,859	(1,405,251)	658,827
Share in the transfer to statutory reserves by an associate	–	–	3,858	–	(3,858)	–
Realisation of statutory reserves upon disposal of an associate	–	–	(61,791)	–	61,791	–
Realisation of capital redemption reserve upon de-merger of an associate	–	–	(18,273)	–	18,273	–
Reserve on consolidation	–	–	79,332	–	–	79,332
Currency translation arising in the financial period	–	–	–	(2,322)	–	(2,322)
Currency translation reserve reversed upon disposal of foreign subsidiaries	–	–	–	(537)	–	(537)
Net gain/(loss) not recognised in income statement	–	–	3,126	(2,859)	76,206	76,473
Pursuant to corporate restructuring scheme						
Issuance of shares	175,706	79,068	–	–	–	254,774
Capital reconstruction	(384,085)	(157,319)	–	–	–	(541,404)
Share issuance expenses	–	(50)	–	–	–	(50)
Cancellation of share premium	–	(930,162)	–	–	930,162	–
Net loss on dilution of interests in associates upon de-merger	–	–	–	–	(137,643)	(137,643)
Net profit for the financial period	–	–	–	–	124,658	124,658
At 31 December 2003	768,171	–	79,332	–	(411,868)	435,635

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Share Capital Nominal value (Note 37) RM'000	Non- Distributable Share premium RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2004	768,171	–	(360,226)	407,945
Issue of shares: – exercise of share options	15	–	–	15
Net loss for the financial year	–	–	(18,422)	(18,422)
At 31 December 2004	768,186	–	(378,648)	389,538
At 1 September 2002	976,550	1,008,463	(1,306,274)	678,739
Pursuant to corporate restructuring scheme				
Issuance of share capital	175,706	79,068	–	254,774
Capital reconstruction	(384,085)	(157,319)	–	(541,404)
Share issuance expenses	–	(50)	–	(50)
Cancellation of share premium	–	(930,162)	930,162	–
Net profit for the financial period	–	–	15,886	15,886
At 31 December 2003	768,171	–	(360,226)	407,945

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Group		Company	
	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) from ordinary activities after taxation and minority interests	33,609	124,658	(18,422)	15,886
Adjustments for:				
Taxation	(15,933)	1,720	(16,831)	–
Minority interests	4,662	(9,995)	–	–
Share of results of:				
– associates	(8,567)	9,422	–	–
– jointly controlled entities	(4,926)	(2,715)	–	–
Interest expense	62,452	86,061	13,404	25,568
Impairment losses/(reversal of impairment losses) on:				
– subsidiaries	–	–	30,972	(556)
– associates	7,089	–	–	2,821
– marketable securities	(14,492)	18,626	(14,492)	18,626
Goodwill written off	145	–	–	–
(Write back of)/allowance for doubtful debts	(6,323)	55,542	38,903	174,459
Write back of expressway development expenditure	–	(50)	–	–
Provision for foreseeable losses on development properties	–	7,289	–	304
Operational property, plant and equipment:				
– depreciation	5,297	10,853	1,010	2,219
– impairment losses	–	360	–	–
– written off	205	359	198	7
– net gain on disposal	(1,468)	(1,727)	(39)	(208)
Investment properties:				
– depreciation	4,016	6,638	–	–
– impairment losses	–	36,707	–	–
– gain on disposal	–	(2,588)	–	–
Allowance for inventories obsolescence	405	725	85	–
(Write back of)/provision for:				
– liabilities and charges	(3,318)	92	–	–
– post-employment benefits	1,318	1,565	365	458
Amortisation of bonds issuance expenses	1,012	1,350	–	–
Bad debts written off	3,242	18	3,025	6,866
Waiver of interest	(3,777)	(3,545)	–	–

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

	Group		Company	
	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
Net (gain)/loss on disposal/dilution of investments in				
– subsidiaries	(21,014)	9,894	(34,624)	–
– associate	–	(288,489)	–	(207,547)
– marketable securities	–	11,403	–	11,403
Interest income	(5,417)	(8,047)	(4,680)	(4,707)
Gain on de-merger of a subsidiary	–	(1,143)	–	–
Net unrealised gain on foreign exchange	–	(67)	–	–
Unrealised gains	26,244	–	–	–
	64,461	64,916	(1,126)	45,599
Changes in working capital:				
Increase in property development costs	(1,565)	(19,742)	(28,002)	(32)
Decrease/(increase) in other investments	883	(9,863)	867	(239)
Decrease in expressway development expenditure	–	50	–	–
(Increase)/decrease in inventories	(12,199)	27,706	(8,927)	–
Decrease/(increase) in receivables	69,640	12,572	13,399	(3,495)
(Increase)/decrease in amounts due from subsidiaries	–	–	(86,568)	22,196
Decrease in amounts due to associates	(895)	(10,927)	–	(10,156)
(Decrease)/increase in amount due to jointly controlled entity	(9,068)	358	–	–
Increase in marketable securities	(16)	(52,282)	–	(52,282)
(Decrease)/increase in payables	(11,027)	34,976	23,169	(71,369)
Net cash from operations	100,214	47,764	(87,188)	(69,778)
Interest received	5,417	8,047	4,680	4,707
Dividends received from:				
– subsidiary	–	–	1,530	–
– associates	5,069	5,904	–	3,385
Taxation refunded	19,593	–	17,621	–
Taxation paid	(2,654)	(20,557)	–	–
Interest paid	(63,951)	(133,314)	(10,149)	(21,577)
Retirement benefits paid	(202)	(102)	(10)	(59)
(Pledged)/released of bank balances and fixed deposits as security value	(5,871)	101,944	16,824	(17,329)
Net cash flow from operating activities	57,615	9,686	(56,692)	(100,651)

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

		Group		Company	
	Note	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of:					
– shares in an associate		–	504,610	–	504,610
– marketable securities		–	130,625	–	130,625
Proceeds from disposal of operational property, plant and equipment		14,734	7,553	90	2,396
Net cash flow from disposal of interest in subsidiaries	5(a)	41,983	(21,755)	42,924	38,000
Net cash outflow from de-merger of a subsidiary	5(b)	–	(85,038)	–	–
Subscription of rights issue of a subsidiary		–	–	–	(85,030)
Net cash used for acquisition of subsidiaries	6	–	(79,092)	–	(85,390)
Purchase of operational property, plant and equipment		(5,267)	(11,054)	(364)	(375)
Proceed from disposal of investment properties		–	5,256	–	–
Purchase of investment properties		(766)	–	–	–
Subscription of shares in associates		(3,000)	(1,500)	(3,000)	(1,500)
Subscription of shares by minority interest		–	45	–	–
Net cash flow from investing activities		47,684	449,650	39,650	503,336
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from:					
– term loan		8,608	328,247	–	200,000
– issue of shares		15	–	15	–
Repayment of term loans		(114,112)	(773,340)	–	(594,013)
Dividends paid by a subsidiary to minority interest		(1,469)	–	–	–
Profit distribution from joint venture		2,355	–	–	–
Net cash flow from financing activities		(104,603)	(445,093)	15	(394,013)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		696	14,243	(17,027)	8,672
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		72,682	58,439	26,512	17,840
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	40	73,378	72,682	9,485	26,512

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004

1 GENERAL INFORMATION

The Company is principally an investment holding company. The Company also engages in construction related activities, property development and provision of management services to its subsidiaries.

The Group is principally engaged in property development and investment, engineering, infrastructure and construction related activities.

The principal activities of the subsidiaries and associates are described in Note 44 to the financial statements.

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

The address of the registered office of the Company is as follows:

Aras 10, Menara MRCB
No. 2, Jalan Majlis 14/10
Seksyen 14
40000 Shah Alam
Selangor Darul Ehsan

The number of persons employed by the Group and by the Company at the end of the financial year amounted to 555 (2003: 552) and 90 (2003: 93) respectively.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared under the historical cost convention as modified for the revaluation of certain investment properties and development properties, and unless otherwise indicated in the summary of significant accounting policies below.

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The new accounting standards adopted in these financial statements are as follows:

- MASB 29 'Employee Benefits'
- MASB 32 'Property Development Activities'

With the exception of MASB 32 (Note 48), there are no changes in accounting policy that affect net profit or shareholders' equity as the Group was already following the recognition and measurement principles of MASB 29.

Comparative figures have been adjusted or extended, where appropriate to conform with changes in presentation due to the requirements of the above new accounting standards that have been applied retrospectively.

The Group has changed its financial year end from 31 August to 31 December during the previous financial year. Therefore, the comparative for income statements, statements of changes in equity, cash flow statements and their related notes are not comparable.

The preparation of financial statements in conformity with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the of the financial statements and the reported amounts of revenues and expenses during the reported financial year. Actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated income statement and balance sheet include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. In the previous financial period, Promising Quality Sdn. Bhd. and its subsidiaries ('PQSB group') were not consolidated on the basis that control was intended to be temporary and PQSB group had not previously been consolidated as allowed under MASB Standard No. 11 'Consolidated Financial Statements and Investments in Subsidiaries'. PQSB group was disposed off during the current financial year.

Financial statements of subsidiaries, other than PQSB group, are consolidated using the acquisition method of accounting, commencing from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of the acquisition. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition and the Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill or reserve on consolidation. See accounting policy Note 3(b) on goodwill.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with the accounting policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with the goodwill/reserve on consolidation (net of accumulated impairment losses).

(b) Goodwill on consolidation

Goodwill represents the excess of the cost of acquisition of subsidiaries, associates and jointly controlled entities over the Group's share of the fair value of their identifiable net assets at the date of acquisition. Goodwill is stated at cost less any accumulated impairment losses. At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Refer to accounting policy on impairment of assets as set out in Note 3(v) below.

Reserve on consolidation represents the excess of the Group's share of the fair value of identifiable net assets acquired over the cost of acquisition. Negative goodwill is stated as a reserves on consolidation.

(c) Subsidiaries

Subsidiaries are those corporations, partnerships or other entities (including joint venture arrangements) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiaries are stated in the Company's financial statements at cost. Where an indication of impairment exists, the carrying value of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy on impairment of assets as set out in Note 3(v) below.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates

Associates are enterprises in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investments in associates are stated at cost. Where an indication of impairment exists, the carrying value of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy on impairment of assets as set out in Note 3(v) below.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recognising in the income statement the Group's share of the results of associates for the financial year and its share of post acquisition movements within reserves in reserves. The Group's investments in associates are carried in the balance sheet at an amount that reflects its share of the net assets of the associates and includes goodwill on acquisition (net of accumulated impairment losses). Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with the Group.

(e) Jointly controlled entities

Jointly controlled entities are corporations, partnership or other entities over which there is a contractually agreed sharing of control by the Group with one or more parties over the financial and operating policy decisions.

Investments in jointly controlled entities are stated at cost. Where an indication of impairment exists, the carrying value of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy on impairment of assets as set out in Note 3(v) below.

Results and interests in jointly controlled entities are equity accounted in the consolidated financial statements of the Group.

Equity accounting involves recognising the Group's share of the post acquisition results of jointly controlled entities in the income statement and its share of post acquisition movements within reserves in reserves. The cumulative post acquisition movements are adjusted against the cost of the investment and includes goodwill on acquisition (net of accumulated impairment losses).

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities; unrealised losses are also eliminated unless the transaction provides evidence on a reduction in the net realisable value of current assets or impairment of the asset transferred. Where necessary, in applying the equity method, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are converted into Ringgit Malaysia at the rates of exchange ruling on that date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statements.

The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	31.12.2004 RM	31.12.2003 RM
1 US Dollar	3.825	3.825

(g) Other investments

Long term investments are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

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

(h) Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is based on the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business at the balance sheet date. Increases/decreases in the carrying amount of marketable securities are credited/charged to the income statement.

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

(i) Property, plant and equipment

Operational property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for freehold land which is not depreciated. Freehold land is not depreciated as it has an infinite life.

Other operational property, plant and equipment are depreciated on a straight line basis to write off the cost of assets to their residual values over their estimated useful lives or the lease term, whichever is shorter, at the following annual rates:

Buildings	2%
Plant and machinery	5% – 20%
Furniture, fittings, office equipment and computers	5% – 33 1/3%
Motor vehicles	20% – 33 1/3%

Investment properties held as property, plant and equipment are stated at cost or Directors' valuation which is based on a valuation by professional valuers in 1982 using the fair market value basis, less accumulated depreciation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

The Directors have applied the transitional provisions issued by the Malaysian Accounting Standards Board on adoption of MASB Standard 15 'Property, Plant and Equipment' which allows the leasehold land to be stated at its previous years' valuation less depreciation. Accordingly, the valuation has not been updated.

Leasehold land under investment properties are amortised over the period of the respective leases which range from 66 years to 99 years. Depreciation is computed on the straight line method to write off the cost of each asset over its estimated useful life. The principal annual depreciation rate for building under investment properties is 2% per annum.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Refer to accounting policy on impairment of assets as set out in Note 3(v) below.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations.

Repairs and maintenance are charged to the income statement during the year in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

(j) Finance lease and hire purchase

Leases of property, plant and equipment where substantially all the benefits and risks of ownership are transferred to the Group and the Company are classified as finance leases.

Property, plant and equipment acquired under finance lease and hire purchase are capitalised in the financial statements at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments and are depreciated in accordance with the accounting policy as set out in Note 3(i) above. The corresponding outstanding obligations due under the finance lease and hire purchase after deducting finance charges are included as liabilities in the financial statements. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balance outstanding. The interest element of the finance charges are allocated to the income statements over the periods of the respective agreements.

(k) Property development activities

(i) Land held for property development

Land held for property development consists of land or such portion thereof on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less impairment losses.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where the Group had previously recorded the land at revalued amount, it continues to retain this amount as its surrogated cost as allowed by MASB 32. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Refer to accounting policy on impairment of assets as set out in Note 3(v) below.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where the development activities can be completed within the Group's normal operating cycle of two (2) to three (3) years.

Borrowing costs are capitalised in accordance with Note 3(w) below. All other borrowing costs are expensed to income statements.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property development activities (continued)

(ii) Property development costs

Property development costs comprise costs associated with the acquisition of land or such portion thereof and all costs directly attributable to development activities or that can be allocated on a reasonable basis to these activities.

When the outcome of the development activity can be estimated reliably, property development revenue and expenses are recognised by using the stage of completion method. The stage of completion is measured by reference to the proportion that property development costs incurred bear to the estimated total costs for the property development.

When the outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable; property development costs on the development units sold are recognised when incurred.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs (including expected defect liability expenditure) will exceed total property development revenue, the expected loss is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset and are stated at the lower of cost and net realisable value.

Borrowing costs are capitalised in accordance with Note 3(w) below. All other borrowing costs are expensed to income statement.

Where revenue recognised in the income statement exceed billings to purchasers, the balance is shown as accrued billings under trade and other receivables (within current assets). Where billings to purchasers exceed revenue recognised in the income statement, the balance is shown as progress billings under trade and other payables (within current liabilities).

(l) Expressway development expenditure

Expressway development expenditure represents cost incurred, which includes borrowing cost relating to the financing of the development, in connection with the Ipoh-Lumut Expressway Project.

The total development expenditure incurred for the project will be amortised over the remaining concession period upon completion of the construction of the expressway and commencement of collection of toll revenues. The amount capitalised is charged as an expense in the income statement in the financial year in which it is identified that no future economic benefits are expected to flow from the expressway development expenditure.

(m) Inventories

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

The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and an appropriate proportion of allocation costs attributable to property development activities.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(n) Receivables

Receivables are carried at anticipated realisable value. An estimate is made for doubtful debts based on a review of all outstanding amounts at the financial year end and when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of receivables. Bad debts are written off during the financial year in which they are identified.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Construction contract

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the financial year of the contract as revenue and expense respectively.

The Group uses the percentage of completion method to determine the appropriate amount of contract revenue and contract costs to recognise in a given period; the stage of completion of a construction contract is measured by reference to the value of work done certified to the estimated contract sum of the contract; the stage of completion of an engineering contract on other hand is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total costs for the contract. Irrespective of whether the outcome of a construction contract can be estimated reliably when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs are recognised as expenses when incurred.

No profit is recognised where contract works is in its initial stage or has not reached a stage of completion where it is possible to determine the financial outcome of the contract with reasonable accuracy.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the end of the financial year. Where costs incurred and recognised profit (less recognised losses) exceed progress billings, the balance is shown as 'Amounts due from customers on contracts' under trade and other receivables. Conversely, where progress billings exceed costs incurred and recognised profit, the balance is shown as 'Amounts due to customers on contracts' under trade and other payables.

(p) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) Post-employment benefits

The Group has various post-employment benefit schemes in accordance with local conditions and practices. These benefits plans are either defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior years. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors, such as age, years of service or compensation.

Defined contribution plans

The Group's contributions to defined contribution plans are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (continued)

(ii) Post-employment benefits (continued)

Defined benefit plans

The Group provides for unfunded retirement benefits to eligible employees that have been in the service of the Group for a continuous period of at least ten (10) years.

The Group determines the present value of defined benefit obligation with sufficient regularity such that the liability recognised in the financial statements does not differ materially from the amount that would have been determined as at that date. The defined benefit obligation, calculated using the projected unit credit method, is determined by a qualified independent actuary after considering the estimated future cash outflows using the market yields at the valuation date of high quality corporate bonds. The latest actuarial valuation was carried out on 18 November 2002.

The current service cost recognised in the income statement is calculated based on the present value of the benefits accruing over the financial year/period following the valuation date with reference to the number of eligible employees and projected final salaries.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. Net actuarial gains and losses are immediately recognised in the income statements in the year when the valuation is performed.

(iii) Equity compensation benefits

Details of the Group's Employee Share Option Scheme are set out in Note 38 to the financial statements. The Group does not make a charge to the income statement in connection with share options granted. When the share options are exercised, the proceeds received are credited to share capital and share premium.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(i) Guaranteed rental scheme/liquidated ascertained damages and guarantee reserve

The Group provides for estimated liability on projects still under progress/guarantee period at the balance sheet date. This provision is calculated based on contract agreements/past histories.

(ii) Other provisions

The Group also recognises the estimated concession fees that is payable to the Government of Malaysia at the balance sheet date in relation to the concession to operate, manage and maintain the Kuala Lumpur central railway station by a subsidiary. The provision is calculated based on the effective date as stated in the Concession Agreement.

(r) Bonds

Bonds issued by the Group are stated at net proceeds received on issue. The bonds issuance expenses which represents the difference between the gross proceeds and the total amount of the payment of the bonds are allocated to periods over the term of the bonds at a constant rate on the carrying amounts and are charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise cash in hand, bank balances, demand deposits, short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are presented within borrowings in current liabilities on the balance sheet.

(t) Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(u) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

(v) Impairment of assets

Property, plant and equipment and other non-current assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is recognised in the income statement.

(w) Interest capitalisation

Interest incurred on borrowings relating to the purchase of property, plant and equipment is capitalised as part of the cost of the asset until the assets are ready for their intended use. Interest relating to property development activities is capitalised during the periods in which the activities to prepare and develop the properties are carried out.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition

Revenue comprises the invoiced value for the sale of goods and services, net of sales taxes, rebates and discounts, and after eliminating sales within the Group.

Revenue is recognised upon delivery of products and customer acceptance, where significant risks and rewards of ownership of the goods are transferred to the buyer or upon completion of the performance of services rendered to customers.

Revenue relating to long term engineering contracts and property development activities are accounted for using the percentage of completion method; the stage of completion is measured by reference to the actual costs incurred to date to estimated total costs for each of the contract and property development activity. For construction contract, the stage of completion is measured by reference to the value of work done certified to the estimated contract sum of the contract.

Other revenues earned by the Group are recognised on the following bases:

- Rental income – on the accrual basis
- Interest income – on the accrual basis
- Dividend income – when the shareholder's right to receive payment is established

(y) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(i) Financial instruments recognised on the balance sheet

Financial instruments are recognised on 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. The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy associated with each item.

(ii) Financial instruments not recognised on the balance sheet

The Group does not have any off balance sheet financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises with a single segment.

(aa) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period.

4 FINANCIAL RISK MANAGEMENT

- (a) The Group's activities expose it to a variety of financial risks, including interest rate risk, liquidity and cash flow risks, credit risk and foreign currency exchange risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to Group financial risk management policies. The Group does not trade in financial instruments.

(i) Interest rate risk

The Group finances its operations through operating cash flows and borrowings which are principally denominated in Ringgit Malaysia. The Group's policy is to derive the desired interest rate profile through a mix of fixed and floating rate banking facilities and private debt securities.

(ii) Liquidity and cash flow risk

The Group manages its liquidity risk by maintaining sufficient levels of cash or cash convertible investments and available credit facilities to meet its working capital requirements.

(iii) Credit risk

Credit risk is the potential loss from a transaction in the event of default by the counterparty during the term or upon settlement of the transaction. The Group seeks to control credit risk by setting counterparty limits and/or obtaining bank guarantees where appropriate, and ensuring that the sale of products and services are made to customers with appropriate credit histories, and through application of other stringent credit policies.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Fair values for disclosure purposes

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short term maturity of these financial instruments: deposits, cash and bank balances, receivables and payables (excluding non-trade amounts due to/from group companies) and short term borrowings.

The fair values of the non-current quoted investments are represented by their market values as disclosed in Notes 20 and 22 to the financial statements.

The fair values of long term borrowings (including Bonds) are estimated using discounted cash flow analysis. The carrying values of the long term borrowings (including Bonds) approximate their fair values based on the prevailing borrowing rates of similar borrowings obtainable by the Group and the Company.

5 DISPOSAL AND DE-MERGER OF SUBSIDIARIES

5(a) DISPOSAL OF SUBSIDIARIES

The effects of the disposals on the financial position of the Group were as follows:

	At dates of disposals 2004 RM'000	At dates of disposals 2003 RM'000
Net assets disposed:		
Property, plant and equipment	165	25,256
Development properties	–	5,615
Associate	2,606	–
Jointly controlled entities	102	–
Project development expenditure	–	1
Inventories	–	1,605
Trade and other receivables	66,339	13,434
Cash and bank balances	941	59,755
Trade and other payables	(33,511)	(94,184)
Term loan	(10,308)	(14,090)
Net assets/(liabilities)	26,334	(2,608)
Net amount accounted for as associate at date of disposal	–	(2,182)
Assignment of amount due from subsidiary	–	52,684
Minority interests	(21,017)	–
Goodwill on consolidation	333	–
Net assets disposed	5,650	47,894
Gain/(loss) on disposal	37,274	(9,894)
Total consideration received/receivable from disposal	42,924	38,000
Less: Cash and bank balances	(941)	(59,755)
Net cash from disposal of interest in subsidiaries	41,983	(21,755)

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

5 DISPOSAL AND DE-MERGER OF SUBSIDIARIES (CONTINUED)

5(a) DISPOSAL OF SUBSIDIARIES (continued)

Financial year ended 31 December 2004

- (i) On 30 June 2004, the Company completed the disposal of its entire 70% equity interest in Zelleco (M) Sendirian Berhad ('ZMSB') Group for a total consideration of RM41.8 million. As part of the terms of the disposal, the Company has assumed certain assets and liabilities of both ZMSB and Zelleco Construction Sdn. Bhd., a subsidiary of ZMSB.
- (ii) On 2 December 2004, the Company completed the disposal of its 22.48% equity interest in MRCB Multimedia Consortium Sdn. Bhd. ('MMCSB') for a cash consideration of RM1.124 million. The Company's equity interest in MMCSB was reduced from 71.48% to 49.00% and consequently MMCSB became an associate of the Company.

Financial period ended 31 December 2003

- (i) On 30 January 2003, Zelleco (M) Sendirian Berhad, a 70% owned subsidiary, completed the disposal of its 70% equity interest in Zelleco Engineering Sdn. Bhd. ('ZESB') for a nominal consideration of RM1 only. The consideration was arrived at on a willing buyer-willing seller basis taking into account the unaudited net tangible liabilities of ZESB of RM9.42 million as at 31 March 2002.
- (ii) On 28 October 2003, the Company and its wholly owned subsidiary, Malaysian Resources International Sdn. Bhd. ('MRI'), completed the disposal of MRCB Mauritius Limited ('MML') and the sale of the Company's advances to Novelway Investment (Proprietary) Limited ('Novelway') for a total cash considerations of RM38.0 million. Novelway is a wholly owned subsidiary of MML, which in turn is a wholly owned subsidiary of MRI.

The effects of the disposals in financial year ended 31 December 2004 on the results of the Group for the current and prior financial year were as follows:

	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000
Revenue	7,409	88,799
Operating cost	(5,082)	(87,004)
Profit from operation	2,327	1,795
Finance cost	(412)	(161)
Foreign exchange gain	—	16,840
Profit before taxation	1,915	18,474
Taxation	935	(112)
Profit after taxation	2,850	18,362
Minority interests	(1,453)	—
	1,397	18,362

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

5 DISPOSAL AND DE-MERGER OF SUBSIDIARIES (CONTINUED)

5(b) DE-MERGER OF A SUBSIDIARY

	At date of de-merger 2003 RM'000
Net assets de-merged:	
Subsidiary	289,713
Associate	399,651
Other debtors	99,004
Cash and bank balances	85,038
Other creditors	(855)
Loans and other liabilities	(279,000)
	593,551
Net assets distributed to shareholders, by way of Media Prima Berhad ('MPB') shares	(541,404)
Net assets retained in the Group	(53,290)
Gain on de-merger of MPB	1,143
Less: Cash and bank balances	(85,038)
Net cash from de-merger of a subsidiary	(85,038)

On 25 August 2003, Media Prima Berhad was de-merged from the Group. The effects of the above de-merger on the results of the Group for the financial period were as follows.

	Sixteen months ended 31.12.2003 RM'000
Revenue	—
Other income	73
Operating cost	(420)
Loss from operation	(347)
Finance cost	(789)
Loss before taxation	(1,136)
Taxation	—
Net loss attributable to shareholders	(1,136)

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

6 ACQUISITION OF SUBSIDIARIES

	At dates of acquisitions 2003 RM'000
Fair value of net assets acquired:	
Associate	299,332
Other receivables	2,760
Deposits with finance companies	6,248
Cash and bank balances	50
Other payables	(11,681)
Long term loan	(131,999)
Fair value of net assets acquired	164,710
Reserve on consolidation	(79,320)
Purchase consideration	85,390
Less: Cash and cash equivalents of subsidiaries acquired:	
Deposits with finance companies acquired	(6,248)
Cash and bank balances acquired	(50)
Cash outflow of the Group on acquisition	79,092
Cash outflow of the Company on acquisition	85,390

- (i) On 4 April 2003, the Company acquired a 100% equity interest in Landas Utama Sdn. Bhd. ('LUSB') for cash consideration of RM85.4 million. LUSB is principally an investment holding company with a 24.93% equity stake in UDA Holdings Berhad.
- (ii) On 17 July 2003, the Company acquired the balance of 50% equity interest in Harmonic Fairway Sdn. Bhd. ('HFSB') for cash consideration of RM2 only. With this acquisition, HFSB became a wholly owned subsidiary of the Company.

The effects of the above acquisitions on the financial results of the Group from the date of the respective acquisitions which occurred during the financial year to 31 December 2003 were as follows:

	RM'000
Revenue	-
Operating costs	(337)
Loss on operations	(337)
Finance cost	(7,399)
Loss before taxation	(7,736)
Taxation	-
Share of loss after tax of an associate	(3,532)
Net loss attributable to shareholders	(11,268)

The effects of the above acquisitions on the financial position of the Group as at 31 December 2003 were as follows:

	At 31.12.2003 RM'000
Associate	290,731
Other receivables	7,217
Bank balances	25
Other payables	(10,560)
Long term loan	(131,999)
Increase in the Group's net assets	155,414

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

7 REVENUE

	Group		Company	
	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000
Property development	120,084	267,141	20,173	–
Sale of goods	–	78	–	–
Construction contracts	29,085	39,389	8,305	–
Information technology contracts	6,295	19,121	–	–
Management fees	–	–	10,554	6,584
Dividend income (gross):				
– subsidiaries	–	–	2,125	15,621
– associate	–	–	–	4,702
– quoted marketable securities	–	5	–	–
Interest income from loan stock	–	–	1,217	1,619
Investment property income	13,780	16,019	–	–
Rental income	11,708	12,048	–	–
Rendering of other services	7,349	6,097	–	–
	188,301	359,898	42,374	28,526

8 COST OF SALES

Cost of inventories sold	341	22,444	–	–
Property development costs	60,898	220,801	18,393	304
Construction contract costs	20,940	22,058	7,641	–
Others	23,063	27,805	(80)	–
	105,242	293,108	25,954	304

9 OTHER OPERATING INCOME

Gain/(loss) on disposal/dilution of investment in:				
• subsidiaries	21,014	(9,894)	34,624	–
• associate	–	288,489	–	207,547
• marketable securities	–	(11,403)	–	(11,403)
	21,014	267,192	34,624	196,144
Rental income on land and buildings	4,104	3,005	1,125	1,188
Rental income on other assets	688	523	–	20
Interest income from:				
– subsidiaries	–	–	1,166	1,552
– fixed deposits	3,522	6,440	1,043	971
– others	1,895	1,607	1,264	566
Bad debts recovered	1,023	207	–	–
Debt waiver	–	3,545	–	–
Consequential compensation income				
resulting from disposal of a subsidiary	–	33,742	–	33,498
Forfeiture of progress billings and deposits	208	2,090	–	–

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

10 PROFIT/(LOSS) FROM OPERATIONS

	Group		Company	
	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000
Profit/(loss) from operations is arrived at after charging/(crediting):				
Auditors' remuneration				
– statutory audit	363	347	50	33
– non-statutory audit	132	45	125	45
Staff costs (including remuneration of directors) (Note 11)	42,137	45,804	8,982	10,552
Operational property, plant and equipment:				
– depreciation	5,297	10,853	1,010	2,219
– impairment loss	–	360	–	–
– written off	205	359	198	7
– net gain on disposals	(1,468)	(1,727)	(39)	(208)
Investment properties:				
– depreciation	4,016	6,638	–	–
– gain on disposal	–	2,588	–	–
Allowance for inventories obsolescence	405	725	85	–
Rental of:				
– premises	–	120	2,225	2,862
– motor vehicles	15	16	1	1
– office equipment	211	119	100	27
Hire of plant and machinery/equipment	12	77	–	–
Bad debts written off	3,242	18	3,025	6,866
(Write back of)/provision for liabilities and charges	(3,318)	92	–	–
Amortisation of bonds issuance expenses	1,012	1,350	–	–
Net realised gain on foreign exchange	(4)	(11,873)	(4)	(10,501)
Net unrealised gain on foreign exchange	–	(67)	–	–
Impairment losses/(reversal of impairment losses) on:				
• subsidiaries	–	–	30,972	(556)
• associate	7,089	–	–	2,821
• investment properties	–	36,707	–	–
• marketable securities	(14,492)	18,626	(14,492)	18,626

11 STAFF COSTS

Wages, salaries and bonus	32,012	34,283	6,396	6,928
Defined contribution plan	3,781	4,238	875	1,194
Defined benefit plan (Note 34)	1,318	1,565	365	458
Termination benefits	8	522	8	14
Other employee benefits	5,018	5,196	1,338	1,958
	42,137	45,804	8,982	10,552

12 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year were as follows:

Non-executive Directors

Abdul Rahman Ahmad

Dato' Ahmad Hj. Ibnihaajar

Dato' Dr. Mohd Shahari Ahmad Jabar

Dr. Roslan A Ghaffar

YAM Dato' Seri Syed Anwar Jamalullail (Chairman) (resigned on 12.1.2005)

Dato' Zainol Abidin Dato' Hj. Salleh (retired on 20.5.2004)

Executive Directors

Shahril Ridza Ridzuan (Group Managing Director/Chief Executive Officer)

Datuk Zahari Omar (Executive Vice President)

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

12 DIRECTORS' REMUNERATION (CONTINUED)

The aggregate amount of remuneration received/receivable by Directors of the Company for the financial year/period are:

	Group		Company	
	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000
Non-executive Directors:				
– fees	176	164	169	164
– emoluments	72	119	72	119
	248	283	241	283
Executive Directors:				
– salaries and bonus	466	1,516	466	1,516
– defined contribution plan	154	328	154	328
– other employee benefits	200	264	200	264
	820	2,108	820	2,108
	1,068	2,391	1,061	2,391
Benefits-in-kind				
Non-executive Director	40	49	40	49
Executive Directors	14	81	14	81
	54	130	54	130

Details of the defined contribution and defined benefit plans of the Group and of the Company are set out in Note 34.

Executive Directors of the Company have been granted options under the Malaysian Resources Corporation Berhad's Employees' Share Option Scheme as follows:

Year ended 31.12.2004

Grant date	Expiry date	Exercise price RM/share	At 1.1.2004	Granted	Exercised	At 31.12.2004
6 Sep 2002	4 Sep 2007	1.06	475,000	–	–	475,000
26 May 2003	4 Sep 2007	1.00	430,000	–	–	430,000
			905,000	–	–	905,000

Sixteen months ended 31.12.2003

Grant date	Expiry date	Exercise price RM/share	At 1.9.2002	Granted	Exercised	At 31.12.2003
6 Sep 2002	4 Sep 2007	1.06	–	475,000	–	475,000
26 May 2003	4 Sep 2007	1.00	–	430,000	–	430,000
			–	905,000	–	905,000

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

13 FINANCE COSTS

	Group		Company	
	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000
Arrangement fee for borrowings	3,245	5,230	651	1,275
Interest expense on:				
– term loans	26,613	38,467	10,303	19,468
– bank overdraft, trust receipts and bills payable	328	1,099	–	(10)
– hire purchase	813	2,556	22	616
– loan stock	673	896	–	–
– intercompany advances	–	–	3,078	4,450
– others	1,256	2,392	–	1,044
Finance charges on bonds issued	32,769	40,651	–	–
	65,697	91,291	14,054	26,843

14 TAXATION

(a) Tax charge for the financial year/period

In Malaysia:				
Current taxation	5,589	888	–	–
(Over)/under accrual in prior years	(23,508)	4,678	(16,831)	–
Deferred taxation (Note 23)	1,986	(3,846)	–	–
	(15,933)	1,720	(16,831)	–
Current tax				
Current year/period	5,589	3,980	–	–
Benefit from previously unrecognised tax losses	–	(3,092)	–	–
(Over)/under accrual in prior years (net)	(23,508)	4,678	(16,831)	–
Deferred tax				
Origination and reversal of temporary differences	13,119	(3,846)	–	–
Benefit from previously unrecognised tax losses	(11,133)	–	–	–
	(15,933)	1,720	(16,831)	–

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

14 TAXATION (CONTINUED)

(b) Numerical reconciliation of income tax expense

The explanation of the relationship between tax expense and profit/(loss) from ordinary activities before tax is as follows:

	Group		Company	
	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000
Profit/(loss) before tax	22,338	116,383	(35,253)	15,886
Tax calculated at the Malaysian tax rate of 28% (2003: 28%)	6,255	32,587	(9,871)	4,448
Tax effects of:				
Control transfer	352	—	—	—
Effect of different tax rates of other countries	(8)	—	—	—
Income not subject to tax	(25,216)	(64,368)	(1,917)	(64,299)
Expenses not deductible for tax purposes	30,718	31,619	12,935	25,328
Utilisation of previously unrecognised tax losses	(354)	(3,092)	—	—
Utilisation of previously unrecognised deductible temporary differences	(11,925)	—	—	—
(Over)/under accrual of tax in prior years	(32,651)	4,640	(24,893)	—
Tax credit	(2,566)	(5,691)	—	—
Effect of tax rates for small and medium enterprises	(72)	(9)	—	—
Current year/period tax losses not recognised	15,908	12,781	4,790	1,109
Other deductible temporary differences not recognised	3,626	(6,747)	2,125	33,414
Tax (refund)/charge	(15,933)	1,720	(16,831)	—

15 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year/period.

	Group	
	Year ended 31.12.2004	Sixteen months ended 31.12.2003
Net profit attributable to shareholders (RM'000)	33,609	124,658
Weighted average number of ordinary shares in issue ('000)	768,183	946,247
Basic earnings per share (sen)	4.4	13.2

(b) Diluted earnings per share

The diluted earnings per share is not presented in the financial statements as the effect of the assumed conversion of the Options under the Malaysian Resources Corporation Berhad's Employees' Share Option Scheme during the financial year is anti-dilutive as per MASB 13 "Earnings Per Share".

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Net book value				
Operational property, plant and equipment (Note 16(a))	20,624	34,290	1,038	1,934
Investment properties (Note 16(b))	176,912	180,162	–	–
	197,536	214,452	1,038	1,934

16(a) OPERATIONAL PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings, office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
Group					
2004					
Cost					
At 1.1.2004	23,464	21,768	30,327	3,712	79,271
Additions	–	2,006	2,997	264	5,267
Disposals	(1,455)	(16,111)	(3,188)	(1,294)	(22,048)
Transferred to inventory	(10,893)	–	–	–	(10,893)
Written off	–	–	(837)	–	(837)
Disposal of subsidiaries	–	–	(1,745)	–	(1,745)
At 31.12.2004	11,116	7,663	27,554	2,682	49,015
Accumulated depreciation					
At 1.1.2004	1,088	12,863	21,907	2,287	38,145
Charge for the financial year	98	464	4,276	459	5,297
Released on disposals	(89)	(10,876)	(2,611)	(1,181)	(14,757)
Transferred to inventory	(780)	–	–	–	(780)
Written off	–	–	(632)	–	(632)
Disposal of subsidiaries	–	–	(1,580)	–	(1,580)
At 31.12.2004	317	2,451	21,360	1,565	25,693
Accumulated impairment losses					
At 1.1.2004	1,572	4,970	294	–	6,836
Transferred to inventory	(1,185)	–	–	–	(1,185)
Released on disposal	(387)	(2,566)	–	–	(2,953)
At 31.12.2004	–	2,404	294	–	2,698

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

16(a) OPERATIONAL PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land and buildings RM'000	Plant and machinery RM'000	Furniture, fittings, office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
Group					
2003					
Cost					
At 1.9.2002	40,242	44,085	37,150	12,509	133,986
Additions	1,509	6,257	2,576	712	11,054
Disposals	(1,625)	(6,772)	(5,389)	(8,762)	(22,548)
Written off	–	(8)	(1,645)	(210)	(1,863)
Disposal of subsidiaries	(16,662)	(20,609)	(2,169)	(537)	(39,977)
Transfer/reclassification	–	(1,185)	(196)	–	(1,381)
At 31.12.2003	23,464	21,768	30,327	3,712	79,271
Accumulated depreciation					
At 1.9.2002	2,566	27,616	22,692	7,454	60,328
Charge for the financial period	517	1,647	7,411	1,278	10,853
Released on disposals	(197)	(4,200)	(5,024)	(5,965)	(15,386)
Written off	–	(8)	(1,291)	(205)	(1,504)
Disposal of subsidiaries	(1,798)	(11,007)	(1,685)	(275)	(14,765)
Transfer/reclassification	–	(1,185)	(196)	–	(1,381)
At 31.12.2003	1,088	12,863	21,907	2,287	38,145
Accumulated impairment losses					
At 1.9.2002	1,808	5,710	294	–	7,812
Impairment	–	360	–	–	360
Disposal	(236)	(1,100)	–	–	(1,336)
At 31.12.2003	1,572	4,970	294	–	6,836
Net book value					
At 31.12.2004	10,799	2,808	5,900	1,117	20,624
At 31.12.2003	20,804	3,935	8,126	1,425	34,290

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

16(a) OPERATIONAL PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Detailed land and buildings of the Group are as follows:

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
2004			
Cost			
At 1.1.2004	7,777	15,687	23,464
Disposals and transfer to inventory	(1,508)	(10,840)	(12,348)
At 31.12.2004	6,269	4,847	11,116
Accumulated depreciation and impairment losses			
At 1.1.2004	–	2,660	2,660
Charge for the financial year	–	98	98
Released on disposals and transfer to inventory	–	(2,441)	(2,441)
At 31.12.2004	–	317	317
2003			
Cost			
At 1.9.2002	10,744	29,498	40,242
Additions	1,509	–	1,509
Disposals	–	(1,625)	(1,625)
Disposal of subsidiaries	(4,476)	(12,186)	(16,662)
At 31.12.2003	7,777	15,687	23,464
Accumulated depreciation and impairment losses			
At 1.9.2002	–	4,374	4,374
Charge for the financial period	–	517	517
Released on disposals	–	(433)	(433)
Disposal of subsidiaries	–	(1,798)	(1,798)
At 31.12.2003	–	2,660	2,660
Net book value			
At 31.12.2004	6,269	4,530	10,799
At 31.12.2003	7,777	13,027	20,804

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

16(a) OPERATIONAL PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fittings, office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
Company			
2004			
Cost			
At 1.1.2004	9,022	810	9,832
Additions	364	–	364
Disposals	(40)	(190)	(230)
Written off	(807)	–	(807)
At 31.12.2004	8,539	620	9,159
Accumulated depreciation			
At 1.1.2004	7,539	359	7,898
Charge for the financial year	886	124	1,010
Released on disposals	(36)	(142)	(178)
Written off	(609)	–	(609)
At 31.12.2004	7,780	341	8,121
2003			
Cost			
At 1.9.2002	9,138	5,700	14,838
Additions	327	48	375
Disposals	(423)	(4,728)	(5,151)
Written off	(20)	(210)	(230)
At 31.12.2003	9,022	810	9,832
Accumulated depreciation			
At 1.9.2002	6,306	2,559	8,865
Charge for the financial period	1,518	701	2,219
Released on disposals	(267)	(2,696)	(2,963)
Written off	(18)	(205)	(223)
At 31.12.2003	7,539	359	7,898
Net book value			
At 31.12.2004	759	279	1,038
At 31.12.2003	1,483	451	1,934

Operational property, plant and equipment with net book value amounting to RM1,305,743 (31.12.2003: RM9,523,981) of certain subsidiaries have been charged as security for borrowings and term loan facilities (Notes 32 and 35).

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

16(a) OPERATIONAL PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in operational property, plant and equipment of the Group and of the Company are the net book values of the following assets acquired under finance lease agreements and hire purchase terms:

	Net book value	
	2004 RM'000	2003 RM'000
Group		
Plant and machinery	–	397
Furniture, fittings, office equipment and computer	443	–
Motor vehicles	746	777
	1,189	1,174
Company		
Motor vehicles	242	356

16(b) INVESTMENT PROPERTIES

	At 1.1.2004 RM'000	Addition RM'000	At 31.12.2004 RM'000
Group			
2004			
At cost/valuation			
Long leasehold land:			
At 1982 valuation	10,823	–	10,823
At cost	32,595	–	32,595
	43,418	–	43,418
Buildings and improvements:			
At cost	228,696	766	229,462
Total	272,114	766	272,880

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

16(b) INVESTMENT PROPERTIES (CONTINUED)

	At 1.1.2004 RM'000	Charge for the financial year RM'000	At 31.12.2004 RM'000
Group			
2004			
Accumulated depreciation			
Long leasehold land:			
At 1982 valuation	3,193	179	3,372
At cost	1,172	271	1,443
	4,365	450	4,815
Buildings and improvements:			
At cost	29,677	3,566	33,243
Total	34,042	4,016	38,058

	At 1.1.2004/ 31.12.2004 RM,000
Accumulated impairment losses	
Long leasehold land:	
At 1982 valuation	515
At cost	8,035
	8,550
Buildings and improvements:	
At cost	49,360
Total	57,910

	At 1.9.2002 RM'000	Disposal RM'000	At 31.12.2003 RM'000
2003			
At cost/valuation			
Long leasehold land:			
At 1982 valuation	10,938	(115)	10,823
At cost	32,595	–	32,595
	43,533	(115)	43,418
Buildings and improvements:			
At cost	232,908	(4,212)	228,696
Total	276,441	(4,327)	272,114

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

16(b) INVESTMENT PROPERTIES (CONTINUED)

	At 1.9.2002 RM'000	Depreciation RM'000	Disposal RM'000	At 31.12.2003 RM'000
Group				
2003				
Accumulated depreciation				
Long leasehold land:				
At 1982 valuation	2,998	228	(33)	3,193
At cost	760	412	–	1,172
	3,758	640	(33)	4,365
Buildings and improvements:				
At cost	25,305	5,998	(1,626)	29,677
Total	29,063	6,638	(1,659)	34,042

	At 1.9.2002 RM'000	Impairment loss RM'000	At 31.12.2003 RM'000
Accumulated impairment losses			
Long leasehold land:			
At 1982 valuation	–	515	515
At cost	4,113	3,922	8,035
	4,113	4,437	8,550
Buildings and improvements:			
At cost	17,090	32,270	49,360
Total	21,203	36,707	57,910

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

16(b) INVESTMENT PROPERTIES (CONTINUED)

	2004 RM'000	2003 RM'000
Group		
Net book value		
Long leasehold land:		
At 1982 valuation	6,936	7,115
At cost	23,117	23,388
	30,053	30,503
Buildings and improvements:		
At cost	146,859	149,659
Total	176,912	180,162

The leasehold land and buildings of subsidiaries with net book values of RM176,912,000 (31.12.2003: RM180,162,000) are charged as security for term loan facilities (Note 35).

The net book value of the revalued land, had this asset been carried at cost less accumulated depreciation and impairment losses, is as follows:

	2004 RM'000	2003 RM'000
Group		
Long leasehold land	2,259	2,317

The leasehold land of a subsidiary is stated at Directors' valuation based on a valuation by independent valuers in 1982 using the fair market value basis.

The leasehold investment properties consist of three leasehold land and buildings with unexpired periods of leases ranging from 40 years to 89 years.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

17 PROPERTY DEVELOPMENT ACTIVITIES

17(a) LAND HELD FOR PROPERTY DEVELOPMENT

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Freehold land, at cost	270,580	289,558	3,785	3,785
Freehold land, at valuation	7,357	8,457	–	–
Leasehold land, at valuation	42,070	42,332	–	–
Development expenditure	542,984	514,940	319	319
	862,991	855,287	4,104	4,104
Less: Accumulated impairment losses	(39,029)	(39,029)	(304)	(304)
	823,962	816,258	3,800	3,800
At start of year/period	816,258	853,568	3,800	4,072
Acquisition of freehold land	9,777	–	32,000	–
Disposal of freehold land	(20,348)	–	–	–
Development expenditure incurred	28,338	3,986	–	32
Transfer to property development costs (Note 17(b))	(10,063)	(33,703)	(32,000)	–
Impairment losses recognised in the income statement during the year/period	–	(7,593)	–	(304)
At end of year/period	823,962	816,258	3,800	3,800

Title to freehold land of a subsidiary is in the process of being registered in the subsidiary's name.

The freehold and leasehold land of certain subsidiaries have been charged as security for term loan facilities (Note 35).

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

17 PROPERTY DEVELOPMENT ACTIVITIES (CONTINUED)

17(b) PROPERTY DEVELOPMENT COST

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At start of year/period				
– land, at cost	52,855	27,778	–	–
– land, at valuation	3,982	3,982	–	–
– development costs	447,986	461,113	–	–
– accumulated cost charged to income statement	(334,467)	(389,779)	–	–
	170,356	103,094	–	–
Costs incurred during the year/period				
– transfer from land held under property development (Note 17(a))	10,063	33,703	32,000	–
– development costs	59,930	167,315	14,395	–
	69,993	201,018	46,395	–
Costs charged to income statement	(75,737)	(133,756)	(18,393)	–
Transfer to inventories	(395)	–	–	–
Reversal upon completion of projects				
– land, at cost	(20,134)	–	–	–
– development costs	–	(189,589)	–	–
– accumulated costs charged to income statement	20,134	189,589	–	–
	164,217	170,356	28,002	–
At end of year/period				
– land, at cost	82,481	52,855	32,000	–
– land, at valuation	3,982	3,982	–	–
– development costs	507,915	447,986	14,395	–
– accumulated costs charged to income statement	(429,766)	(334,467)	(18,393)	–
– transfer to inventories	(395)	–	–	–
	164,217	170,356	28,002	–

Included in development expenditure are the following charges made during the financial year/period:

	Group	
	2004 RM'000	2003 RM'000
Interest capitalised	40,805	65,808

	Group	
	2004 %	2003 %
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation	55	62

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

18 EXPRESSWAY DEVELOPMENT EXPENDITURE

	Group	
	2004 RM'000	2003 RM'000
Expressway development expenditure	18,203	18,203
Less: Accumulated impairment losses	(18,203)	(18,203)
	-	-

19 SUBSIDIARIES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted shares at cost:				
– in Malaysia	-	0*	530,677	538,352
– outside Malaysia	-	-	-	3
	-	0	530,677	538,355
Loan stocks at cost	-	-	17,333	17,333
Less: Accumulated impairment losses	-	-	(207,376)	(184,982)
	-	0	340,634	370,706

* The investment in Promising Quality Sdn. Bhd. ('PQSB') is carried at group cost of RM4.00 at the date that PQSB became a subsidiary.

The consolidated financial statements of a former sub-subsidiary, PQSB were not consolidated on the basis that control was intended to be temporary and PQSB had not previously been consolidated, as permitted under MASB Standard No. 11 'Consolidated Financial Statements and Investments in Subsidiaries'. The Company had on 21 October 2003 entered into a Subscription Agreement with UDA Holdings Berhad ('UDA'), Harmonic Fairway Sdn. Bhd. and PQSB for PQSB to issue and UDA to subscribe for new ordinary shares of PQSB which on completion resulted in UDA owning 99.99% of the issued and paid-up capital of PQSB ('Proposed Share Issue'). The Proposed Share Issue was completed on 30 March 2004.

The loan stocks issued by a subsidiary pursuant to a Joint Venture Agreement dated 18 April 1996 was due for redemption on 1 January 2002 at 100% of its nominal value for all loan stocks not previously redeemed or purchased together with all accrued interest thereon. The joint venture parties have consented to extend the redemption to 31 December 2016, or within 6 months from the completion of joint venture project, whichever shall be earlier under the Joint Venture Agreement dated 19 February 2003.

The fair value of the loan stocks as at 31 December 2004 was approximately RM17,333,000 (2003: RM13,988,000).

The Group's effective equity interest in the subsidiaries, their respective principal activities and country of incorporation are set out in Note 44.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

20 ASSOCIATES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
In Malaysia				
Unquoted investments at cost	19,067	10,772	11,950	1,500
Share of post-acquisition accumulated losses	(7,413)	(3,735)	–	–
Unrealised gains	(1,394)	–	–	–
	10,260	7,037	11,950	1,500
Less: Accumulated impairment losses	(7,869)	–	(7,450)	–
	2,391	7,037	4,500	1,500
Quoted investments at cost	299,332	299,332	–	–
Share of post-acquisition accumulated losses	(10,281)	(8,601)	–	–
Unrealised gains	(24,850)	–	–	–
	264,201	290,731	–	–
	266,592	297,768	4,500	1,500
Market value of quoted investments	131,119	121,439	–	–

Analysis of associates is as follows:

	2004 RM'000	2003 RM'000
Group's share of tangible assets	266,364	301,886
Group's share of intangible assets	75	–
Group's share of net assets	266,439	301,886
Premium/(reserve) on acquisition	153	(4,118)
	266,592	297,768

The Group's effective equity interest in the associates, their respective principal activities and country of incorporation are set out in Note 44.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

21 JOINTLY CONTROLLED ENTITIES

	Group	
	2004 RM'000	2003 RM'000
Share of net assets of the jointly controlled entities	5,299	2,830

The Group has the following jointly controlled entities:

- (a) 50% interest in a jointly controlled entity, TTSB-SPK Consortium, which was formed on 18 July 2001 to undertake the design, manufacture, test, supply, delivery, installation commissioning and maintenance of the 275kV Sabah East-West Grid Interconnection Transmission Line Segaliud, Sandakan-Kasigui, Kota Kinabalu.

The jointly controlled entities of (b) and (c) mentioned below were disposed off during the financial year as part of the disposal of Zelleco (M) Sendirian Berhad which was completed on 30 June 2004.

- (b) 50% interest in a jointly controlled entity, Zelleco-Hyundai JV which was formed on 24 January 1995 and commenced operations on 1 October 1995 to undertake the construction of a section of the national power transmission system.
- (c) 60% interest in a jointly controlled entity, Zelleco-Perspec Consortium which was formed on 8 October 1996 and immediately commenced operations to undertake piling works, substructure and basement construction and ancillary works for Kuala Lumpur Sentral Sdn. Bhd., a subsidiary of the Company.

The Group's share of the assets and liabilities of the jointly controlled entities are as follows:

	Group	
	2004 RM'000	2003 RM'000
Property, plant and equipment	48	64
Current assets	22,965	15,381
Current liabilities	(17,714)	(12,615)
	5,299	2,830

The Group's share of the revenue and expenses of the jointly controlled entities are as follows:

	Group	
	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000
Revenue	43,492	22,903
Other operating income	181	–
Other operating expense	(38,747)	(20,188)
Profit from ordinary activities before taxation	4,926	2,715
Taxation	–	–
Profit from ordinary activities after taxation	4,926	2,715

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

22 OTHER INVESTMENTS

	Group and Company	
	2004	2003
	RM'000	RM'000
At cost:		
Shares in a corporation, quoted outside Malaysia	910	910
Less: Accumulated impairment losses	(840)	(840)
	70	70
Unquoted investments	13,860	14,727
Less: Accumulated impairment losses	(4,525)	(4,509)
	9,335	10,218
	9,405	10,288
Market value of quoted shares	118	410

23 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group	
	2004	2003
	RM'000	RM'000
Deferred tax assets	3,193	6,299
Deferred tax liabilities	(2,161)	(1,131)
	1,032	5,168

The movements during the financial year/period relating to deferred tax are as follows:

At start of financial year/period	5,168	1,322
Charged from/(to) income statement (Note 14)		
– property, plant and equipment	38	521
– development property	(2,491)	(18,539)
– accruals	197	–
– provisions	249	60
– tax losses	21	21,804
	(1,986)	3,846
Charged to equity	(2,150)	–
At end of financial year/period	1,032	5,168

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

23 DEFERRED TAXATION (CONTINUED)

	Group	
	2004 RM'000	2003 RM'000
Subject to income tax		
Deferred tax assets (before offsetting)		
Development property	2,734	—
Accruals	197	—
Provisions	249	129
Tax losses	21	41,858
	3,201	41,987
Offsetting	(8)	(35,688)
Deferred tax asset (after offsetting)	3,193	6,299
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	(2,153)	(163)
Development property	—	(36,656)
	(2,153)	(36,819)
Offsetting	(8)	35,688
Deferred tax liabilities (after offsetting)	(2,161)	(1,131)

The amounts of deductible temporary differences and unused tax losses (which have no expiry date) for which no deferred tax assets are recognised in the balance sheet are as follow:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deductible temporary differences	95,135	124,732	10,164	2,577
Tax losses	364,895	309,390	96,023	78,918

24 INVENTORIES

At cost:				
Completed properties for sale	22,546	19,273	—	—
At net realisable value:				
Land held for sale	2,007	590	1,509	—
Completed properties for sale	7,602	498	7,333	—
	32,155	20,361	8,842	—

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

25 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade receivables	55,499	92,435	6,789	10,341
Less: Allowance for doubtful debts	(17,866)	(17,945)	(2,477)	(2,679)
	37,633	74,490	4,312	7,662
Amounts due from customers on contracts (Note 26)	5,836	19,105	274	–
Accrued billings in respect of property development	18,296	24,734	–	–
Amounts due from associates	1,580	1,128	1,051	606
Amounts due from other related parties	639	1,029	–	–
Amount due from jointly controlled entities	8,710	386	–	–
Amount due from a non-consolidated sub-subsidiary	–	119,663	–	44,500
Deposits	6,333	21,059	2,473	16,086
Prepayments	3,688	5,492	–	–
Other receivables	85,001	48,885	60,350	45,191
Less: Allowance for doubtful debts	(26,983)	(39,855)	(24,281)	(52,492)
	68,039	155,244	38,542	53,285
	140,733	276,116	44,179	61,553
Amounts due from subsidiaries	–	–	503,956	941,127
Less: Allowance for doubtful debts	–	–	(291,529)	(709,411)
	–	–	212,427	231,716

The amount due from a non-consolidated sub-subsidiary that was related to the sale of land, was unsecured, interest-free and with no fixed repayment terms. The amount was fully repaid during the financial year.

All the trade and other receivables for the Group and the Company are denominated in Ringgit Malaysia.

The Group's normal credit terms range from 7 days to 180 days (2003: 7 days to 180 days). Other credit terms are assessed and approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

26 CONSTRUCTION CONTRACTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Aggregate costs incurred to date	1,597,137	1,803,520	7,641	194,000
Attributable profits on contract works performed to date	301,074	349,807	664	11,823
Less: Provision for foreseeable losses	(43)	(56,769)	-	-
	1,898,168	2,096,558	8,305	205,823
Less: Progress billings	(1,899,408)	(2,078,187)	(8,031)	(205,823)
	(1,240)	18,371	274	-
Amounts due from customers on contracts (Note 25)	5,836	19,105	274	-
Amounts due to customers on contracts (Note 30)	(7,076)	(734)	-	-
	(1,240)	18,371	274	-
Retention sum on contracts, included under trade receivables	7,895	12,895	-	5,000
The costs incurred to date on construction contracts include the following charges made during the financial year/period:				
Professional fees paid to corporate shareholders of a subsidiary	-	3,357	-	-

27 MARKETABLE SECURITIES

Shares in corporations, quoted in Malaysia				
- At cost	23,388	23,388	23,153	23,153
Other marketable securities, quoted in Malaysia	99,802	99,802	99,802	99,802
Less : Allowance for diminution in value	(36,722)	(51,230)	(36,722)	(51,230)
	63,080	48,572	63,080	48,572
	86,468	71,960	86,233	71,725
Market value of quoted shares	36,766	32,062	36,503	31,593
Market value of other quoted securities	65,458	48,929	65,458	48,929
	102,224	80,991	101,961	80,522

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

28 BANK BALANCES AND DEPOSITS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits with licensed banks	87,918	91,982	504	17,305
Deposits with finance companies	17,195	30,280	8,270	25,300
Cash held under Housing Development Accounts	32,185	4,913	–	–
Cash and bank balances	14,022	25,296	1,216	1,236
	151,320	152,471	9,990	43,841

Included in the Group's and the Company's cash and bank balances and deposits with licensed banks and finance companies are restricted monies amounting to RM77,308,962 (31.12.2003: RM71,438,082) and RM504,654 (31.12.2003: RM17,329,345) respectively, (Note 40) representing:

- collateral pledged with licensed banks and/or finance companies by the Group and the Company for credit facilities granted and bank guarantee facilities issued to third parties.
- proceeds from the issue of Bonds by a subsidiary net of permitted withdrawal at date of issue of Bonds has been channelled to Designated Accounts for the Kuala Lumpur central railway station development project as provided under the terms and conditions of the Project Account Agreement (Note 33).
- first memorandum of deposits of fixed deposits of certain subsidiaries held as security for the term loan facility and guarantee facilities (Notes 32, 35 and 42).

Cash held under Housing Development Accounts represents receipts from purchasers of residential properties less payments or withdrawals provided under the Housing Developers (Control and Licensing) Act, 1966.

All the deposits, cash and bank balances of the Group and the Company are denominated in Ringgit Malaysia.

The weighted average period effective interest rates per annum of deposits, cash and bank balances that were effective at the end of the financial year/period were as follows:

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Deposits with licensed banks	2.68	2.52	3.70	3.35
Deposits with licensed institutions	2.64	2.90	2.61	2.90

The deposits with licensed banks and licensed institutions have an average maturity of 7 and 4 days (2003: maturity of 7 days) respectively.

Bank balances are deposits held at call with banks.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

29 PROVISIONS FOR LIABILITIES AND CHARGES

	Guaranteed rental scheme RM'000	Group Liquidated ascertained damages and guarantee reserve RM'000	Others RM'000	Total RM'000
At 1 January 2004	6,229	6,418	2,185	14,832
Charged to income statement	146	(168)	60	38
Utilised during the financial year	(1,838)	(612)	–	(2,450)
Unused amounts reversed	–	(3,356)	–	(3,356)
At 31 December 2004	4,537	2,282	2,245	9,064
At 1 September 2002	9,517	10,885	2,105	22,507
Charged to income statement	125	1,853	80	2,058
Utilised during the financial period	(3,413)	(4,354)	–	(7,767)
Unused amounts reversed	–	(1,966)	–	(1,966)
At 31 December 2003	6,229	6,418	2,185	14,832
At 31 December 2004				
Current	4,537	2,282	2,245	9,064
At 31 December 2003				
Current	6,229	6,418	2,185	14,832

(a) Guaranteed rental scheme

Provisions for guaranteed rental scheme are made for anticipated losses on contracts undertaken by a subsidiary.

(b) Liquidated ascertained damages and guarantee reserve

Provision for liquidated ascertained damages and provision for guarantee reserve are in respect of projects undertaken by the subsidiaries. Provision for liquidated ascertained damages ('LAD') is recognised for expected LAD claims based on the contract agreement. Provision for guarantee reserve is made on each contract based on the estimated liability that may arise during the guarantee period.

(c) Others

Other provisions relate to:

- provision by a subsidiary for remedial works to complete the rehabilitation of the hill slope due to a landslide on the freehold land held by the subsidiary based on the estimation made by consultants.
- provision made by a subsidiary for concession fees payable to the Government of Malaysia in relation to the concession to operate, manage and maintain the Kuala Lumpur central railway station based on the effective date as stated in the Concession Agreement.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

30 TRADE AND OTHER PAYABLES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Trade payables	74,921	109,725	3,162	266
Amounts due to customers on contracts (Note 26)	7,076	734	–	–
Progress billings in respect of property development	26,204	11,628	14,565	–
Amounts due to associates	–	443	–	–
Amounts due to jointly controlled entities	–	744	–	–
Amounts due to other related parties	7,114	17,042	5,963	15,031
Hire purchase and lease creditors due within 12 months (Note 31)	591	2,006	87	87
Other payables	44,174	52,912	8,307	1,387
Accruals	25,687	20,941	2,077	725
Accrued interest payable	31,631	33,122	584	407
	217,398	249,297	34,745	17,903

The amounts due to subsidiaries are unsecured, have no fixed terms of repayment and carry average interests ranging from 0% to 3.75% (31.12.2003: 0% to 3.88%) per annum at end of the financial year/period.

The amounts due to associates, jointly controlled entities and other related parties are unsecured, interest free and have no fixed terms of repayment.

The above trade and other payables balances are denominated in Ringgit Malaysia except for the currency exposure profile of trade payables which is as follows:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Ringgit Malaysia	74,921	109,705	3,162	266
US Dollar	–	20	–	–
	74,921	109,725	3,162	266

Credit terms of trade payables ranged from 30 days to 60 days (2003: 30 days to 70 days).

Credit terms of other payables ranged from 30 days to 60 days (2003: 30 days to 60 days).

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

31 HIRE PURCHASE AND LEASE CREDITORS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Analysis of hire purchase and lease creditors:				
Payable within one year	654	2,816	110	110
Payable between one and two years	454	2,392	110	110
Payable between two and five years	472	3,066	76	186
Payable after five years	8	16	–	–
	1,588	8,290	296	406
Less: Finance charges	(212)	(1,969)	(62)	(85)
	1,376	6,321	234	321

Present value of hire purchase and lease creditors liabilities:

Payable within one year	591	2,006	87	87
Payable between one and two years	349	1,641	87	87
Payable between two and five years	430	2,662	60	147
Payable after five years	6	12	–	–
	1,376	6,321	234	321

Representing hire purchase and lease creditors:

Due within 12 months (Note 30)	591	2,006	87	87
Due after 12 months (Note 36)	785	4,315	147	234
	1,376	6,321	234	321

(a) The weighted average year/period end effective interest rates of hire purchase and lease creditors ranged from 3.5% to 5.38% (31.12.2003: 3.50% to 7.25%) per annum.

(b) The hire purchase and lease creditors are denominated in Ringgit Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

32 SHORT TERM BORROWINGS – SECURED

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Bank overdrafts (Note 40)	633	8,351	–	–
Short term borrowings and other credit facilities	27,000	29,178	27,000	27,000
Term loans due within 12 months (Note 35)	207,385	166,621	73,987	93,987
Total	235,018	204,150	100,987	120,987

The short term borrowings of the Group are secured by:

- legal charges over certain assets of the subsidiaries (Note 16(a))
- a charge over the entire share capital of a subsidiary
- assignment of the Privatisation Agreement, Contractors' Performance Bond and insurance policies of a subsidiary
- first memorandum of deposit of fixed deposits of certain subsidiaries (Note 28)
- debenture incorporating first fixed and floating charges over all present and future assets of a subsidiary

The short term borrowings of the Company are secured by:

- First party legal charge over shares of certain subsidiaries, and shares and Irredeemable Convertible Unsecured Loan Stocks of Media Prima Berhad
- Charge over the property of a subsidiary

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Weighted average year/period end effective interest rates				
Bank overdrafts	7.50	7.50	–	–
Short term borrowings and other credit facilities	5.63	7.17	5.63	7.08
Term loan	7.17	7.17	5.63	7.08

33 BONDS

	Group	
	2004 RM'000	2003 RM'000
Al-Bai Bithaman Ajil Bonds (BaIDS) (nominal value)	800,000	891,000
Less: unamortised cost of issue	(6,328)	(7,340)
	793,672	883,660
BaIDS	800,000	891,000
Less: Bonds issuance expenses	(10,125)	(10,125)
Net proceeds	789,875	880,875
Cumulation of amortisation of Bonds issuance expenses	3,797	2,785
	793,672	883,660
Representing Bonds:		
Due within 12 months	–	91,000
Due after 12 months	793,672	792,660
	793,672	883,660

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

33 BONDS (CONTINUED)

- (a) In 2001, a subsidiary issued RM920 million Al-Bai Bithaman Ajil Bonds ('Bonds') in a total of six tranches with face values of RM120 million, RM80 million, RM200 million, RM220 million and two of the six tranches with a face value of RM150 million each to the primary subscribers. Tenure of the Bonds ranges from 2 to 10 years from the date of issue and carry profit rates, which have been fixed in accordance with the Syariah principals, at rates ranging from 7.70% to 9.25% per annum and are payable semi annually from its respective issue dates. The Bonds are traded on the Scriptless Securities Trading System operated and managed by Bank Negara Malaysia.
- (b) The Bonds are secured against land titles of the sub-divided plots of land that has been and are to be effected in stages based on the physical progress of the construction works on the Kuala Lumpur central railway station pursuant to the Supplementary Agreement to the Concession Agreement with the Government of Malaysia and Syarikat Harta dan Tanah Sdn. Bhd.
- (c) Proceeds from the issue of Bonds are channelled to Designated Accounts. Permitted withdrawals relating to the Kuala Lumpur central railway station development project from these Designated Accounts are subject to terms and conditions of the Project Account Agreement (Note 28).
- (d) The maturity structure of the Bonds are as follows:

	Group	
	2004 RM'000	2003 RM'000
Payable within one year	–	91,000
Payable between one and two years	80,000	–
Payable between two and five years	350,000	430,000
Payable after five years	370,000	370,000
	800,000	891,000
(e) Fair value	876,376	881,171

- (f) The Bonds are denominated in Ringgit Malaysia.

34 POST-EMPLOYMENT BENEFITS OBLIGATIONS

The Group provides for unfunded retirement benefits to eligible employees that have been in the service of the Group for a continuous period of at least ten (10) years.

The liability in respect of the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation, calculated using the projected unit credit method, is determined by a qualified actuary on the basis of a triennial valuation and after considering the estimated future cash outflows using the market yields at the valuation date of high quality corporate bonds. The latest actuarial valuation was carried out on 18 November 2002.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

34 POST-EMPLOYMENT BENEFITS OBLIGATIONS (CONTINUED)

	Group RM'000	Company RM'000
Defined benefit plan		
At 1 January 2004	6,107	1,846
Charged to income statement (Note 11)	1,318	365
Disposal of subsidiary	(222)	–
Utilised during the financial year	(202)	(10)
At 31 December 2004	7,001	2,201
At 1 September 2002	4,644	1,447
Charged to income statement (Note 11)	1,565	458
Utilised during the financial period	(102)	(59)
At 31 December 2003	6,107	1,846

The amounts recognised in the Group's and Company's balance sheets are analysed as follows based on the valuation carried out on 18 November 2002:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Present value of unfunded obligations	7,001	6,107	2,201	1,846

The expenses recognised in the Group's and Company's income statement are analysed as follows:

	Group		Company	
	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000
Current service cost	853	1,129	251	335
Interest cost	465	436	114	123
Total included in staff costs (Note 11)	1,318	1,565	365	458

The above charge to the income statement was included in the administrative expenses of the year/period.

The principal actuarial assumptions used by the valuers in the valuation carried out on 18 November 2002 in respect of the Group's and Company's defined benefit plan are as follows:

	Defined benefit plan Group and Company %
Discount rate	7.0
Expected rate of salary increases	4.0

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

35 LONG TERM BORROWINGS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Secured:				
Analysis of term loans:				
Payable within one year	207,385	166,621	73,987	93,987
Payable between one and two years	95,555	83,260	20,000	–
Payable between two and five years	–	78,946	–	–
Payable after five years	–	44	–	–
	302,940	328,871	93,987	93,987
Representing term loans:				
Due within 12 months (Note 32)	207,385	166,621	73,987	93,987
Due after 12 months	95,555	162,250	20,000	–
	302,940	328,871	93,987	93,987

(a) The long term loans are secured by:

- a charge over the entire share capital of a subsidiary
- first fixed charge over properties of certain subsidiaries (Notes 16(a), 16(b) and 17(a))
- debenture incorporating first fixed and floating charges over all present and future assets of a subsidiary
- assignment of the Privatisation Agreement, Contractors' Performance Bond and insurance policies of a subsidiary
- first memorandum of deposit of fixed deposits of a subsidiary (Note 28)

(b)	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Weighted average year/period end effective interest rates per annum				
Term loan	7.27	9.36	5.63	7.08

(c)	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Fair value				
Term Loan	95,421	156,543	20,000	–

(d) All borrowings are denominated in Ringgit Malaysia.

36 LONG TERM LIABILITIES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Hire purchase and lease creditors due after 12 months (Note 31)	785	4,315	147	234
Fair value of hire purchase and lease creditors due after 12 months	763	4,311	147	234

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

37 SHARE CAPITAL

	Group and Company 2004 RM'000	2003 RM'000
Authorised:		
2,000,000,000 ordinary shares of RM1.00 each	2,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each:		
At start of year/period	768,171	976,550
Issuance of share capital:		
– exercise of share options	15	–
Pursuant to corporate restructuring scheme*		
– Issuance of share capital	–	175,706
– Capital reconstruction	–	(384,085)
At end of year/period	768,186	768,171

During the financial year, the issued and paid-up share capital of the Company was increased from RM768,170,868 to RM768,185,868 by the issuance of 15,000 new ordinary shares RM1.00 each.

* In the previous financial period, the issued and paid-up share capital of the Company was reduced from RM976,549,999 to RM768,170,868 resulting from the Group's corporate restructuring scheme. The movement in the share capital resulted from the following:

- Issuance of 175,706,803 ordinary shares of RM1.00 each at a premium of 45 sen as consideration for the acquisition of rights to allotment of 231,613,514 ordinary shares of Media Prima Berhad; and
- Capital reconstruction exercise involving a capital reduction of 33 1/3 sen for each of the ordinary share of RM1.00 each in the Company followed by a capital consolidation of 3 ordinary shares of 66 2/3 sen each into 1 ordinary share of RM2.00 each and thereafter, divided into 2 ordinary shares of RM1.00 each in the Company. The capital reconstruction exercise reduced the issued and paid-up share capital of the Company from 1,152,256,302 ordinary shares of RM1.00 each to 768,170,868 ordinary shares of RM1.00 each.

38 EMPLOYEES' SHARE OPTION SCHEME

The Malaysian Resources Corporation Berhad's Employees' Share Option Scheme ('ESOS' or the 'Scheme') was approved by the shareholders at an Extraordinary General Meeting held on 12 August 2002 and became effective on 5 September 2002.

The details of the ESOS are contained in the Bye-Laws and the salient features thereof are as follows:

- The Scheme is set up for the participation in the ordinary share capital of the Company only.

The total number of shares to be offered under the ESOS shall not exceed 10% of the total number of issued and fully paid ordinary shares of the Company at any time during the tenure of the Scheme, which shall be in force for a period of five (5) years commencing 5 September 2002.
- Eligible employees (including Executive Directors) are those who must have been confirmed in his/her position as an employee with a minimum of six (6) months continuous service on or prior to the date of offer of the ESOS.
- The Scheme is administered by an Option Committee which comprises senior management staff appointed by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

38 EMPLOYEES' SHARE OPTION SCHEME (CONTINUED)

- (d) An Option granted under the ESOS is capable of being exercised by the grantee by notice in writing to the Company commencing from the date of the offer and expiring on 4 September 2007.
- (e) Options granted for each year may be exercised in full or in such lesser number of shares provided that the number shall be in multiples of and not less than 1,000 shares.
- (f) The option price of each share shall be at a discount of not more than 10% from the weighted average market price of the shares of the Company as stated in the Daily Official Listing issued by the Bursa Malaysia Bhd. for the five (5) market days immediately preceding the date of offer and shall not be less than the par value of the share.
- (g) An eligible employee can only participate in one ESOS implemented by any company in the Group at any one time.
- (h) All the new ordinary shares issued arising from the ESOS shall rank pari-passu in all respects with the existing ordinary shares of the Company.

Set out below are details of options over the ordinary shares of the Company granted under the ESOS:

Tranche	Date	Price	No. of ordinary shares of RM1.00 each covered under options				At 31.12.2004
			At 1.1.2004	Granted	Exercised	Lapsed	
1	6 Sep 2002	RM1.06	26,170,000	–	–	–	26,170,000
2	26 May 2003	RM1.00	9,578,076	–	(15,000)	(1,009,627)	8,553,449
3	2 Apr 2004	RM1.00	–	10,381,555	–	(364,063)	10,017,492
			35,748,076	10,381,555	(15,000)	(1,373,690)	44,740,941

All options were vested during the year when the ESOS was granted.

39 STATUTORY AND OTHER RESERVES

	Group	
	2004 RM'000	2003 RM'000
Reserves on consolidation	79,332	79,332

The movement in reserves were as follows:

Statutory reserves

At 1 January/September	–	57,933
Share in the transfer by an associate	–	3,858
Realisation of reserves upon disposal of investment by an associate	–	(61,791)
At 31 December	–	–

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

39 STATUTORY AND OTHER RESERVES (CONTINUED)

	Group	
	2004 RM'000	2003 RM'000
Capital redemption reserves		
At 1 January/September	–	18,273
Realisation of reserves upon de-merger of an associate pursuant to corporate restructuring scheme	–	(18,273)
At 31 December	–	–
Reserves on consolidation		
At 1 January/September	79,332	–
Arising from acquisition during the financial year/period	–	79,332
At 31 December	79,332	79,332

The statutory reserves represented the Group's share of the statutory reserves of associates, which were maintained in accordance with the Banking and Financial Institutions Act, 1989.

The capital redemption reserves represented the Group's share of the capital redemption reserves of an associate, which was created upon redemption by an associate of its subsidiary's redeemable preference shares.

The reserves on consolidation represent the short fall of the purchase consideration for a subsidiary over the Group's share of the fair value of the subsidiary's separable net assets at the date of acquisition.

40 CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Bank balances and deposits (Note 28)	151,320	152,471	9,990	43,841
Secured bank overdrafts (Note 32)	(633)	(8,351)	–	–
	150,687	144,120	9,990	43,841
Less: Cash and bank balances and fixed deposits held as security value (Note 28)	(77,309)	(71,438)	(505)	(17,329)
	73,378	72,682	9,485	26,512

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

41 RELATED PARTY DISCLOSURES

The related parties with whom the Group and the Company transacted with during the financial year/period included the following:

Related parties	Nature of relationship
Promising Quality Sdn. Bhd. ('PQSB')	A subsidiary of UDA Holdings Berhad.
The New Straits Times Press (Malaysia) Berhad ('NSTP')	An associate of Media Prima Berhad, which shares a common significant shareholder with the Company by way of Realmild (M) Sdn. Bhd. ('Realmild'). YAM Dato' Seri Syed Anwar Jamalullail has substantial interest in Realmild.
AMI Insurans Berhad ('AMI') and NSTO Outdoor Sdn. Bhd. ('NSTO')	Deemed related by virtue of being subsidiaries of NSTP.
Maxis Broadband Sdn. Bhd. ('MBSB')	Wholly owned subsidiary of Maxis Communications Berhad ('MCB') and YAM Dato' Seri Syed Anwar Jamalullail is a Director and shareholder of MCB.
Sistem Televisyen Malaysia Berhad ('STMB')	A subsidiary of Media Prima Berhad, which share a common significant shareholder with the Company by way of Realmild (M) Sdn. Bhd. ('Realmild'). YAM Dato' Seri Syed Anwar Jamalullail has substantial interest in Realmild.

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Significant related party transactions other than mentioned elsewhere in the financial statements are as follows:				
Reduction in sales value of properties sold to PQSB	–	13,400	–	–
Rental income from STMB	936	1,188	936	1,188
Advertisement income from NSTO	–	1,625	–	–
Insurance premium charged by AMI	1,433	1,234	35	20
Purchase of advertisement from NSTP	208	364	12	165
Rental income from MBSB	280	–	–	–
Professional fees charged by corporate shareholders of MRCB Multimedia Consortium Sdn. Bhd., a subsidiary of the Company, pertaining to the provision of information technology services	735	3,356	–	–

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

42 CONTINGENT LIABILITIES

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Secured performance guarantee extended to third parties	822	660	–	–
Unsecured corporate guarantees given to financial institutions for:				
– credit facilities granted to subsidiaries	–	–	135,686	144,034
– trade and performance guarantees extended to third parties	59,076	36,701	–	–
– litigations arising from businesses	61,929	34,626	5,923	5,921

The secured performance guarantees of RM822,000 (31.12.2003: RM660,000) are secured by way of deposits of the corresponding amounts with interest thereon pledged to and deposited with the Guarantor Bank pursuant to the memorandum of deposit (Note 28).

The outstanding legal claims have not been provided for in the financial statements as the Board of Directors, having taking advice from its legal counsel, are of the opinion that the above claims are not likely to succeed and thus would not have a material effect on the financial position or the business of the Group and of the Company.

43 CAPITAL COMMITMENTS

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Authorised capital expenditure not contracted for:				
– property, plant and equipment	220	205	–	–
– project development expenditure	–	250	–	–
	220	455	–	–

44 SUBSIDIARIES AND ASSOCIATES

The Group's effective equity interest in the subsidiaries and associates as at 31 December 2004, their respective principal activities and country of incorporation are as follows:

Name of enterprise	Principal activities	Country of incorporation	Effective equity interest	
			2004 %	2003 %
SUBSIDIARIES:				
Kuala Lumpur Sentral Sdn. Bhd.	Property development	Malaysia	64.38	64.38
Held through 100% ownership by Kuala Lumpur Sentral Sdn. Bhd.				
– Unity Portfolio Sdn. Bhd.	Property management	Malaysia	64.38	64.38
Landas Utama Sdn. Bhd.	Investment holding	Malaysia	100.00	100.00
MRCB Utama Sdn. Bhd.	Property development	Malaysia	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

44 SUBSIDIARIES AND ASSOCIATES (CONTINUED)

Name of enterprise	Principal activities	Country of incorporation	Effective equity interest	
			2004 %	2003 %
Held through 100% ownership by MRCB Utama Sdn. Bhd.				
– Country Annexe Sdn. Bhd.	Pre-operating	Malaysia	100.00	100.00
MRCB Selborn Corporation Sdn. Bhd.	Property development and property holding	Malaysia	60.00	60.00
MRCB Engineering Sdn. Bhd.	Engineering services and construction	Malaysia	100.00	100.00
MRCB Environmental Services Sdn. Bhd.	Investment holding	Malaysia	100.00	100.00
Held through 55% ownership by MRCB Environmental Services Sdn. Bhd.				
– MRCB Environment Sdn. Bhd.	Infrastructure ‘design and build’ construction works	Malaysia	55.00	55.00
MRCB Prasarana Sdn. Bhd.	Infrastructure ‘design and build’ construction works	Malaysia	100.00	100.00
MRCB Technologies Sdn. Bhd.	Information technology services and professional outsourcing	Malaysia	100.00	100.00
Malaysian Resources Development Sdn. Bhd.	Property development and investment holding	Malaysia	100.00	100.00
Held through 100% ownership by Malaysian Resources Development Sdn. Bhd.				
– Bitar Enterprises Sdn. Bhd.*	Property investment	Malaysia	100.00	100.00
– Golden East Corporation Sdn. Bhd.	Property development and management	Malaysia	100.00	100.00
– MR Properties Sdn. Bhd.*	Property development	Malaysia	100.00	100.00
– Seri Iskandar Utilities Corporation Sdn. Bhd.	Pre-operating	Malaysia	100.00	100.00
– Sunrise Properties Sdn. Bhd.*	Property development	Malaysia	100.00	100.00
– Taiyee Development Sdn. Bhd.*	Property development	Malaysia	100.00	100.00
– MRCB Property Development Sdn. Bhd.	Investment holding	Malaysia	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

44 SUBSIDIARIES AND ASSOCIATES (CONTINUED)

Name of enterprise	Principal activities	Country of incorporation	Effective equity interest	
			2004 %	2003 %
Held through 100% ownership by MRCB Property Development Sdn. Bhd.				
– MRCB Cahaya Mutiara Sdn. Bhd.*	Property development and management	Malaysia	100.00	100.00
Held through 70% ownership by Malaysian Resources Development Sdn. Bhd.				
– Seri Iskandar Development Corporation Sdn. Bhd.	Property development	Malaysia	70.00	70.00
– Kejuruteraan Dan Pembinaan Seri Lumut Sdn. Bhd.	Pre-operating	Malaysia	70.00	70.00
Malaysian Resources Sentral Sdn. Bhd.	Provision of facility management	Malaysia	100.00	100.00
Mafira Holdings Sdn. Bhd.	Investment holding	Malaysia	100.00	100.00
Held through 38.6% ownership by Mafira Holdings Sdn. Bhd.				
– Zen Concrete Industries Sdn. Bhd.	Manufacturing and sale of pre-stressed spun concrete poles	Malaysia	38.60	38.60
Onesentral Park Sdn. Bhd.	Property development	Malaysia	51.00	51.00
Semasa Sentral Sdn. Bhd.	Operation, management and maintenance of the Kuala Lumpur central railway station	Malaysia	100.00	100.00
Superview Development Sdn. Bhd.	Property development, management and shares trading	Malaysia	100.00	100.00
Transmission Technology Sdn. Bhd.	Engineering, construction and commissioning services to power transmission systems	Malaysia	55.00	55.00
Zelleco (M) Sendirian Berhad^	Investment holding and contractor of civil and structural works	Malaysia	–	70.00
Held through 30% ownership by Zelleco (M) Sendirian Berhad				
– Zelleco Engineering Sdn. Bhd.^	Fabrication of structural steel works	Malaysia	–	21.00
Held through 75% ownership by Zelleco (M) Sendirian Berhad				
– Zelleco Construction Sdn. Bhd.^	Contractor of civil and structural works	Malaysia	–	52.50

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

44 SUBSIDIARIES AND ASSOCIATES (CONTINUED)

Name of enterprise	Principal activities	Country of incorporation	Effective equity interest	
			2004 %	2003 %
Held through 50% ownership by Zelleco Construction Sdn. Bhd.				
– Pembangunan Sulaiman-Zelleco JV Sdn. Bhd.^	Contractor of civil and structural works	Malaysia	–	26.25
Milmix Sdn. Bhd.	Civil and infrastructure building contractor	Malaysia	100.00	100.00
MR Securities Sdn. Bhd.*	Investment holding	Malaysia	100.00	100.00
Held through 100% ownership by MR Securities Sdn. Bhd.				
– Bintara Guard Force Security Sdn. Bhd.*	Security guard services	Malaysia	100.00	100.00
MR Construction Sdn. Bhd.*	Construction	Malaysia	51.00	51.00
MR Enterprises Sdn. Bhd.*	Construction	Malaysia	100.00	100.00
MR Investments (Cayman) Pte. Ltd. ##*^^	Investment holding	Cayman Island	–	100.00
MR Management Sdn. Bhd.*	Investment holding and management services	Malaysia	100.00	100.00
MRC Management (BVI) Ltd.##*	Investment trading	British Virgin Island	100.00	100.00
MR-H Piling and Civil Engineering (M) Sdn. Bhd.*	Piling and civil engineering	Malaysia	51.00	51.00
MRCB Ceramics Sdn. Bhd.*	Manufacturing, distribution and sale of ceramic tiles	Malaysia	100.00	75.00
MRCB Dotcom Sdn. Bhd.*	Planning and management services	Malaysia	100.00	100.00
MRCB Intelligent System and Control Sdn. Bhd.*	System maintenance and application services and other technological applications	Malaysia	100.00	100.00
MRCB Smart Sdn. Bhd. *	One-stop card technology service provider	Malaysia	100.00	100.00
MRCB Land Sdn. Bhd.*	Project management and development services	Malaysia	100.00	100.00
MRCB Project Management Sdn. Bhd.*	Project management and engineering related services	Malaysia	100.00	100.00
MRCB Property Management Sdn. Bhd. *	Property investment and management	Malaysia	100.00	100.00
MRCB Trading Sdn. Bhd.*	Trading in building materials	Malaysia	100.00	100.00
MRCB (Terengganu) Sdn. Bhd.*	Property development	Malaysia	100.00	100.00
Region Resources Sdn. Bhd.*	Quarry operations	Malaysia	80.00	80.00

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

44 SUBSIDIARIES AND ASSOCIATES (CONTINUED)

Name of enterprise	Principal activities	Country of incorporation	Effective equity interest	
			2004 %	2003 %
Held through 100% ownership by Region Resources Sdn. Bhd.				
– Syarikat Gemilang Quarry Sdn. Bhd.*	Quarry operations	Malaysia	80.00	80.00
Sibexlink Sdn. Bhd.*	Sale of business information and website development	Malaysia	59.65	59.65
Malaysian Resources International Sdn. Bhd.*	Dormant	Malaysia	100.00	100.00
Cheq Point (M) Sdn. Bhd.*	Charge card services and investment holding	Malaysia	75.00	75.00
Harmonic Fairway Sdn. Bhd.	Investment holding	Malaysia	100.00	100.00
Held through 100% ownership by Harmonic Fairway Sdn. Bhd.				
– Promising Quality Sdn. Bhd.^	Trustee for subsidiaries to develop an integrated property project	Malaysia	–	100.00
Held through 100% ownership by Promising Quality Sdn. Bhd.				
– Rainbow Precious Sdn. Bhd.^	Pre-operating	Malaysia	–	100.00
– Gallant Horizon Sdn. Bhd.^	Pre-operating	Malaysia	–	100.00
– Perpetual Morning Sdn. Bhd.^	Pre-operating	Malaysia	–	100.00
– Colossus Harvest Sdn. Bhd.^	Pre-operating	Malaysia	–	100.00
– Pinnacle Might Sdn. Bhd.^	Pre-operating	Malaysia	–	100.00
– Fine Calibre Sdn. Bhd.^	Pre-operating	Malaysia	–	100.00
Estroman Sdn. Bhd.	Pre-operating	Malaysia	100.00	100.00
MRCB Energy International Sdn. Bhd.	Pre-operating	Malaysia	100.00	100.00
Malaysian Resources Technology Sdn. Bhd.	Pre-operating	Malaysia	100.00	100.00
Multimedia Base Sdn. Bhd.	Pre-operating	Malaysia	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

44 SUBSIDIARIES AND ASSOCIATES (CONTINUED)

Name of enterprise	Principal activities	Country of incorporation	Effective equity interest	
			2004 %	2003 %
MRCB Transmission & Distribution Sdn.Bhd.	Pre-operating	Malaysia	100.00	100.00
Trans Peninsula Crude Oil Transaction Sdn. Bhd.	Pre-operating	Malaysia	100.00	100.00
ASSOCIATES:				
UDA Holdings Berhad	Property development, property investment and investment holding	Malaysia	24.93	24.93
Suasana Sentral Two Sdn. Bhd.# (formerly known as <i>Panorama Prominent Sdn. Bhd.</i>)	Property development	Malaysia	30.00	—
Nuzen Corporation Sdn. Bhd.	Investment holding	Malaysia	30.00	30.00
Kota Francais (M) Sdn. Bhd.	Franchising property management and consultancy	Malaysia	20.00	20.00
MRCB Multimedia Consortium Sdn. Bhd.	Applications services relating to information and technologies	Malaysia	49.00	71.48

* Dormant

Associate acquired during the financial year

Subsidiaries incorporated outside Malaysia having their accounting records prepared and maintained in Ringgit Malaysia

^ Subsidiaries disposed of during the financial year

^^ Subsidiary de-registered during the financial year (refer Note 46(f))

45 SEGMENT REPORTING

The Group is organised into four main business segments:

- Engineering and construction
- Property development
- Infrastructure
- Investment holding

During the previous financial period, the Group was also engaged in the Media and Financial Services business segments. However, the media segment was de-merged from the Group during the previous financial period pursuant to the Group restructuring scheme. The financial services segment was disposed during the previous financial period.

Other operations of the Group mainly comprised multimedia and concessions, which is at present of insufficient size to be reported separately.

Inter-segment revenue comprise mainly of construction contracts, property sales, information technology contracts, management fees and dividend income between the various segments.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

45 SEGMENT REPORTING (CONTINUED)

	Engineering and Construction RM'000	Property Development RM'000	Infrastructure RM'000	Investment Holding & Others RM'000	Group RM'000
Year ended 31 December 2004					
Revenue					
Total revenue	59,646	140,928	10,286	45,796	256,656
Inter-segment revenue	(40,848)	(3,606)	–	(23,901)	(68,355)
External revenue	18,798	137,322	10,286	21,895	188,301
Results					
Segment results	(5,257)	39,743	(54)	34,693	69,125
Interest Income					5,417
Profit from operations					74,542
Finance costs					(65,697)
Share of results of jointly controlled entities and of associates	4,926	9,619	–	(1,052)	13,493
Profit from ordinary activities before taxation					22,338
Taxation					15,933
Profit from ordinary activities after taxation					38,271
Minority interests					(4,662)
Net profit for the financial year					33,609
At 31 December 2004					
Other information					
Assets					
Segment assets	42,122	1,385,976	5,135	182,562	1,615,795
Jointly controlled entities and associates	5,299	264,201	–	2,391	271,891
Tax recoverable and deferred tax assets					23,047
Total assets					1,910,733
Liabilities					
Segment liabilities	30,647	137,556	1,706	62,963	232,872
Interest bearing instruments					1,125,621
Provision for taxation and deferred tax liabilities					2,250
Total liabilities					1,360,743

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

45 SEGMENT REPORTING (CONTINUED)

	Engineering and Construction RM'000	Property Development RM'000	Infrastructure RM'000	Investment Holding & Others RM'000	Group RM'000
--	--	-----------------------------------	--------------------------	---	-----------------

At 31 December 2004 (continued)

Other Disclosures

Capital expenditure	3,507	601	17	1,142	5,267
Depreciation and amortisation	1,325	5,355	103	2,530	9,313
Impairment loss	–	–	–	–	–

**Sixteen months ended
31 December 2003**

Revenue

Total revenue	36,220	293,107	3,880	69,817	403,024
Inter-segment revenue	(712)	(4,833)	–	(37,581)	(43,126)
External revenue	35,508	288,274	3,880	32,236	359,898

Results

Segment results	19,692	(18,674)	(1,601)	(61,418)	(62,001)
Interest Income					8,047
Gain on disposal of investments					268,335
Profit from operations					214,381
Finance costs					(91,291)
Share of results of jointly controlled entities and of associates	3,061	(3,785)	–	(5,983)	(6,707)
Profit from ordinary activities before taxation					116,383
Taxation					(1,720)
Profit from ordinary activities after taxation					114,663
Minority interests					9,995
Net profit for the financial period					124,658

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

45 SEGMENT REPORTING (CONTINUED)

	Engineering and Construction RM'000	Property Development RM'000	Infrastructure RM'000	Investment Holding & Others RM'000	Group RM'000
At 31 December 2003					
Other information					
Assets					
Segment assets	63,758	1,465,147	7,831	206,004	1,742,740
Jointly controlled entities and associates	5,834	290,731	–	4,033	300,598
Tax recoverable and deferred tax assets					27,780
Total assets					<u>2,071,118</u>
Liabilities					
Segment liabilities	31,150	173,185	4,479	59,416	268,230
Interest bearing instruments	15,490	980,643	307	259,941	1,256,381
Provision for taxation and deferred tax liabilities					10,166
Total liabilities					<u>1,534,777</u>
Other Disclosures					
Capital expenditure	2,085	7,194	465	1,322	11,066
Depreciation and amortisation	3,291	8,388	56	5,756	17,491
Impairment loss	–	36,707	–	360	37,067

Capital expenditure consist of additions to property, plant and equipment (Note 16) and intangible assets, including additions resulting from acquisitions through business combinations (Note 6).

Secondary reporting format – geographical segments

The Group's business segments operate in two main geographical areas.

- Malaysia*
- South Africa

The Group's business segment in South Africa was disposed of during the previous financial period.

* Company's home country

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

45 SEGMENT REPORTING (CONTINUED)

	Revenue		Total assets		Capital expenditure	
	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000	2004 RM'000	2003 RM'000	Year ended 31.12.2004 RM'000	Sixteen months ended 31.12.2003 RM'000
Malaysia	188,301	277,004	1,638,842	1,770,520	5,267	4,837
South Africa	–	82,894	–	–	–	6,229
	188,301	359,898	1,638,842	1,770,520	5,267	11,066
Jointly controlled entities and associates			271,891	300,598		
Total assets			1,910,733	2,071,118		

With the exception of the countries disclosed above, no other individual country contributed more than 10% of consolidated revenue or assets.

In determining the geographical segments of the Group, revenue are based on the country in which the customer is located. There are no revenue between the segments. Total assets and capital expenditure are determined based on where the assets are located.

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The Company had on 21 October 2003 entered into a Subscription Agreement with UDA Holdings Berhad ('UDA'), Harmonic Fairway Sdn. Bhd. ('HFSB') and Promising Quality Sdn. Bhd. ('PQSB') for PQSB to issue and UDA to subscribe for new ordinary shares of PQSB which on completion will result in UDA owning 99.99% of the issued and paid-up capital of PQSB ('Proposed Shares Issue'). As at the previous financial period end, PQSB was wholly owned by HFSB, which in turn was wholly owned by the Company.

The Proposed Share Issue was completed on 30 March 2004 and as a result, PQSB is no longer a subsidiary of the Company.

- (b) The Company had on 12 May 2004 entered into an Agreement for Transfer of Shares with Maxdeluxe Sdn. Bhd. to dispose its entire 70% equity interest in Zelleco (M) Sendirian Berhad ('ZMSB') for a total consideration of RM41.8 million ('Proposed Disposal'). As part of the terms of the Proposed Disposal, the Company has assumed certain assets and liabilities of both ZMSB and Zelleco Construction Sdn. Bhd., a subsidiary of ZMSB.

The Proposed Disposal was completed on 30 June 2004.

- (c) The Company had on 28 April 2004 entered into a Joint Venture and Shareholders Agreement with United Malayan Land Berhad ('UML') to set up Suasana Sentral Two Sdn. Bhd. ('SSTSB') (formerly known as Panorama Prominent Sdn. Bhd.), a 30:70 shareholding joint venture company to acquire a piece of land measuring approximately 8,250 square metres ('Lot L') from Kuala Lumpur Sentral Sdn. Bhd. ('KLSSB'). KLSSB is a subsidiary of the Company.

SSTSB had on the same day entered into a Conditional Sale and Purchase Agreement ('SPA') with KLSSB to acquire Lot L for a cash consideration of RM38.0 million and will subsequently develop it into two (2) blocks of condominium comprising six hundred (600) units with car parks and recreational facilities.

The Company has obtained the approval for the joint venture and acquisition of Lot L from the Foreign Investment Committee. On 30 September 2004, the Company subscribed for a 30% equity shares in SSTSB for RM1.5 million.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

- (d) The Company had on 10 November 2004 entered into a Share Sale Agreement with Irshad Consulting Sdn. Bhd. for the disposal of 1,124,000 ordinary shares of RM1.00 each in MRCB Multimedia Consortium Sdn. Bhd. ('MMCSB') for a cash consideration of RM1.124 million. ('Proposed Disposal')

Pursuant to the Proposed Disposal, the Company's equity interest in MMCSB will be reduced from 71.48% to 49.00% and MMCSB will cease to be a subsidiary of the Company. However, the Company will remain the single largest equity holder.

The Proposed Disposal was completed on 2 December 2004.

- (e) The Company had on 20 December 2004 entered into a Share Sale Agreement with Kumpulan Perangsang Berhad for the acquisition of 6.5 million ordinary shares of RM1.00 each representing 25% equity interest in MRCB Ceramics Sdn. Bhd. ('MCSB') for a nominal cash consideration of RM1.00.

The acquisition was deemed completed on the same day as all the condition precedents were fulfilled. MCSB now is a wholly owned subsidiary of the Company.

- (f) The Company had on 31 December 2004 de-registered its wholly owned dormant subsidiary, MR Investment (Cayman) Pte.Ltd., a company incorporated in Cayman Island.

47 SIGNIFICANT EVENT SUBSEQUENT TO BALANCE SHEET DATE

The Company ('MRCB') had on 17th January 2005 entered into three (3) separate share sale agreements with Malaysia South-South Corporation Berhad, Telekom Malaysia Berhad and South Investment, Trade and Technology Data Exchange Centre for the acquisition of 1,000,000, 1,450,000 and 1,000,000 ordinary shares of RM1.00 each respectively. The purchase consideration for each acquisition is RM1.00. Upon completion of the above acquisitions, Sibexlink Sdn. Bhd. will then become a wholly owned subsidiary of MRCB.

Completion of the above acquisitions is still pending.

48 PRIOR YEAR ADJUSTMENTS

During the financial year, the Group made the following prior year adjustments:

- (a) During the financial year, the Group adopted MASB 32 'Property Development Activities' for the first time. The comparatives in respect of the property development costs have been restated whereby the excess of revenue recognized in income statement over billings to purchasers is now presented as accrued billing within current assets and the excess of billings to purchasers over revenue recognized in income statement is now presented as progress billings within current liabilities. Development properties, both current and non-current, have been renamed and reclassified as "property development costs" and "land held for property development".

The adoption of MASB 32 also requires certain expenses which were previously capitalized as part of the property development expenditure are now recognised as an expense in the income statement when incurred.

- (b) The impairment losses of an investment property and development property of a subsidiary, MRCB Selborn Corporation Sdn. Bhd., the recognition of tax recoverable and the classification of other debtors was inappropriately accounted in the Group financial statements in the financial year 2002 and 2003. Consequently, a prior year adjustment has been made.

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2004 (CONTINUED)

48 PRIOR YEAR ADJUSTMENTS (CONTINUED)

	As previously reported RM'000	Prior year adjustments		As restated RM'000
		(a) RM'000	(b) RM'000	
Group				
At 31 August 2002				
RESERVES				
Accumulated losses	(1,415,836)	(8,453)	19,038	(1,405,251)
Sixteen months ended 31 December 2003				
Revenue	353,483	6,415	–	359,898
Net profit attributable to shareholders	116,542	2,425	5,691	124,658
At 31 December 2003				
RESERVES				
Accumulated losses	(430,569)	(6,028)	24,729	(411,868)
MINORITY INTERESTS	102,982	(2,276)	–	100,706
NON CURRENT ASSETS				
Goodwill	478	–	10,000	10,478
Investment properties	171,400	–	8,762	180,162
Development properties				
– non-current	841,997	(841,997)	–	–
Land held for property development	–	810,168	6,090	816,258
CURRENT ASSETS				
Development properties				
– current	160,611	(160,611)	–	–
Property development costs	–	170,356	–	170,356
Accrued billings	–	24,734	–	24,734
Deposits	20,385	674	–	21,059
Other receivables	58,885	–	(10,000)	48,885
Tax recoverable	11,604	–	9,877	21,481
CURRENT LIABILITIES				
Progress billings	–	11,628	–	11,628
Company				
At 31 December 2003				
NON CURRENT ASSETS				
Development properties				
– non-current	3,800	(3,800)	–	–
Land held for property development	–	3,800	–	3,800

49 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 April 2005.

ANALYSIS OF SHAREHOLDINGS

AS AT 29 APRIL 2005

Authorised Share Capital	:	2,000,000,000
Paid-up Share Capital	:	768,185,868
Type of Shares	:	Ordinary Share of RM1.00 each
No. of Shareholders	:	57,438
Voting Rights	:	One vote for every share

Size of Shareholdings	No. of Shareholders	Percentage of Shareholders (%)	No. of Shares Held	Percentage of Shareholding (%)
Less than 100	3,150	5.48	143,848	0.02
100 to 1,000	18,069	31.46	10,563,122	1.38
1,001 to 10,000	30,407	52.94	107,095,649	13.94
10,001 to 100,000	5,337	9.29	145,781,813	18.98
100,001 to less than 5% of issued shares	474	0.83	271,433,207	35.33
5% and above of issued shares	1	0.00	233,168,229	30.35
TOTAL	57,438	100.00	768,185,868	100.00

LIST OF SUBSTANTIAL SHAREHOLDERS (5% and above) as at 29 April 2005

Name	No. of Shares Held	Percentage of Shareholding (%)
1. Employees Provident Fund Board *	233,168,229	30.35

* *Partly held through various nominees and fund managers*

DIRECTORS' SHAREHOLDINGS as at 29 April 2005

None of the Directors of the Company has any direct and indirect interest in shares in the Company or its related corporation.

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

AS AT 29 APRIL 2005

Name	Shareholdings	%
1. EMPLOYEES PROVIDENT FUND BOARD	233,168,229	30.35
2. MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD < GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1) >	13,463,733	1.75
3. RHB NOMINEES (TEMPATAN) SDN BHD < RHB ASSET MANAGEMENT SDN BHD FOR TELEKOM MALAYSIA BERHAD (C) >	8,957,252	1.17
4. GREEN COUNTRY VALLEY SDN BHD	7,348,600	0.96
5. MINISTER OF FINANCE	6,369,273	0.83
6. ALLIANCE BANK MALAYSIA BERHAD	5,970,149	0.78
7. AMANAH RAYA BERHAD < SBB VALUE FUND >	5,461,800	0.71
8. HSBC NOMINEES (TEMPATAN) SDN BHD < HSBC (M) TRUSTEE BHD FOR THE HWANG-DBS SELECT OPPORTUNITY FUND (3969) >	5,010,000	0.65
9. MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD < GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 2) >	5,000,667	0.65
10. CARTABAN NOMINEES (ASING) SDN BHD < STATE STREET AUSTRALIA FUND Q3VD FOR FULLERTON (PRIVATE) LIMITED >	4,500,000	0.59
11. TENGKU UZIR BIN TENGKU UBAIDILLAH	4,312,300	0.56
12. HSBC NOMINEES (TEMPATAN) SDN BHD < HSBC (M) TRUSTEE BHD FOR HWANG-DBS SELECT SMALL CAPS FUND (4579) >	3,956,500	0.52
13. CARTABAN NOMINEES (ASING) SDN BHD < INVESTORS BANK AND TRUST COMPANY FOR ISHARES, INC >	3,540,000	0.46
14. RHB NOMINEES (TEMPATAN) SDN BHD < RHB ASSET MANAGEMENT SDN BHD FOR PERTUBUHAN KEBANGSAAN MELAYU BERSATU ATAU UMNO >	3,500,233	0.46
15. KHAZANAH NASIONAL BERHAD	3,239,333	0.42
16. HLB NOMINEES (TEMPATAN) SDN BHD < HONG LEONG BANK BERHAD >	3,218,839	0.42
17. UNIVERSAL TRUSTEE (MALAYSIA) BERHAD < MALAYSIAN ASSURANCE ALLIANCE BHD >	3,200,000	0.42
18. HSBC NOMINEES (ASING) SDN BHD < DZ BANK INTL FOR UNI EM FERNOST TREUHANDKONTO, LUXEMBOURG >	3,000,000	0.39
19. RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD < BANK UTAMA (MALAYSIA) BHD >	2,910,345	0.38
20. CITICORP NOMINEES (ASING) SDN BHD < BEAR STEARNS SECURITIES CORP FOR FPP EMERGING MARKETS FUND II LIMITED >	2,787,666	0.36

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

AS AT 29 APRIL 2005 (CONTINUED)

	Name	Shareholdings	%
21.	AM NOMINEES (TEMPATAN) SDN BHD < PERTUBUHAN KESELAMATAN SOSIAL >	2,706,422	0.35
22.	CITICORP NOMINEES (ASING) SDN BHD < CITIBANK SINGAPORE GLOBAL WINDOW FOR SAVERS MALAYSIA FUND >	2,700,000	0.35
23.	BUMIPUTRA-COMMERCE TRUSTEE BERHAD < RHB MALAYSIA RECOVERY FUND >	2,650,000	0.34
24.	HSBC NOMINEES (ASING) SDN BHD < TNTC FOR DBS MALAYSIA EQUITY FUND >	2,500,000	0.33
25.	AMFINANCE BERHAD < PLEDGED SECURITIES ACCOUNT FOR NG LEONG HUAT (SMART) >	2,340,000	0.30
26.	HSBC NOMINEES (TEMPATAN) SDN BHD < PLEDGED SECURITIES ACCOUNT FOR OH KIM SUN >	2,324,000	0.30
27.	MAYBAN NOMINEES (TEMPATAN) SDN BHD < PLEDGED SECURITIES ACCOUNT FOR TAY ONG NGO @ TAY BOON FANG (178AW0025) >	2,235,000	0.29
28.	CARTABAN NOMINEES (ASING) SDN BHD < DEXIA BQ INTL A LUX FOR OYSTER-FPP EMERGING MARKETS >	2,100,666	0.27
29.	MAYBAN NOMINEES (TEMPATAN) SDN BHD < MAYBANK TRUSTEES BERHAD FOR RHB DYNAMIC FUND (N14011200188) >	2,000,222	0.26
30.	QUEK LENG CHAN	2,000,000	0.26
JUMLAH		352,471,229	45.88

PROPERTIES OF THE GROUP

DESCRIPTION/ EXISTING USE	LOCATION	AREA	NET BOOK VALUE AS AT 31/12/2004 (RM'000)	DATE/YEAR OF LAST REVALUATION/ ACQUISITION	TENURE	APPROXIMATE AGE OF BUILDING	ENCUMBRANCE
Resource Complex – 6 storey industrial buildings/flatted factories and warehouse	33, Jalan Segambut Atas, Segambut, 51200 Kuala Lumpur, Wilayah Persekutuan	72,098 sq. metres	40,222	1982	Leasehold 66 years expiring on 2.2.2044	19 years	YES
Land for proposed mixed housing development	PT 6748 (part) and 6754, Mukim Kajang, District of Hulu Langat, Selangor Darul Ehsan.	3.17 hectares	8,694	1987	Freehold	–	NIL
Land for proposed mixed housing development	Lot 6061 (part) and 69 (part), Mukim Ulu Kelang, District of Gombak, Selangor Darul Ehsan.	7.06 hectares	13,448	1989	Freehold	–	YES
Land for proposed condominium development	Country lease No. 015146120, Municipality and District of Kota Kinabalu, Sabah.	1.10 hectares	–	1989	Leasehold 999 years expiring on 4.7.2918	–	NIL
Land for proposed industrial development	Lot 10836 to 10868, 10870 to 10981, 10984 to 11015, Mukim Rantau, District of Seremban, Negeri Sembilan Darul Khusus.	5.20 hectares	3,800	1.4.1984	Freehold	–	NIL
Land for proposed mixed commercial development	H.S. (D) 79956 P.T. No. 12, Seksyen 14, Bandar Shah Alam, Selangor Darul Ehsan.	1.21 hectares	11,229	1992	Leasehold 99 years expiring on 15.9.2092	–	YES
Plaza Alam Sentral – 7 level shopping complex	H.S. (D) 79956 P.T. No. 12, Seksyen 14, Bandar Shah Alam, Selangor Darul Ehsan.	68,233 sq. metres	93,629	1992	Leasehold 99 years expiring on 15.9.2092	5 years	YES
Menara MRCB – 23 level office block	H.S. (D) 79956 P.T. No. 12, Seksyen 14, Bandar Shah Alam, Selangor Darul Ehsan.	25,641 sq. metres	43,061	1992	Leasehold 99 years expiring on 15.9.2092	5 years	YES
Sentral Plaza Corporate Office Suite	CS/3B/11-3 and CS/3A/11, Block C, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur, Wilayah Persekutuan.	956 sq. metres	4,735	27.6.1997	Freehold	4 years	YES
Business Office	Level 22, No 1, Jalan Tasik Permaisuri 2, Bandar Tun Razak, 56000 Kuala Lumpur, Wilayah Persekutuan.	1,812 sq. metres	2,598	21.8.1995	Leasehold 99 years expiring on 22.7.2090	7 years	YES

DESCRIPTION/ EXISTING USE	LOCATION	AREA	NET BOOK VALUE AS AT 31/12/2004 (RM'000)	DATE/YEAR OF LAST REVALUATION/ ACQUISITION	TENURE	APPROXIMATE AGE OF BUILDING	ENCUMBRANCE
Development land and infrastructure surrounding Kuala Lumpur central station	Lot 12, 16, 19 Sek. 70 Lot 203 and 238, Sek. 72, Mukim Bandar Kuala Lumpur, District of Kuala Lumpur, Jalan Damansara, Kuala Lumpur, Wilayah Persekutuan.	17.37 hectares	878,359	10.3.1999	Freehold	–	YES
Industrial land	Plot No. 143 & 145, Rawang Industrial Park, 48000 Rawang, Selangor Darul Ehsan.	1,692 sq. metres	6,269	2.12.1997	Freehold	–	YES
Vacant industrial land	Lot no. IL-1946, Bukit Beruntung, Mukim Serendah, District of Hulu Selangor, P.T. No. 1939, H.S.D. No. 8651, Selangor Darul Ehsan.	5,913 sq. metres	498	22.6.1999	Freehold	–	NIL
4 storey shop office	Sub Lot No. 4, 5 & 6 H.S.(D) 49729, Lot PT 33487, Taman Kajang Utama Mukim Kajang, District of Ulu Langat, Selangor Darul Ehsan.	1,485 sq. metres	1,306	28.12.1999	Freehold	5 years	YES
Several parcels of land for proposed mixed development	H.S. (D) 5698-5701, H.S. (D) 6808-6850, H.S. (D) 6851-6898, H.S. (D) 6899-6946, H.S. (D) 6947-6994, H.S. (D) 6995-7042, H.S. (D) 7043-7090, H.S. (D) 7091-7138, H.S. (D) 7139-7186, H.S. (D) 7187-7204 KM 36, Jalan Ipoh Lumut, Bandar Seri Iskandar, Bota, District of Perak Tengah, Perak Darul Ridzwan.	22,963 hectares	46,623	2001/2002	Leasehold 99 years expiring between 22.2.2101 to 18.9.2101	–	YES
Bungalow lots	Lot 147, 148, 149 and 150, Phase 1B, Sek. 32, Bukit Rimau, 40460 Shah Alam, Selangor Darul Ehsan.	3,047 sq. metres	1,509	31.12.2003	Freehold	–	NIL
4 storey shop offices	Lot No. 60107-2B, Lot No. 60107-1B, Lot No. 60106-3B, Lot No. 60106-3A, Lot No. 60106-2A, Lot No. 60106-2B, Lot No. 60106-1B, Jalan Trompet 14, Bandar Bukit Beruntung, Selangor Darul Ehsan.	532 sq. metres	269	21.12.1999	Freehold	6 years	NIL

PROXY FORM

(Before completing this form, please refer to the notes below)

I/We _____
FULL NAME IN CAPITAL LETTERS

of _____
ADDRESS

being a member/members of **Malaysian Resources Corporation Berhad**, hereby appoint * the Chairman of the meeting

or _____
FULL NAME

of _____
ADDRESS

or failing whom _____
FULL NAME

of _____
ADDRESS

as my/our proxy to attend and vote for me/us and on my/our behalf at the Thirty-fourth Annual General Meeting of the Company to be held on Monday, 20 June 2005 at 10.00 a.m. and at any adjournment thereof.

My/our proxy is to vote on the Resolutions as indicated by an **"X"** in the appropriate spaces below. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he/she thinks fit.

NO.	RESOLUTION	FOR	AGAINST
1.	To receive and adopt the Statutory Financial Statements and Reports		
2.	To re-elect the following Directors pursuant to Article 101: Dato' Ahmad Ibnihajar		
3.	Abdul Rahman Ahmad		
4.	To re-elect the following Directors pursuant to Article 106: Datuk Azlan Zainol		
5.	Ahmad Zaki Zahid		
6.	To approve Directors' Fees of RM176,557 for the financial year ended 31 December 2004		
7.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration		
8.	To pass the ordinary resolution pursuant to Section 132D of the Companies Act, 1965		
9.	To pass the following ordinary resolutions for the Proposed Shareholders' Mandate for Recurrent Related Party Transactions: Recurrent Related Party Transactions set out as item 1 of Section 2.1.2 of the Circular to Shareholders		
10.	Recurrent Related Party Transactions set out as items 2 and 3 of Section 2.1.2 of the Circular to Shareholders		
11.	Recurrent Related Party Transaction set out as item 4 of Section 2.1.2 of the Circular to Shareholders		

Dated this _____ day of _____, 2005

Number of Shares Held

Signature of Shareholder

NOTES:

- A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (or in the case of a corporation, to appoint a representative) to attend and vote in his stead. A proxy need not be a member of the Company.
- The Proxy Form must be signed by the appointor or his attorney duly authorised in writing. In the case of a corporation, it shall be executed under its Common Seal or signed by its attorney duly authorised in writing or by an officer on behalf of the corporation.
- The instrument appointing the proxy must be deposited with the Share Registrar at Symphony Share Registrars Sdn. Bhd., Level 26, Menara Multi Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, MALAYSIA, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

* Delete if not applicable



FOLD HERE

STAMP

SYMPHONY SHARE REGISTRARS SDN. BHD.

(Company No. 378993-D)
Level 26, Menara Multi Purpose, Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur

FOLD HERE