



FINANCIAL STATEMENTS

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28 | Directors' Report

for the year ended 31 December 2004

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are indicated in Note 4 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit after tax	33,339,213	12,869,744
Minority interests	(15,033,221)	-
Net profit for the year	18,305,992	12,869,744

DIVIDEND

Dividends paid or declared by the Company since the end of the previous financial year were as follows:

	RM
In respect of the financial year ended 31 December 2003 as disclosed in the directors' report of that financial year-	
First and final dividend of 2% less 28% tax paid on 9 August 2004	3,025,107
In respect of the financial year ended 31 December 2004	
Interim dividend of 2% less 28% tax paid on 30 December 2004	3,334,450
	6,359,557

There was an increase in dividend paid for the year ended 31 December 2003 amounting to RM1,807 over the amount of RM3,023,300 as disclosed in the directors' report of the previous financial year due to additional 125,500 new ordinary shares issued and ranked for dividend, pursuant to the subsequent conversion of 5.5% Irredeemable Convertible Unsecured Loan Stocks 1999/2004 ("ICULS") and exercise of warrants.

The directors now recommend the payment of a final dividend of 2% tax exempt amounting to RM4,631,180 for the year ended 31 December 2004, subject to approval of the shareholders at the forthcoming annual general meeting

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the consolidated statement of changes in equity.

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for the year ended 31 December 2004

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid up share capital of the Company increased from 209,951,369 ordinary shares of RM1.00 each to 231,559,015 ordinary shares of RM1.00 each by:

- (i) the issue of 21,600,246 new ordinary shares arising from the conversion of 21,600,246 ICULS at nominal value of RM1.00 each; and
- (ii) the issue of 7,400 new ordinary shares arising from the exercise of 7,400 warrants of RM1.00 each.

The Company did not issue any debentures during the financial year.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

In 2001, the Company granted share options to eligible full-time salaried employees including full-time executive directors of the Company and its subsidiary companies to subscribe for ordinary shares of RM1 each under the ESOS approved by the shareholders and the relevant authorities. The Option may be exercised between 27 November 2001 and 20 September 2006 at RM1.00 per share. The shares issued from the exercise of the Option under the ESOS rank pari passu in all respects with the existing issued and paid-up ordinary shares of the Company. The Option granted does not confer any rights to participate in any share issue of any other companies of the Group.

The movements in the share options are as follows:

	Number of options over ordinary shares
At 1 January 2004	16,880,000
Forfeiture due to resignations	(1,085,000)
	<hr/>
At 31 December 2004	<u>15,795,000</u>

DIRECTORS

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

Mr Tang King Hua
 Mr Lim Kong Yow
 Dato' Surin Upatkoorn
 Mr Lawrence Lim Swee Lin
 Dato' Hj Ahmad Hasmuni bin Hj Hussein
 Dato' Shahbudin bin Imam Mohamad
 Mr Tan Chor Teck

In accordance with the Company's Articles of Association, Mr Lawrence Lim Swee Lin and Mr Tan Chor Teck retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Dato' Hj Ahmad Hasmuni bin Hj Hussein retires at the annual general meeting in accordance with Section 129 of the Companies Act, 1965 and, being eligible, offers himself for re-appointment as director of the Company.

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for the year ended 31 December 2004

DIRECTORS' INTERESTS IN SHARES

According to the register of directors' shareholdings required to be kept under Section 134 of the Companies Act, 1965, the directors' interests in shares and share options in the Company were as follows:

	— Number of ordinary shares of RM1 each —				
	At 1-1-2004	Bought	Converted from ICULS	Sold	At 31-12-2004
The Company					
Mr Tang King Hua					
- direct interest	1,347,100	4,132,400	3,595,900	-	9,075,400
- deemed interest	114,200	234,300	290,900	-	639,400
Mr Lim Kong Yow					
- direct interest	7,000	-	-	-	7,000
- deemed interest	3,000	-	1,000	-	4,000
Dato' Surin Upatkoorn					
- direct interest	786,630	-	-	-	786,630
- deemed interest	25,018,895	23,305,027	50,000	-	48,373,922
Mr Lawrence Lim Swee Lin					
- direct interest	105,000	-	-	-	105,000
Mr Tan Chor Teck					
- direct interest	350,000	-	-	-	350,000
- deemed interest	8,602,000	1,122,680	-	20,000	9,704,680

	— Number of 5.5% ICULS 1999/2004 —			
	at 90% nominal value			
	At 1-1-2004	Bought	Sold	Mandatorily converted on 14-10-2004
Mr Tang Kin Hua				
- direct interest	-	3,595,900	-	3,595,900
- deemed interest	-	290,900	-	290,900
Mr Lim Kong Yow				
- deemed interest	2,000	-	1,000	1,000
Dato' Surin Upatkoorn				
- deemed interest	50,000	-	-	50,000

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for the year ended 31 December 2004

	— Number of warrants 1999/2004 —				
	At 1-1-2004	Bought	Exercised	Sold	Expired on 7-4-2004
Mr Lim Kong Yow					
- direct interest	27,000	-	-	27,000	-
- deemed interest	2,000	-	-	-	2,000
Dato' Surin Upatkoorn					
- deemed interest	10,501,341	-	-	-	10,501,341
Mr Lawrence Lim Swee Lin					
- direct interest	30,000	-	-	-	30,000

Share options granted under the ESOS of the Company

	— Number of options over ordinary shares of RM1 each —				
	At 1-1-2004	Granted	Exercised	Relinquished	At 31-12-2004
Mr Tang King Hua	600,000	-	-	-	600,000
Mr Lim Kong Yow	450,000	-	-	-	450,000

None of the other directors held any shares or had any interests in shares in the Company and its related corporations during the financial year except for the interest in shares held by Mr Tang King Hua in the following subsidiary companies:

	----- Number of ordinary shares of RM1 each -----			
	At 1-1-2004	Bought	Sold	At 31-12-2004
Davex Holdings Berhad				
- direct interest	349,275	-	-	349,275
- deemed interest	302,490	-	140,000	162,490
Davex (Malaysia) Sdn Bhd				
- direct interest	127,000	-	-	127,000

	----- Number of ordinary shares of SGD1 each -----			
	At 1-1-2004	Bought	Sold	At 31-12-2004
Daviscomms (S) Pte Ltd				
- direct interest	30,000	-	-	30,000

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for the year ended 31 December 2004

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than as disclosed in Notes 28 and 36 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Company and of the Group were made out, the directors took reasonable steps:
 - (i) to ascertain the action 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
 - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Company and of the Group had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company and of the Group inadequate to any substantial extent, or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Company and of the Group misleading, or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company and of the Group misleading or inappropriate.
- (c) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Company or its subsidiary companies which has arisen since the end of the financial year which secures the liabilities of any other person, or
 - ii) any contingent liability of the Company or its subsidiary companies which has arisen since the end of the financial year.
- (d) No contingent or other liability of the Company or its subsidiary companies 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 Company or its subsidiary companies to meet their obligations as and when they fall due.

Directors' Report | 33

for the year ended 31 December 2004

- (e) At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company and of the Group which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the directors:
 - (i) the results of the operations of the Company and of the Group for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

AUDITORS

The auditors, Moores Rowland, Chartered Accountants, have expressed their willingness to continue in office.

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

DATO' SURIN UPATKOON

Director

TANG KING HUA

Director

Dated 26 April 2005

34 | Report of the Auditors

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 36 to 96. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards issued by the Malaysian Institute of Accountants. These 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 an assessment of the accounting principles used and significant estimates made by the directors as well as an evaluation of the overall presentation of the financial statements. We believe our audit has provided us with a reasonable basis for our opinion.

In our opinion:

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

We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 4 to the financial statements.

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.

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

MOORES ROWLAND

No. AF: 0539

Chartered Accountants

GAN MORN GHUAT

No. 1499/5/05 (J)

Partner

26 April 2005

Statement by Directors | 35

In the opinion of the directors, the financial statements set out on pages 36 to 96 are drawn up:

- (a) so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2004 and of their results and cash flows for the year then ended; and
- (b) in accordance with applicable approved accounting standards and the provisions of the Companies Act, 1965.

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

DATO' SURIN UPATKOON
Director

TANG KING HUA
Director

Dated 26 April 2005

Statutory Declaration

I, Lim Kong Yow, being the director primarily responsible for the financial management of MWE Holdings Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 36 to 96 are correct.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at)	
Kuala Lumpur)	
)	
this 26 April 2005)	
)	
)	
)	LIM KONG YOW

Before me:

Manmohan Singh A/L Chanan Singh
Commissioner for Oaths

36 | Balance Sheets

31 December 2004

	Note	2004 RM	Group 2003 RM	2004 RM	Company 2003 RM
PROPERTY, PLANT AND EQUIPMENT	2	112,786,164	116,909,971	-	-
LAND HELD FOR PROPERTY DEVELOPMENT	3	23,532,883	23,156,700	-	-
SUBSIDIARY COMPANIES	4	-	-	150,651,928	142,044,660
AMOUNT OWING BY SUBSIDIARY COMPANIES	5	-	-	219,405,600	247,071,149
ASSOCIATED COMPANIES	6	3,221,961	6,986,030	1	1
OTHER INVESTMENTS	7	105,915,100	121,433,745	5,108,278	8,108
INTANGIBLE ASSETS	8	442,820	174,621	-	-
GOODWILL ON ACQUISITION	9	21,823,593	20,075,970	-	-
DEFERRED TAX ASSETS	10	902,079	721,835	-	-
CURRENT ASSETS					
Inventories	11	101,360,903	101,702,284	-	-
Property development costs	12	10,685,186	12,406,626	-	-
Gross amount from customers	13	5,779,162	3,622,389	-	-
Trade and other receivables	14	153,668,093	151,339,267	5,426	5,141
Amount owing by associated companies	15	3,961,168	4,398,068	-	-
Tax recoverable		7,475,708	6,972,389	5,239,692	4,631,692
Fixed and time deposits	16	15,016,533	15,345,670	3,000,000	-
Cash and bank balances	17	56,560,182	35,367,728	161,412	16,414
		354,506,935	331,154,421	8,406,530	4,653,247
LESS:					
CURRENT LIABILITIES					
Gross amount due to customers	13	462,367	322,696	-	-
Trade and other payables	18	120,386,381	137,045,367	8,285,635	9,775,240
Amount owing to associated companies	15	44,080	584,861	-	-
Hire purchase and finance lease liabilities	19	651,427	1,281,277	-	-
Bank borrowings	20	67,928,950	69,186,045	27,996,273	29,951,761
Tax payable		6,876,960	3,387,863	-	-
		196,350,165	211,808,109	36,281,908	39,727,001
NET CURRENT ASSETS/(LIABILITIES)		158,156,770	119,346,312	(27,875,378)	(35,079,754)
		426,781,370	408,805,184	347,290,429	354,050,164

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31 December 2004

		Group		Company	
	Note	2004 RM	2003 RM	2004 RM	2003 RM
Financed by:					
SHARE CAPITAL	21	231,559,015	209,951,369	231,559,015	209,951,369
RESERVES	22	49,558,694	30,034,267	44,767,795	38,257,608
SHAREHOLDERS' EQUITY		281,117,709	239,985,636	276,326,810	248,208,977
MINORITY INTERESTS		74,277,420	67,418,099	-	-
LONG TERM LIABILITIES	23	43,790,655	75,540,275	70,963,619	105,841,187
DEFERRED TAX LIABILITIES	24	9,124,276	9,627,869	-	-
DEFERRED INCOME	25	18,471,310	16,233,305	-	-
		426,781,370	408,805,184	347,290,429	354,050,164

Notes to and forming part of the financial statements are set out on pages 44 to 96
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38 | Income Statements

for the year ended 31 December 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Gross revenue	26	645,295,938	556,297,589	15,087,569	5,987,923
Cost of sales	27	(513,909,984)	(442,997,965)	-	-
Gross profit		131,385,954	113,299,624	15,087,569	5,987,923
Other operating income		12,238,740	16,195,249	4,505,901	7,525,726
Selling and distribution costs		(19,578,355)	(17,037,169)	-	-
Administrative and general expenses		(77,806,237)	(73,218,898)	(556,585)	(1,045,350)
Other operating expenses		(1,286,822)	(872,707)	-	-
Profit from operations	28	44,953,280	38,366,099	19,036,885	12,468,299
Finance costs	29	(7,578,568)	(8,947,010)	(5,970,141)	(7,929,846)
Gain on disposal of investments	30	4,068,329	364,370	-	-
Net impairment loss on value of investments	31	(3,226,200)	(1,526,289)	-	-
Share of results in associated companies		2,821,011	2,046,372	-	-
Profit before tax		41,037,852	30,303,542	13,066,744	4,538,453
Tax expense					
- Company and its subsidiaries	32	(6,933,014)	(4,688,427)	(197,000)	(849,959)
- Share of tax expense in associated companies		(765,625)	(278,429)	-	-
Profit after tax		33,339,213	25,336,686	12,869,744	3,688,494
Minority interests		(15,033,221)	(16,982,511)	-	-
Net profit for the year		18,305,922	8,354,175	12,869,744	3,688,494
Net dividend per share (sen)		3.44	1.44	3.44	1.44
Earnings per share	33				
Basic (sen)		8.51	3.95		
Diluted (sen)		-	3.84		

Consolidated Statement of Changes in Equity | 39

for the year ended 31 December 2004

	Share capital RM	Share premium RM	Exchange Translation reserve RM	Capital reserve RM	----- Undistributed RM	Accumulated loss Dividends RM	----- Sub-total RM	Total RM
At 1 January 2003	209,793,969	23,586,099	2,614,663	23,862,539	(29,327,631)	1,510,517	(27,817,114)	232,040,156
Issue of share capital on conversion of ICULS	157,400	-	-	-	-	-	-	157,400
Transfer to capital reserve	-	-	-	162,621	(162,621)	-	(162,621)	-
Net gain not recognised in income statement - exchange translation differences	-	-	1,728,756	-	-	-	-	1,728,756
Exchange translation reserve realised on liquidation of foreign subsidiaries	-	-	(839,315)	-	-	-	-	(839,315)
Reserve arising from dilution of minority interests in a subsidiary company	-	-	-	4,156	-	-	-	4,156
Realisation of discount on liquidation of a foreign subsidiary company	-	-	-	-	50,825	-	50,825	50,825
Net profit for the year	-	-	-	-	8,354,175	-	8,354,175	8,354,175
Dividend paid in respect of year ended 31 December 2002	-	-	-	-	-	(1,510,517)	(1,510,517)	(1,510,517)
Proposed first and final dividend of 2% less 28% tax	-	-	-	-	(3,023,300)	3,023,300	-	-
At 31 December 2003	209,951,369	23,586,099	3,504,104	24,029,316	(24,108,552)	3,023,300	(21,085,252)	239,985,636
Issue of share capital on - conversion of ICULS	21,600,246	-	-	-	-	-	-	21,600,246
- exercise of warrants	7,400	-	-	-	-	-	-	7,400
Transfer to capital reserve	-	-	-	63,874	(63,874)	-	(63,874)	-
Net gain not recognised in income statement - exchange translation differences	-	-	10,086,316	-	-	-	-	10,086,316
Exchange translation reserve realised on disposal of an associated company	-	-	(2,832,960)	-	-	-	-	(2,832,960)
Reserve arising from dilution of minority interests in a subsidiary company	-	-	-	324,636	-	-	-	324,636
Net profit for the year	-	-	-	-	18,305,992	-	18,305,992	18,305,992
Dividend paid in respect of year ended 31 December 2003	-	-	-	-	(1,807)	(3,023,300)	(3,025,107)	(3,025,107)
Interim dividend paid of 2% less 28% tax	-	-	-	-	(3,334,450)	-	(3,334,450)	(3,334,450)
Proposed final dividend of 2% tax exempt	-	-	-	-	(4,631,180)	4,631,180	-	-
At 31 December 2004	231,559,015	23,586,099	10,757,460	24,417,826	(13,833,871)	4,631,180	(9,202,691)	281,117,709

Notes to and forming part of the financial statements are set out on pages 44 to 96
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40 | Statement of Changes in Equity

for the year ended 31 December 2004

	Share capital RM	Share premium RM	Capital reserve RM	--- (Accumulated loss)/Unappropriated profit --- Undistributed RM	Dividends RM	Sub-total RM	Total RM
At 1 January 2003	209,793,969	23,586,099	13,761,928	(2,778,913)	1,510,517	(1,268,396)	245,873,600
Issue of share capital on conversion of ICULS	157,400	-	-	-	-	-	157,400
Net profit for the year	-	-	-	3,688,494	-	3,688,494	3,688,494
Dividend paid in respect of year ended 31 December 2002	-	-	-	-	(1,510,517)	(1,510,517)	(1,510,517)
Proposed first and final dividend of 2% less 28% tax	-	-	-	(3,023,300)	3,023,300	-	-
At 31 December 2003	209,951,369	23,586,099	13,761,928	(2,113,719)	3,023,300	909,581	248,208,977
Issue of share capital on - conversion of ICULS	21,600,246	-	-	-	-	-	21,600,246
- exercise of warrants	7,400	-	-	-	-	-	7,400
Net profit for the year	-	-	-	12,869,744	-	12,869,744	12,869,744
Dividend paid in respect of year ended 31 December 2003	-	-	-	(1,807)	(3,023,300)	(3,025,107)	(3,025,107)
Interim dividend paid of 2% less 28% tax	-	-	-	(3,334,450)	-	(3,334,450)	(3,334,450)
Proposed final dividend of 2% tax exempt	-	-	-	(4,631,180)	4,631,180	-	-
At 31 December 2004	231,559,015	23,586,099	13,761,928	2,788,588	4,631,180	7,419,768	276,326,810

Notes to and forming part of the financial statements are set out on pages 44 to 96
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Cash Flow Statements | 41

for the year ended 31 December 2004

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	41,037,852	30,303,542	13,066,744	4,538,453
Adjustments for:				
Amortisation of goodwill on acquisition	2,195,803	2,115,823	-	-
Amortisation of discount on ICULS	324,004	437,513	324,004	437,513
Amortisation of intangible assets	105,923	67,207	-	-
Depreciation	14,698,614	15,351,762	-	-
Property, plant and equipment written off	138,854	28,445	-	-
Gain on disposal of property, plant and equipment	(381,837)	(896,920)	-	-
Gain on disposal of investments	(4,068,329)	(364,370)	-	-
Loss on disposal of property, plant and equipment	27,434	1,195	-	-
Exchange translation reserve realised on liquidation of foreign subsidiary companies	-	(839,315)	-	-
Net impairment loss on value of investments	3,226,200	1,526,289	-	-
Share of results in associated companies	(2,821,011)	(2,046,372)	-	-
Inventories written down	15,080	-	-	-
Allowance for doubtful debts	6,106,372	6,598,741	-	-
Allowance for doubtful debts written back	(623,962)	(7,938)	-	-
Bad debts written off	22,452	1,223,577	-	-
Unrealised gain on foreign exchange	(2,282,214)	(2,288,437)	-	-
Dividend income	(145,666)	(75,053)	(15,087,569)	(5,987,923)
Interest income	(1,609,152)	(1,270,006)	(3,505,901)	(7,525,637)
Interest expenses	7,619,660	9,414,521	5,646,137	7,492,333
Operating profit/(loss) before working capital charges	63,586,077	59,280,204	443,415	(1,045,261)
Changes in inventories	878,314	(20,106,719)	-	-
Changes in property development costs	1,345,257	89,677	-	-
Changes in receivables	(5,720,310)	(37,346,139)	(285)	6,361
Changes in payables	(16,278,502)	50,745,709	(1,489,605)	(1,380,423)
Changes in trade line borrowings	3,265,861	16,707,926	-	-
Cash generated from/(utilised in) operations	47,076,697	69,370,658	(1,046,475)	(2,419,323)
Interest received	1,609,152	1,270,006	3,505,901	7,525,637
Interest paid	(7,254,564)	(8,509,497)	(5,646,137)	(7,492,333)
Interest paid classified under cost of sales	(56,934)	(131,361)	-	-
Interest paid capitalised under land held for property development and property development costs	(308,162)	(773,663)	-	-
Tax paid	(4,758,663)	(6,166,249)	-	-
Net cash from/(used in) operating activities	36,307,526	55,059,894	(3,186,711)	(2,386,019)

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for the year ended 31 December 2004

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(10,929,239)	(20,534,865)	-	-
Purchase of new subsidiary companies, net of cash (Note 34)	(125,699)	(1,540,637)	-	-
Purchase of additional shares in subsidiary companies	(3,364,498)	(6,219,895)	(8,607,268)	(7,839,392)
Purchase of other investments	(10,519,492)	(2,100,000)	(5,100,170)	-
Proceeds from disposal of property, plant and equipment	1,317,066	6,086,216	-	-
Proceeds from disposal of other investments	33,912,995	1,530,480	-	-
Disposal of subsidiary companies, net of cash (Note 34)	(4,942)	(37,397)	-	-
Redemption of preference shares in an investee company	1,000,000	1,500,000	-	-
Repayment from subsidiary companies	-	-	27,665,549	10,188,795
Return of capital by investee company	-	508,950	-	-
Placement of fixed deposits pledged	(1,554,492)	(791,756)	-	-
Dividends received from subsidiary companies	-	-	14,281,305	5,115,100
Dividends received from other investments	145,666	75,053	1,264	3,423
Expenditure on patents capitalised	(374,074)	(26,503)	-	-
Net cash from/(used in) investing activities	9,503,291	(21,550,354)	28,240,680	7,467,926
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital injection by minority shareholders	4,280,690	199,998	-	-
Dividends paid to shareholders	(6,359,557)	(1,510,517)	(6,359,557)	(1,510,517)
Dividend paid to minority interests	(8,873,944)	(5,636,102)	-	-
Proceeds from exercise of warrants	7,400	-	7,400	-
Bank borrowings raised	5,603,690	68,218,000	-	63,000,000
Repayment of bank borrowings	(20,656,805)	(77,455,664)	(14,500,000)	(74,500,000)
(Repayment to)/Advances from subsidiary companies	-	-	(851,326)	12,586,614
Payment of hire purchase and finance lease instalments	(1,480,093)	(1,655,482)	-	-
Net cash used in financing activities	(27,478,619)	(17,839,767)	(21,703,483)	(423,903)
NET CHANGES IN CASH AND CASH EQUIVALENTS	18,332,198	15,669,773	3,350,486	4,658,004
EFFECTS OF CHANGE IN EXCHANGE RATES	655,384	(27,782)	-	-
	18,987,582	15,641,991	3,350,486	4,658,004
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	43,938,364	28,010,275	(435,347)	(5,093,351)
EFFECTS OF CHANGES IN EXCHANGE RATES	171,063	286,098	-	-
	44,109,427	28,296,373	(435,347)	(5,093,351)
CASH AND CASH EQUIVALENTS CARRIED FORWARD	63,097,009	43,938,364	2,915,139	(435,347)

Cash Flow Statements | 43

for the year ended 31 December 2004

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Represented by:				
FIXED AND TIME DEPOSITS	9,775,161	11,658,790	3,000,000	-
CASH AND BANK BALANCES	56,560,182	35,367,728	161,412	16,414
BANK OVERDRAFTS	(3,238,334)	(3,088,154)	(246,273)	(451,761)
	63,097,009	43,938,364	2,915,139	(435,347)

During the financial year, the Group acquired property, plant and equipment amounting to RM11,605,148 (2003 : RM21,919,656) of which RM675,909 (2003 : RM1,384,791) was financed under hire purchase and the balance of RM10,929,239 (2003 : RM20,534,865) was paid by cash.

44 | Notes to and Forming Part of the Financial Statements

for the year ended 31 December 2004

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements comply with applicable approved accounting standards issued or adopted by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965.

The measurement bases applied in the presentation of the financial statements include cost, amortised cost, recoverable value, realisable value and fair value as indicated in the accounting policies set out below. Accounting estimates are used in measuring these values.

(b) Subsidiary companies

A subsidiary company is a company in which the Company has the power to control the financial and operating policies so as to obtain benefits from its activities.

The Company's interests in subsidiary companies are stated at cost less accumulated impairment loss. The investments are written down when there is an impairment loss on the value of such investments. The impairment loss is charged to the income statement.

(c) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and all its subsidiary companies made up to the end of the financial year. All material inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised gains on transactions are eliminated in full and unrealised losses are also eliminated in full unless cost cannot be recovered. The financial statements of all subsidiary companies are consolidated on the acquisition method of accounting and the results of the subsidiary companies acquired or disposed of are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements.

(d) Associated companies

Associated companies are defined as those companies in which the Group holds a long term equity interest, has representation on the board of directors and is in a position to exercise significant influence in their management, but not control, over the financial and operating policies.

Investments in associated companies are stated at cost less accumulated impairment loss. The investments are written down when there is an impairment loss on the value of such investments. The impairment loss is charged to the income statement.

The Group's share of results and reserves of the associated companies are accounted for in the income statement using the equity method of accounting in place of dividends received. On the consolidated balance sheet, the Group's share of post-acquisition results and reserves of the associated companies are added to the cost of investments which reflects the Group's share of net assets of the associated companies.

The post-acquisition results and reserves of the associated companies accounted for are based on the latest audited or management financial statements of the companies concerned made up to the end of the financial year.

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for the year ended 31 December 2004

(e) Goodwill or discount on acquisition

The difference, between the acquisition cost and the fair values of attributable net assets acquired is reflected in the financial statements as either goodwill or discount on acquisition. Discount on acquisition, if any, is retained in the consolidated balance sheet and will be credited to income statement over a suitable period decided in relation to the particular circumstances which give rise to it. Where goodwill is considered to be capable of generating future economic benefits, it is capitalised in the financial statements and amortised on the straight line basis over a period of 20 years, otherwise, it is written off in the income statement in the year of acquisition. The carrying amount and amortisation period are reviewed annually and goodwill is written down when its value has deteriorated or when it ceases to have a useful life. The policy for the recognition and measurement of impairment loss is in accordance with Note 1(o).

(f) Property, plant and equipment

(i) Measurement basis

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

(ii) Depreciation

Freehold land is not amortised while leasehold land is amortised over the remaining lease periods of 30 to 99 years.

Depreciation is calculated to write off the cost of other property, plant and equipment on the straight line basis over their expected useful lives at the following annual rates:

Buildings	1% - 10%
Plant and machinery	7.5% - 40%
Motor vehicles	15% - 20%
Furniture, fixtures and equipment	2% - 50%

Capital work-in-progress will only be depreciated when the assets are ready for their intended use.

(g) Assets acquired under hire purchase and finance lease agreements

Assets financed by hire-purchase and finance lease agreements which transfer substantially all risks and rewards of ownership to the Group are capitalised as property, plant and equipment and corresponding obligations are treated as liabilities. On initial recognition, assets acquired by way of hire-purchase and finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum hire-purchase and lease payments at the inception of the leases. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

In calculating the present value of the minimum hire purchase and finance lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Group's incremental borrowing rates are used.

(h) Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified under non-current assets and is stated at cost less accumulated impairment loss. The policy for the recognition and measurement of impairment loss is in accordance with Note 1(o).

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

Notes to and Forming Part of the Financial Statements

for the year ended 31 December 2004

(ii) Property development costs

Property development costs comprise land and development costs which includes costs directly attributable to the development activities and other costs that can be allocated on a reasonable basis to such activities as well as interest expenses incurred during the period of development.

Property development revenue and expenses are recognised in the income statement using the percentage of completion method, which is applied in circumstances where the outcome of the development activities can be reliably estimated. The stage of completion is estimated by the proportion of cost incurred to-date bear to estimated total costs, and for this purpose only those costs that reflect actual development work performed are included as costs incurred to-date.

Where 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 and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defect liability period, is recognised as an expense immediately.

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

(i) Other investments

(i) Investment properties

Investment properties are stated at cost less accumulated impairment loss and are held for their investment potential and rental income.

The investment properties are written down when there is an impairment loss on the value of such investments. The impairment loss is charged to the income statement.

(ii) Investments in shares and other non-current investments

Investments in shares and other non-current investments which are held for long term, are stated at cost less accumulated impairment loss. The investments are written down when there is an impairment loss on the value of such investments. The impairment loss is charged to the income statement.

(j) Intangible assets

The cost of acquiring and development of patents, including cost of registration of patents is capitalised and written off on the straight line basis over the expected useful economic life of 5 years.

The carrying amount of the intangible assets is reviewed annually to determine whether there is an impairment loss. The impairment loss, if any, is charged to the income statement.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined principally on the weighted average, first-in first-out and specific identification bases appropriate to the type of inventory. In the case of work-in-progress and finished goods, cost comprises materials, direct labour, other direct charges and an appropriate proportion of factory overheads. The net realisable value is considered to be the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated selling expenses.

(l) Gross amount due from/to customers

On the balance sheet, contracts work-in-progress are reflected either as gross amounts due from or due to customers, where a gross amount due from customers is the surplus of (i) costs incurred plus profits recognised under the percentage of completion method over (ii) recognised foreseeable losses plus progress billings. A gross amount due to customers is the surplus of (ii) over (i).

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for the year ended 31 December 2004

m) Receivables

Receivables are stated at their nominal values and an allowance is made for any receivables considered to be doubtful of collection. Known bad debts are written off.

(n) Payables

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

(o) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of an asset's estimated net selling price and its value in use. Value in use is measured by the discounted future cash flows expected to be generated from continuing use of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit to which it belongs exceeds its recoverable amount. The impairment loss, if any, is charged to the income statement.

Any subsequent increase in recoverable amount of an asset is recognised as reversal of previous impairment loss and should not exceed the carrying amount that would have been determined (net of amortisation or depreciation, if applicable) had no impairment loss been previously recognised for the asset.

(p) Share capital

Ordinary shares are recorded at nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the income statement.

Dividends on the ordinary shares, when declared or proposed by the directors of the Company are disclosed within the components of equity. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as a distribution of unappropriated profit in the financial year in which the dividends are paid.

(q) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies during the financial year are converted to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at closing rates or at forward contract rates, if appropriate. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions.

(ii) Financial statements of foreign operations

For consolidation purposes, assets and liabilities of foreign subsidiary companies are converted to Ringgit Malaysia at the closing rates. Goodwill or discount on acquisition and fair value adjustments are translated at the exchange rates at the dates of acquisition. The revenue and expense items in the income statement are translated to Ringgit Malaysia at average exchange rates applicable throughout the financial year. All exchange differences arising on translation are recognised directly in equity through the exchange translation reserve account. On disposal of foreign subsidiaries, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

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for the year ended 31 December 2004

The closing rates used in translation are as follows:

	2004 RM	2003 RM
USD1	3.77	3.77
SGD1	2.29	2.21
HKD1	0.48	0.48
AUD1	2.90	2.79
RMB1	0.46	0.46
TWD1	0.12	0.11
Euro1	5.11	-

(r) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the revenue can be measured reliably, on the following bases:

(i) Sale of goods

Sale of goods is recognised when significant risks and rewards of ownership have been transferred to the customers.

(ii) Construction contracts

The Group's construction contracts are all fixed price contracts and where their outcome can be reasonably estimated, revenue is recognised on the percentage of completion method. The stage of completion is determined by the proportion that contract costs incurred to-date bear to estimated total costs, and for this purpose only those costs that reflect actual contract work performed are included as costs incurred to date.

When the outcome of a construction contract cannot be reasonably estimated, revenue is recognised only to the extent of contract costs incurred that are expected to be recoverable. At the same time, all contract costs incurred are recognised as an expense in the period in which they are incurred.

Where it is probable that the total costs will exceed total revenue, the foreseeable loss is immediately recognised in the income statement irrespective of whether contract work has commenced or not, or the stage of completion of contract activity, or the amounts of profits expected to arise on other unrelated contracts.

Revenue from construction contracts represents the proportionate contract value on construction contracts attributable to the percentage of contract work performed during the financial year.

(iii) Sale of development properties

Revenue from sale of development properties is recognised on the percentage of completion method and represents the proportionate sales value of development properties sold attributable to the percentage of development work performed during the financial year.

(iv) Services rendered

Revenue from services rendered is recognised on an accrual basis when services are rendered.

(v) Dividend income

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

(vi) Rental income

Rental income is recognised on a time proportion basis over the lease term.

(vii) Interest income

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(viii) Licence fees

Licence fees in respect of club membership received by subsidiary company are recognised on time proportion basis over the licence period commencing from the respective dates of signing the licence agreements to 31 August 2089. Licence fees received and receivable which relate to the unexpired licence period are reflected in the consolidated balance sheet as deferred income.

Notes to and Forming Part of the Financial Statements | 49

for the year ended 31 December 2004

(s) Borrowing costs

All interest and other costs incurred in connection with borrowings are expensed when incurred as part of finance costs.

Finance costs comprise interest and other expenses paid and payable on borrowings. Borrowing costs incurred on development properties that take a substantial period of time for completion are capitalised into the carrying value of the assets. Capitalisation of borrowing costs will cease when the assets are completed or during extended periods in which active development is interrupted. The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on borrowings obtained specifically for the purpose of the development.

The interest component of hire purchase and finance lease payments are charged to the income statement over the hire purchase and finance lease periods so as to give a constant periodic rate of interest on the remaining hire purchase and finance lease liabilities.

(t) Discount on ICULS

The discount on Irredeemable Convertible Unsecured Loan Stocks ("ICULS") is written off over a period of 5 years, being the tenure of the ICULS so as to give a constant periodic rate of interest on the remaining ICULS, except for the discount on those ICULS already converted, in which case the discount is fully written off in the year of conversion.

(u) Operating leases

Operating leases are those leases other than finance leases. Lease payments under operating leases are charged to the income statement on a time proportion basis over the lease term.

(v) Employees benefits

(i) Short term benefits

Salaries, wages, allowances, bonuses and social security contributions are recognised as an expense in the financial year in which the services are rendered by the employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlements to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Non-monetary benefits such as medical care, housing and other staff related expenses are charged to the income statement as and when incurred.

ii) Defined contribution plans

The Group has various post-employment benefit schemes in accordance with local conditions and practices in the countries in which it operates. These benefits are called defined contribution 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 periods.

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"), whereas companies in other countries will make contributions to the respective local pension funds. Such contributions are recognised as an expense in the income statement in the financial year to which they relate.

(iii) Equity compensation benefits

The Company operates an ESOS which allows full-time salaried employees (including full time executive directors) of the Company and its subsidiaries to acquire shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

(iv) Termination benefits

Employee termination benefits are recognised only either after an agreement is in place with the appropriate employee representatives specifying the terms of redundancy or after individual employees have been advised of the specific terms.

(w) Tax expense

The tax expense in the income statement comprises current tax and deferred tax. Current tax is an estimate of tax payable at current tax rate based on profit earned during the year. Deferred taxation is recognised in full, based on the liability method for taxation deferred in respect of all material temporary differences arising from differences between the tax bases of the assets and liabilities and their carrying amounts in the financial statements.

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

Deferred tax is calculated at the tax rate expected to apply to the period when the asset is realised or the liability is settled. Current and deferred tax is recognised as an income or an expense and included in the income statement.

(x) Cash equivalents

Cash equivalents comprise cash and bank balances, deposits held on call with banks, bank overdrafts and other short term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

(y) Financial instruments**(a) Financial instruments recognised in the balance sheets**

The recognised financial instruments of the Group comprise cash equivalents, other long term investments, receivables, payables, bank borrowings, hire purchase liabilities and ICULS as well as ordinary share capital. These financial instruments are recognised when a contractual relationship has been established. All the financial instruments are denominated in Ringgit Malaysia, unless otherwise stated. The accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied are disclosed above. The information on the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes to the financial statements.

(b) Financial instruments not recognised in the balance sheets**(i) Foreign currency forward contracts**

Certain subsidiary companies within the Group are parties to foreign currency forward contracts which are not recognised in the financial statements at inception. The objective of entering into these foreign currency forward contracts is to protect these companies against unfavourable exchange rate movements for purchases undertaken in foreign currencies. Gains or losses from the forward contracts on receivables offset the corresponding foreign exchange losses or gains on payables covered by the forward contracts.

(ii) Unsecured guarantees

The Group has provided unsecured guarantees in respect of banking and trading facilities which represent present obligations existed at the balance sheet date but are not recognised in the financial statements at inception because it is not probable that an outflow of economic benefits will be required to settle the obligations.

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for the year ended 31 December 2004

2. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM	Long term leasehold land and buildings RM	Short term leasehold land and buildings RM	Plant and machinery RM	Motor vehicles, furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
2004							
At cost							
At 1 January	3,976,514	82,011,232	11,510,614	105,500,909	40,280,356	630,032	243,909,657
Acquisition of subsidiaries	-	-	-	1,990	10,372	-	12,362
Disposal of subsidiary	-	-	-	-	(115,888)	-	(115,888)
Additions	-	389,344	12,473	6,536,752	3,762,899	903,680	11,605,148
Disposals	(420,644)	-	(1,798)	(1,088,310)	(1,412,459)	-	(2,923,211)
Write-off	-	-	-	(100,305)	(218,303)	-	(318,608)
Transfers	-	568,415	611,366	27,570	-	(1,207,351)	-
Reclassifications	-	-	-	5,290	(5,290)	-	-
Exchange adjustments	-	(9,128)	-	137,450	263,033	(141)	391,214
At 31 December	3,555,870	82,959,863	12,132,655	111,021,346	42,564,720	326,220	252,560,674
Accumulated depreciation							
At 1 January	336,980	15,210,676	809,693	81,516,997	29,125,340	-	126,999,686
Acquisition of subsidiaries	-	-	-	1,989	10,368	-	12,357
Disposal of subsidiary	-	-	-	-	(38,068)	-	(38,068)
Charge for the year	57,107	1,401,256	335,490	8,933,351	3,971,410	-	14,698,614
Disposals	-	-	-	(642,795)	(1,317,753)	-	(1,960,548)
Write-off	-	-	-	(36,221)	(143,533)	-	(179,754)
Reclassifications	-	-	-	4,116	(4,116)	-	-
Exchange adjustments	-	(8,199)	-	79,196	171,226	-	242,223
At 31 December	394,087	16,603,733	1,145,183	89,856,633	31,774,874	-	139,774,510
Net book value at 31 December	3,161,783	66,356,130	10,987,472	21,164,713	10,789,846	326,220	112,786,164
2003							
Net book value at 31 December	3,639,534	66,800,556	10,700,921	23,983,912	11,155,016	630,032	116,909,971
Depreciation charge for the year	78,736	1,518,250	290,269	9,474,639	3,989,868	-	15,351,762

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for the year ended 31 December 2004

The leasehold land of a subsidiary company with a net book value of RM16,697,334 (2003 : RM16,891,678) is presently licensed to another subsidiary company for 97 years which commenced on 1 September 1992 for the purpose of management of a golf course and a clubhouse. The remaining leasehold land of the said subsidiary company of RM17,760,000 (2003 : RM17,760,000) has been allocated for development purpose and is classified under land held for property development and property development costs referred to in Notes 3 and 12 respectively.

The net book values of property, plant and equipment pledged as securities for banking and other credit facilities granted to the Group are as follows:

	Group	
	2004 RM	2003 RM
Freehold properties	446,372	3,023,486
Long term leasehold properties	66,085,593	66,408,288
Plant and machinery	1,588,152	1,781,611
Motor vehicles, furniture, fixtures and equipment	2,182,350	2,352,114
	<u>70,302,467</u>	<u>73,565,499</u>

Included in the net book value of property, plant and equipment of the Group are plant and machinery, motor vehicles and equipment amounting to RM2,468,509 (2003 : RM4,634,606) acquired under hire purchase and finance lease.

3. LAND HELD FOR PROPERTY DEVELOPMENT

Group	----- 2004 -----			----- 2003 -----		
	Freehold land RM	Leasehold land RM	Total RM	Freehold land RM	Leasehold land RM	Total RM
Land at cost						
At 1 January / 31 December	2,208,209	6,416,917	8,625,126	2,208,209	6,416,917	8,625,126
Add:						
Development costs						
At 1 January	-	14,531,574	14,531,574	-	14,024,238	14,024,238
Additions	-	376,183	376,183	-	507,336	507,336
At 31 December	-	14,907,757	14,907,757	-	14,531,574	14,531,574
	<u>2,208,209</u>	<u>21,324,674</u>	<u>23,532,883</u>	<u>2,208,209</u>	<u>20,948,491</u>	<u>23,156,700</u>

Included in development costs is interest expense capitalised during the year amounting to RM116,128 (2003 : RM299,653).

4. SUBSIDIARY COMPANIES

	Company	
	2004 RM	2003 RM
Unquoted shares, at cost	<u>150,651,928</u>	<u>142,044,660</u>

Notes to and Forming Part of the Financial Statements

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for the year ended 31 December 2004

The subsidiary companies, all of which are incorporated in Malaysia except where indicated, are as follows:

Subsidiaries of the Company	Gross equity interest		Principal activities
	2004 %	2003 %	
* Alu-Paste & Pigments Sdn Bhd	100	100	Investment holding
Alam Perdana Sdn Bhd	100	51	Investment holding
* Davex Holdings Berhad	93	86	Investment holding
First Cosmopolitan Sdn Bhd	100	100	Investment holding
Ganda Pesona Sdn Bhd	100	100	Provision of accounting, secretarial and insurance agency services
Metra Management Sdn Bhd	100	100	Provision of share registration and management services
MWE Golf & Country Club Berhad	100	100	Management of a golf course and clubhouse and the provision of landscaping services
MWE Advanced Structure Sdn Bhd	90	90	Building construction and trading in commercial trucks
MWE Optical Holdings Sdn Bhd	55	55	Investment holding
MWE Properties Sdn Bhd	100	100	Property investment and development
MWE Spinning Mills Sdn Bhd	100	100	Investment holding, manufacturing and sale of yarn
MWE Weaving Mills Sdn Bhd	100	100	Trading of yarns
Subsidiary companies of Davex Holdings Berhad			
* Davex (Malaysia) Sdn Bhd	93	93	General importer and supplier of electrical fittings, manufacturing and assembling of all range of electrical cable trunkings and lightings
* Daviscomms (S) Pte Ltd (incorporated in the Republic of Singapore)	83	83	Design, manufacturing and distribution of telecommunication products
* Phili-Orient Lines (Penang) Sdn Bhd	57	57	Provision of sea freight forwarding service
* Round and Round Pte Ltd (formerly known as PI Electronics Pte Ltd, incorporated in the Republic of Singapore)	51	51	Importing and exporting of electronic power conversion products
* PI International Holdings Ltd (incorporated in British Virgin Islands)	44	-	Investment holding

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for the year ended 31 December 2004

	Gross equity interest		Principal activities
	2004 %	2003 %	
Subsidiary companies of Davex Holdings Berhad (cont'd)			
* PI Electronics (Hong Kong) Ltd (incorporated in Hong Kong, SAR)	-	51	Investment holding, designing, manufacturing and sale of electronic power conversion products
* PI International Ltd (incorporated in British Virgin Islands)	-	51	Inactive
Subsidiary companies of Davex (Malaysia) Sdn Bhd			
* Davex Australia Pty Ltd (incorporated in Australia)	100	100	Manufacturer, wholesaler and importer of electrical goods
* Davex Engineering (M) Sdn Bhd	100	100	Manufacturing and assembling of a range of electrical cable trunkings and lightings
* Davex Singapore Pte Ltd (Incorporated in the Republic of Singapore)	100	63	Dealing in electrical products and provision of engineering services
* Davex Trading (Pg) Sdn Bhd	100	100	Inactive
* Specific Form Sdn Bhd	100	100	Investment holding
Subsidiary company of Specific Form Sdn Bhd			
* Realistic Returns Sdn Bhd	100	100	Letting of property
Subsidiary company of Daviscomms (S) Pte Ltd			
* Daviscomms (Malaysia) Sdn Bhd (formerly known as DG Technologies (M) Sdn Bhd)	100	100	Contract manufacturing of electronic products
Subsidiary companies of Phili-Orient Lines (Penang) Sdn Bhd			
* Phili-Orient Airfreight (Penang) Sdn Bhd	100	100	Provision of international air and sea freight forwarding services
* Phili-Orient Lines (Port Klang) Sdn Bhd	100	100	Provision of sea freight forwarding services
*Phili-Orient Lines (Johor) Sdn Bhd	-	51	Provision of international air and sea freight forwarding services and warehousing

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for the year ended 31 December 2004



	Gross equity interest		Principal activities
	2004 %	2003 %	
Subsidiary company of Phili-Orient Airfreight (Penang) Sdn Bhd			
* Phili-Orient Airfreight (Malaysia) Sdn Bhd	100	100	Provision of air and sea freight forwarding services
Subsidiary companies of PI International Holdings Ltd			
* Baby Lion Enterprises Limited (incorporated in British Virgin Islands)	100	-	Investment holdings
* PI Electronics (Hong Kong) Ltd (incorporated in Hong Kong, SAR)	100	-	Investment holding, designing, manufacturing and sale of electronic power conversion product
* PI International Ltd (incorporated in British Virgin Islands)	100	-	Inactive
* PI Japan Holdings Limited (incorporated in British Virign Islands)	100	-	Dealing in designing and manufacturing of power conversion products
* Profitkey Holdings Limited (incorporated in British Virgin Islands)	100	-	Investment holdings
Subsidiary companies of Baby Lion Enterprises Limited			
* Bao Hui Science & Technology Co., Ltd (incorporated in the People’s Republic of China)	100	-	Dormant
* PI Power Products (Shenzhen) Co., Ltd (incorporated in the People’s Republic of China)	100	-	Dormant
Subsidiary companies of PI Electronics (Hong Kong) Ltd			
* PI Technology (China) Ltd (incorporated in Hong Kong, SAR)	100	75	Investment holding and trading of electronic parts and electronic power conversion products

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for the year ended 31 December 2004

	Gross equity interest		Principal activities
	2004 %	2003 %	
* PI Electronics (Taiwan) Pte Ltd (incorporated in the Republic of Taiwan)	75	51	Trading in electronic components and products
Subsidiary company of PI Technology (China) Ltd			
* PI Technology (Shenzhen) Ltd (incorporated in the People's Republic of China)	100	100	Manufacturing of electronic products
Subsidiary company of PI Japan Holdings Limited			
PI Electronics (Japan) Co., Ltd (incorporated in Japan)	99	-	Dormant
Subsidiary companies of First Cosmopolitan Sdn Bhd			
Devanna Ltd (incorporated in British Virgin Islands)	100	100	Investment holding and general trading
MWE (Singapore) Pte Ltd (Liquidated, incorporated in the Republic of Singapore)	-	100	Investment holding
Subsidiary company of Metra Management Sdn Bhd			
Metra Nominees Sdn Bhd	100	100	Provision of nominee services
Subsidiary companies of MWE Advanced Structure Sdn Bhd			
MWE Cedar Homes Sdn Bhd	70	70	Inactive
Quasar Industrial Vehicles Sdn Bhd	53	53	Assembling and distributing of trucks
Subsidiary companies of MWE Optical Holdings Sdn Bhd			
MWE Optimia JV Sdn Bhd	100	100	Trading in opthalmic products
MWE Optical Trading Sdn Bhd	100	100	Trading in optical products
Shu Tong Mow Contact Optical Sdn Bhd	100	100	Trading in opthalmic products
MWE Optical Pte Ltd (Liquidated, incorporated in the Republic of Singapore)	-	100	Inactive

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for the year ended 31 December 2004

	Gross equity interest		Principal activities
	2004 %	2003 %	
Subsidiary companies of MWE Properties Sdn Bhd			
Melati Mewah Sdn Bhd	100	100	Property investment and development
Metra PMC Sdn Bhd	100	100	Provision of property management services
MWE Precast Concrete Sdn Bhd	100	100	Manufacture and sale of precast formwork panels
Prime Achiever Sdn Bhd	90	90	Rental of properties
MWE Development Sdn Bhd	70	70	Property development
MWE Tiravest Sdn Bhd	60	60	Property development
Jurangjaya Sdn Bhd	60	60	Property development
MWE Macadam Sdn Bhd	51	51	Building construction
Subsidiary company of Melati Mewah Sdn Bhd			
Melati Mewah Property Services Sdn Bhd	100	100	Provision of property management services
Subsidiary company of Jurangjaya Sdn Bhd			
Lup Ching Holdings Sdn Bhd	100	100	Property development
Subsidiary companies of MWE Spinning Mills Sdn Bhd			
MWE Textile Industries Sdn Bhd	100	100	Manufacturing and sale of dyed knitted fabrics, dyeing and finishing of woven fabrics
United Sweethearts Garment Sdn Bhd	100	100	Manufacturing and sale of garments
* United Sweethearts Garment (Vietnam) Co Ltd (incorporated in Vietnam)	100	100	Production of garment products for export
Subsidiary company of United Sweethearts Garment Sdn Bhd			
USJ Embroidery Sdn Bhd	94	-	Dormant

* Subsidiary companies not audited by Moores Rowland or its associates.

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for the year ended 31 December 2004

5. AMOUNT OWING BY/TO SUBSIDIARY COMPANIES

	Company	
	2004 RM	2003 RM
Amount owing by subsidiary companies	219,405,600	247,071,149
Amount owing to subsidiary companies (included in Note 23)	31,213,619	32,064,945

The amount owing by/to the subsidiary companies represents unsecured advances which are not expected to be substantially receivable/repayable within the next 12 months.

Amount owing by subsidiary companies totalling RM195,770,424 (2003 : RM223,506,022) earns effective interest rates of between 0.125% and 8.9% (2003 : 0.125% and 10.59%) per annum and the balance is interest free.

Amount owing to subsidiary companies totalling RM1,009,573 (2003 : RM11,855,722) bears an effective interest rate of 1% (2003 : 7%) per annum and the balance is interest free.

6. ASSOCIATED COMPANIES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Unquoted shares, at cost	18,059,424	20,160,824	16,747,096	16,747,096
Less:				
Impairment loss	-	-	16,747,095	16,747,095
	18,059,424	20,160,824	1	1
Group's share of post-acquisition reserves and results	(14,837,463)	(13,174,794)	-	-
	3,221,961	6,986,030	1	1

Represented by:

	2004 RM	2003 RM
Attributable share of net assets of associated companies	3,221,961	6,986,030

The share of loss in an associated company has been discontinued in the previous financial years as the share of loss had exceeded the carrying amount of the investment. The share of profit for the current year and cumulative loss not recognised is as follows:

	Group	
	2004 RM	2003 RM
Share of profit/(loss) not recognised		
- in the current year	3,587,953	205,223
- cumulatively	(4,274,330)	(7,862,282)

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for the year ended 31 December 2004

The associated companies, all of which are incorporated in Malaysia except where indicated, are as follows:

	Gross equity interest		Principal activities
	2004 %	2003 %	
Associated company of the Company			
Premier Capital Holdings Sdn Bhd	30	30	Investment holding
Associated company of PI Electronics (Hong Kong) Ltd			
STD PI Technology Limited (incorporated in Hong Kong, SAR)	40	40	Investment holding
Associated company of Devanna Ltd			
* Greenland Timber Industries Pte Ltd (incorporated in the Republic of Singapore)	-	41	Investment holding
Associated companies of MWE Properties Sdn Bhd			
Island Garden Development Sdn Bhd	40	40	Housing development
Ribuan Wangsa Sdn Bhd	50	50	Property development
Associated companies of United Sweethearts Garment Sdn Bhd			
CNT Garments Sdn Bhd	20	20	Manufacturing of and dealing in textiles
USH Garment (Nibong Tebal) Sdn Bhd	45	45	Manufacturing of and dealing in textiles
USJ Embroidery Sdn Bhd	-	49	Embroidery of garments

* In the previous financial year, this associated company had an interest of 3.50% in the issued and paid-up share capital of the Company.

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for the year ended 31 December 2004

7. OTHER INVESTMENTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Investment properties				
- freehold land, at cost	6,180,000	6,180,000	-	-
- buildings, at cost	80,486,536	80,486,536	-	-
	86,666,536	86,666,536	-	-
Less:				
Impairment loss	8,888,023	8,888,023	-	-
	77,778,513	77,778,513	-	-
Shares quoted in Malaysia, at cost	25,620,170	20,520,000	5,100,170	-
Less:				
Impairment loss	14,894,100	11,667,900	-	-
	10,726,070	8,852,100	5,100,170	-
Shares quoted outside Malaysia, at cost	2,237,395	2,341,697	8,105	8,105
Less:				
Impairment loss	1,934,515	1,934,077	-	-
	302,880	407,620	8,105	8,105
Bonds quoted outside Malaysia, at cost	8,825,337	7,798,452	-	-
Unquoted shares, at cost	32,995,870	56,404,536	15,203,920	15,203,920
Less:				
Impairment loss	24,896,850	29,983,876	15,203,917	15,203,917
	8,099,020	26,420,660	3	3
Membership in a golf and country club, at cost	286,146	275,405	-	-
Less:				
Impairment loss	102,866	99,005	-	-
	183,280	176,400	-	-
	105,915,100	121,433,745	5,108,278	8,108
Market value				
- shares quoted in Malaysia	11,004,300	8,852,100	5,378,400	-
- shares quoted outside Malaysia	364,950	693,021	70,175	53,361
- bonds quoted outside Malaysia	9,097,772	8,445,975	-	-
	20,467,022	17,991,096	5,448,575	53,361

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for the year ended 31 December 2004

Shares quoted in Malaysia held by a subsidiary company with a book value of RM5,625,900 (2003 : RM8,852,100) are pledged to a licensed bank to secure banking facilities of the Company.

The bonds quoted outside Malaysia are held by a foreign subsidiary company and are pledged to a foreign banking institution to secure banking facilities of the said subsidiary company.

The net carrying amounts of investment properties of certain subsidiary companies pledged as securities for bank term loans granted to the Company are as follows:

	2004 RM	2003 RM
Investment properties		
- freehold land	6,180,000	6,180,000
- buildings	56,515,873	56,515,873
	<u>62,695,873</u>	<u>62,695,873</u>

8. INTANGIBLE ASSETS

Intangible assets represent patents stated at cost less amount written off.

	Group	
	2004 RM	2003 RM
At 1 January	174,621	214,602
Exchange adjustment	48	723
	<u>174,669</u>	<u>215,325</u>
Additions	374,074	26,503
	<u>548,743</u>	<u>241,828</u>
Less:		
Amortisation for the year	105,923	67,207
At 31 December	<u>442,820</u>	<u>174,621</u>

9. GOODWILL ON ACQUISITION

	2004 RM	2003 RM
At 1 January	20,075,970	21,568,396
Increase in effective interests in subsidiary companies	3,955,260	573,024
Decrease in effective interests in subsidiary company	-	(17,960)
Acquisition of new subsidiary companies	-	68,462
	<u>24,031,230</u>	<u>22,191,922</u>
Less:		
Disposal of subsidiary companies	11,834	129
	<u>24,019,396</u>	<u>22,191,793</u>
Less:		
Amortisation for the year	2,195,803	2,115,823
At 31 December	<u>21,823,593</u>	<u>20,075,970</u>

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for the year ended 31 December 2004

10. DEFERRED TAX ASSETS

	Group	
	2004 RM	2003 RM
At 1 January	721,835	-
Exchange adjustment	41,718	47,906
Transfer from income statement	138,526	673,929
At 31 December	902,079	721,835

The deferred tax assets comprise:

Deductible temporary differences on		
- unused tax losses	67,141	375,043
- unused tax credits	353,480	341,947
- other temporary differences	481,458	4,845
	902,079	721,835

At the end of the year, the Group has the following items giving rise to deferred tax assets, which are not recognised in the financial statements as it is not probable that future taxable profit will be available against which the assets can be utilised.

	Group	
	2004 RM	2003 RM
Unutilised tax losses	54,817,352	52,750,393
Unabsorbed capital allowances	11,647,658	11,301,400
Other taxable temporary differences	(668,300)	(169,973)
	65,796,710	63,881,820

11. INVENTORIES

Group	At cost	At net	Total
2004	RM	realisable value RM	RM
Raw materials	32,240,894	454,790	32,695,684
Work-in-progress	19,723,127	-	19,723,127
Finished goods	25,229,672	-	25,229,672
Commercial trucks held for sale	17,441,638	-	17,441,638
Inventories of completed development units	2,078,271	-	2,078,271
Consumable stores and spares	4,192,511	-	4,192,511
	100,906,113	454,790	101,360,903

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for the year ended 31 December 2004

Group	At cost RM	At net realisable value RM	Total RM
2003			
Raw materials	34,191,338	-	34,191,338
Work-in-progress	10,413,147	-	10,413,147
Finished goods	20,641,945	-	20,641,945
Commercial trucks held for sale	25,981,780	-	25,981,780
Inventories of completed development units	2,874,658	4,198,949	7,073,607
Consumable stores and spares	3,400,467	-	3,400,467
	97,503,335	4,198,949	101,702,284

Inventories pledged to banks for banking facilities granted to certain subsidiary companies are as follows:

	Group	
	2004 RM	2003 RM
Raw materials	5,091,730	397,882
Work-in-progress	519,302	-
Finished goods	12,440,633	207,473
Commercial trucks held for sale	16,265,871	21,777,110
Consumable stores and spares	2,903,069	2,117,493
	37,220,605	24,499,958

12. PROPERTY DEVELOPMENT COSTS

	Group	
	2004 RM	2003 RM
At 1 January		
Freehold land, at cost	27,152,387	27,152,387
Leasehold land, at cost	11,343,083	11,343,083
Development costs	98,663,559	95,771,179
	137,159,029	134,266,649
Add:		
Development costs incurred during the year	2,798,455	2,892,380
Transfer from land held for property development	-	-
	139,957,484	137,159,029
Less:		
Costs recognised as an expense in the income statement:		
Recognised in previous financial years	124,752,403	119,737,784
Recognised during the year	4,519,895	5,014,619
	129,272,298	124,752,403
Transfer to inventories	-	-
At 31 December	10,685,186	12,406,626

Included in the property development costs is interest expense incurred during the year amounted to RM192,034 (2003:RM474,010)

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for the year ended 31 December 2004

13. GROSS AMOUNT DUE FROM/TO CUSTOMERS

	Group	
	2004 RM	2003 RM
Cost of contracts	46,555,016	40,430,503
Attributable profits recognised to-date	3,942,242	4,092,151
	50,497,258	44,522,654
Less:		
Progress billings to-date	45,180,463	41,222,961
	5,316,795	3,299,693
Represented by:		
Gross amount due from customers	5,779,162	3,622,389
Gross amount due to customers	(462,367)	(322,696)
	5,316,795	3,299,693
Retention sums receivable	1,869,581	1,181,890

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Gross trade receivables	128,144,356	139,993,744	-	-
Less:				
Allowance for doubtful debts	3,566,623	3,706,646	-	-
	124,577,733	136,287,098	-	-
Gross other receivables	33,324,370	22,267,976	3,242,208	4,241,923
Less:				
Allowance for doubtful debts	11,840,523	11,611,995	3,241,282	4,241,282
	21,483,847	10,655,981	926	641
Deposits	5,244,908	2,696,089	4,500	4,500
Prepayments	2,361,605	1,700,099	-	-
	153,668,093	151,339,267	5,426	5,141

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for the year ended 31 December 2004

Trade receivables comprise amounts receivable from progress billings made to customers on contract works performed, sale of goods and services rendered to customers, rental receivable from tenants, management fees receivable and retention sums receivable. Other receivables, deposits and prepayments are from the normal business transactions of the Group. All trade receivables are granted credit periods of 7 to 120 days.

The retention sums are receivable upon the expiry of the defect liability periods of the respective construction contracts. The defect liability periods of the construction contracts are between 12 and 18 months.

15. AMOUNT OWING BY/TO ASSOCIATED COMPANIES

The amount owing by the associated companies represents unsecured advances which are interest free and have no fixed terms of repayment, except for an amount of RM598,068 in the previous financial year which earned effective interest rates of 7.15% and 7.55% per annum.

The amount owing to the associated companies represents trade payables.

16. FIXED AND TIME DEPOSITS

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Fixed deposits are placed with				
- Licensed banks in Malaysia	6,876,456	10,474,470	-	-
- Foreign banks	4,490,077	2,871,200	-	-
	11,366,533	13,345,670	-	-
Time deposit placed with a licensed bank in Malaysia	3,650,000	2,000,000	3,000,000	-
	15,016,533	15,345,670	3,000,000	-

The effective interest rates per annum of the deposits are as follows:

	Group		Company	
	2004	2003	2004	2003
	%	%	%	%
Fixed deposits placed with				
- Licensed banks in Malaysia	2.00 to 4.00	2.30 to 4.00	-	-
- Foreign banks	0.65	0.50	-	-
Time deposit	2.00 - 2.30	2.30	2.00	-

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for the year ended 31 December 2004

All the fixed deposits have maturity periods of less than one year while the time deposit has maturity period of less than one month.

Fixed deposits amounting to RM5,241,372 (2003 : RM3,686,880) of the Group are pledged as securities for bank guarantees and other credit facilities granted to the Group.

Included in fixed deposits of the Group is an amount of RM781,675 (2003 : RM670,704) placed in trust accounts pursuant to Clauses 12.02 and 13.01 of the Trust Deed entered into by two subsidiary companies with AmTrustee Berhad and Licensees of Monterez Golf & Country Club and RM1,329,423 (2003 : RM720,924) placed in trust accounts pursuant to Section 46 of the Strata Titles Act, 1985 (Act 318) and Schedule III, Clause 5 of the Deed of Covenant entered into between the Developer and the Purchasers. The above trust accounts are only available for specific uses by the said subsidiary companies.

17. CASH AND BANK BALANCES

Included in cash and bank balances of the Group are bank balances not available for use by the Group amounting to RM92,876 (2003 : RM256,871) maintained in housing development accounts in accordance with the Housing Developers (Housing Development Account) Regulations 1991 and RM12,018 (2003 : RM21,186) placed in trust accounts pursuant to Clauses 11.01, 12.02 and 13.01 of the Trust Deed entered into by two subsidiary companies with AmTrustee Berhad and Licensees of Monterez Golf & Country Club. These accounts are only available for specific uses by the said subsidiary companies.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Trade payables	59,232,513	81,316,144	-	-
Progress billings	2,992,623	4,667,693	-	-
Other payables	19,797,716	22,296,345	8,066,079	9,116,079
Deposits	4,790,800	4,529,683	-	-
Accruals	32,799,480	23,401,856	219,556	659,161
Sinking fund	773,249	833,646	-	-
	120,386,381	137,045,367	8,285,635	9,775,240

Trade payables comprise amounts outstanding for trade purchases, sub-contractors claims on contract works performed and retention sums payable. Other payables, deposits and accruals are from the normal business transactions of the Group.

The normal credit periods granted by trade suppliers and sub-contractors are between 14 and 120 days whereas retention sums are payable upon the expiry of the defect liability periods of the respective construction contracts. The defect liability periods of the construction contracts are between 12 and 18 months.

Progress billings represent excess of billings to purchasers of development units over revenue recognised in the income statement.

Included in other payables of the Company and of the Group is an amount of RM8,000,000 (2003: RM9,000,000) which represents interest free refundable deposit received from a corporation in relation to the appointment of the said corporation as the developer and project manager for the development of a piece of leasehold land held by a subsidiary company and also to act as a club manager for Monterez Golf & Country Club. To-date, the terms of the appointment has yet to be finalised.

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for the year ended 31 December 2004

19. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

	Group	
	2004 RM	2003 RM
Outstanding hire purchase instalments and finance lease rentals due:		
Not later than one year	792,689	1,409,160
Later than one year and not later than five years	1,330,303	1,024,218
Later than five years	-	535,022
	2,122,992	2,968,400
Less:		
Unexpired term charges	244,433	303,509
Outstanding principal amount due	1,878,559	2,664,891
Less:		
Outstanding principal amount due later than one year (Note 23)	1,227,132	1,383,614
Outstanding principal amount due not later than one year (included in current liabilities)	651,427	1,281,277

The effective interest rates of the hire purchase and finance lease liabilities are between 2.70% and 8.40% (2003 : 2.72% and 9.40%) per annum.

20. BANK BORROWINGS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Bankers' acceptance and trust receipts				
- secured	6,769,617	14,475,768	-	-
- unsecured	24,624,491	13,594,707	-	-
	31,394,108	28,070,475	-	-
Bank overdrafts				
- secured	2,664,019	2,031,098	-	-
- unsecured	574,315	1,057,056	246,273	451,761
	3,238,334	3,088,154	246,273	451,761
Bank loans				
- secured	10,790,100	20,000,000	10,000,000	20,000,000
- unsecured	7,300,000	14,300,000	5,000,000	9,000,000
	18,090,100	34,300,000	15,000,000	29,000,000
Current portion of bank term loans (Note 23)	15,206,408	3,727,416	12,750,000	500,000
	67,928,950	69,186,045	27,996,273	29,951,761

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for the year ended 31 December 2004

The effective interest rates per annum of the bank borrowings are as follows:

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Bankers' acceptance and trust receipts	1.65 to 6.60	1.70 to 8.13	-	-
Bank overdrafts	2.40 to 8.90	2.50 to 8.90	7.25 to 8.50	8.20 to 8.50
Bank loans	4.75 to 7.86	4.90 to 7.75	4.75 to 4.90	4.90 to 7.75

The bank borrowings of the Company are secured by quoted securities held by the Company and a subsidiary company and by certain properties of the Group. The bank borrowings of the subsidiary companies are secured by fixed and floating charges over the assets of the said subsidiary companies and are also guaranteed by the Company.

21. SHARE CAPITAL

	2004		2003	
	Number of Shares	Nominal value RM	Number of Shares	Nominal value RM
Authorised Ordinary shares of RM1 each	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid				
At 1 January	209,951,369	209,951,369	209,793,969	209,793,969
Issue of shares from				
- conversion of ICULS	21,600,246	21,600,246	157,400	157,400
- exercise of warrants	7,400	7,400	-	-
At 31 December	231,559,015	231,559,015	209,951,369	209,951,369

At 31 December 2003, there were 66,157,283 unexercised warrants in issue which entitled the registered holders to subscribe for one new ordinary share at a subscription price of RM1.00 per ordinary share for every warrant held.

During the financial year, a total of 7,400 warrants were exercised and pursuant to the exercise, 7,400 new ordinary shares of RM1.00 each were issued. The remaining 66,149,883 unexercised warrants lapsed on 7 April 2004 and have been removed from the official list of the Bursa Malaysia Securities Berhad ("BMSB").

In 2001, the Company implemented an Employees' Share Option Scheme ("ESOS") for eligible full-time employees, including full time executive directors of the Company and its subsidiary companies which is governed by the Bye-Laws of the ESOS and was approved by the shareholders and the relevant authorities.

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The movements in the share options are as follows:

	2004 RM	2003 RM
At 1 January	16,880,000	19,037,000
Forfeiture due to resignations	(1,085,000)	(1,557,000)
Relinquished during the year	-	(600,000)
At 31 December	15,795,000	16,880,000

The principal features of the ESOS are as follows:

- (i) The maximum number of ESOS Shares to be made available under the ESOS which includes options exercised under previous schemes of the Company at any point in time during the existence of the ESOS, shall not exceed ten (10) percent of the enlarged issued and paid-up share capital.
- (ii) Eligibility for participation in the ESOS shall be at the absolute discretion of the Option Committee subject to the eligible employees (including full-time executive directors and contract employees) having been confirmed in the employment of the Group. Foreign employees save and except for foreign executive directors are not eligible for participation in the ESOS.
- (iii) No option shall be granted for less than 1,000 ESOS Shares or for more than 750,000 ESOS Shares to any eligible employee. The Option Committee shall have the discretion to determine the criteria for allotment which will be based on seniority and length of service of the eligible employee.
- (iv) The Option Price shall be set at a discount of not more than ten (10) percent from the five (5) day weighted average market price of the ordinary shares of Company as shown in the Daily Official List issued by the BMSB immediately preceding the Date of Offer of the Option or at the par value of the underlying shares, whichever is higher.
- (v) Option Period is a period commencing on the Date of Offer or such later date as determined by the Option Committee of each Grantee and expiring on the Date of Expiry.

The duration of the ESOS shall commence from the date of the confirmation letter submitted by merchant bank and that the following approvals have been obtained:-

- (a) the Securities Commission ("SC");
- (b) the BMSB;
- (c) shareholders of the Company in a general meeting;
- (d) any other relevant regulatory authorities whose approvals are necessary in respect of the ESOS;

and shall be continued for a period of five (5) years from the Date of Commencement (the "Initial Scheme Period") subject however to any renewal of the Initial Scheme Period as may be approved by all the parties referred to in (a), (b), (c) and (d) above.

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- (vi) Subject to the approvals of the SC, other regulatory authorities, BMSB and/or any other relevant stock exchanges, the Option Committee shall recommend to the board of directors who shall have the power at any time and from time to time by resolution to amend and/or modify all or any part of the provisions of the ESOS provided that no such amendment and/or modification shall be made which would either prejudice the rights then accrued to any Grantee who has accepted an Option without his prior consent or, without the prior approval of the Company in general meeting, which would alter to the advantage of any Grantee the provisions of the ESOS.
- (vii) Upon acceptance of the Offer relating to the Option, the Grantee shall pay to the Company a sum calculated at a rate of One Ringgit Malaysia (RM1.00) for subscription relating to the Option as consideration for acceptance of such Offer. Thereafter, a receipt of acknowledgement will be issued to the Eligible Employee for valid acceptances of the Offer.
- (viii) The ESOS Shares to be allotted upon any exercise of Options under the ESOS shall on allotment rank pari passu in all respects with the then existing issued ordinary shares of the Company, except that the ESOS Shares so issued will not rank for any dividend or other distribution declared, made or paid to the shareholders prior to the exercise of the ESOS and the crediting of the ESOS Shares into the shareholders' CDS accounts prior to the Book Closure Date and will be subject to all provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise.
- (ix) The ESOS shall be administered by the Option Committee in such manner as it shall in its discretion deem fit and with such powers and duties as are conferred upon it by the board of directors.
- (x) The Shares referred in Bye-Law 2 and the Shares (if any) to be allocated to the Grantee will not be listed or quoted on the BMSB, and/or any other relevant stock exchanges until the Option is exercised in accordance with Bye-Law 9 whereupon the Company shall apply to the BMSB, any/or other relevant stock exchanges for the listing of and quotation for such Shares and use its best endeavours to obtain permission for dealing therein.

There were no share options exercised during the financial year under review.

The share options outstanding at year end are as follows:

Exercise period	Exercise price RM	Number of share options outstanding	
		2004 RM	2003 RM
27-11-2001 to 20-9-2006	1.00	15,016,000	16,017,000
27-5-2002 to 20-9-2006	1.00	324,000	368,000
27-11-2002 to 20-9-2006	1.00	455,000	495,000
		15,795,000	16,880,000

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22. RESERVES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Non-distributable				
Share premium account	23,586,099	23,586,099	23,586,099	23,586,099
Exchange translation reserve	10,757,460	3,504,104	-	-
Capital reserve	806,413	481,777	-	-
	35,149,972	27,571,980	23,586,099	23,586,099
Distributable				
Capital reserve	23,611,413	23,547,539	13,761,928	13,761,928
(Accumulated loss)/ Unappropriated profit	(9,202,691)	(21,085,252)	7,419,768	909,581
	14,408,722	2,462,287	21,181,696	14,671,509
	49,558,694	30,034,267	44,767,795	38,257,608

23. LONG TERM LIABILITIES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Bank term loans				
- secured	57,766,281	56,536,401	52,500,000	53,000,000
- unsecured	3,650	71,434	-	-
	57,769,931	56,607,835	52,500,000	53,000,000
Less:				
Repayments due within 12 months (included in Note 20)	15,206,408	3,727,416	12,750,000	500,000
Repayments due after 12 months	42,563,523	52,880,419	39,750,000	52,500,000
5.5% Irredeemable Convertible Unsecured Loan Stocks 1999/2004	-	21,600,246	-	21,600,246
Less:				
Unamortised discount on ICULS	-	324,004	-	324,004
	-	21,276,242	-	21,276,242
Hire purchase and finance lease liabilities (Note 19)	1,227,132	1,383,614	-	-
Amount owing to subsidiary companies (Note 5)	-	-	31,213,619	32,064,945
	43,790,655	75,540,275	70,963,619	105,841,187

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The bank term loans of the subsidiary companies bear effective interest rates of between 1.62% and 8.40% (2003 : 2.63% and 7.40%) per annum. They are secured by leasehold properties, fixed and floating charges over assets of these subsidiary companies and an unconditional, continuing and irrevocable guarantee from another bank. They are also guaranteed by the Company.

The bank term loans of the Company bear effective interest rates of between 5.25% and 7.0% (2003 : 5.25% and 7.0%) per annum. The loans are secured by freehold, leasehold and investment properties of certain subsidiary companies.

The bank term loans of the Company and of the Group are repayable by equal monthly, quarterly and semi-annual instalments commencing between 1993 and 2005.

The 5.5% Irredeemable Convertible Unsecured Loan Stocks 1999/2004 ("ICULS") of the Company represented RM66,157,533 nominal amount of ICULS which were issued and allotted at 90% of the nominal value with 66,157,533 detachable warrants on the basis of RM2.00 nominal amount of ICULS with two (2) warrants for every five (5) existing ordinary shares of RM1.00 each held.

The ICULS were in registered form and constituted by a Trust Deed dated 11 August 1999 and had a tenure of five years from the date of issue and were not redeemable in cash. During the financial year, an amount of RM118,100 ICULS at RM1.00 nominal value was converted into fully paid ordinary shares of RM1.00 each of the Company before the maturity date. The unconverted ICULS amounting to RM21,482,146 at the maturity date on 7 October 2004 were mandatorily converted on 14 October 2004 into fully paid ordinary shares of RM1.00 each of the Company on the basis of RM1.00 nominal amount of ICULS for every one ordinary share of RM1.00 each in the Company. The interest on the ICULS at the rate of 5.5% per annum was payable annually in arrears on 31 August of every year during the tenure of the ICULS. A final payment of RM119,442 was made on 8 October 2004 for the period from 1 September 2004 to 7 October 2004.

The warrants issued together with the ICULS were in registered form and constituted by a Deed Poll dated 11 August 1999 and entitled the registered holders to subscribe for one new ordinary share of RM1.00 each in the Company at a price of RM1.00 per ordinary share for every warrant held at any time during the exercise period of four years and six months commencing from the date of issue of the warrants on 8 October 1999. The warrants expired on 7 April 2004.

Upon conversion of the ICULS and exercise of the warrants into new ordinary shares, such shares rank *pari passu* in all respects with the existing ordinary shares of the Company in issue at the date of allotment of the new ordinary shares except that the new ordinary shares were not entitled to any rights, allotments or dividends, the record date of which was on or before the relevant conversion or exercise date.

The conversion and exercise price of the ICULS and warrants were subject to adjustments under certain circumstances in accordance with the provisions of the Trust Deed and Deed Poll respectively.

24. DEFERRED TAX LIABILITIES

	Group	
	2004 RM	2003 RM
At 1 January	9,627,869	9,781,862
Exchange adjustment	5,879	5,905
Transfer to income statement	(509,472)	(159,898)
At 31 December	9,124,276	9,627,869

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The deferred tax liabilities comprise:

	Group	
	2004 RM	2003 RM
Deferred tax liabilities on taxable temporary differences		
- relating to fair value adjustment on the leasehold land allocated for property development	2,632,819	2,743,746
- between net book value and tax written down value of property, plant and equipment	6,761,555	6,755,230
- on other taxable temporary differences	536,337	541,762
	9,930,711	10,040,738
Less:		
Deferred tax assets recognised on deductible temporary differences relating to		
- unused tax losses and unabsorbed capital allowances	53,480	72,800
- other temporary differences	752,955	340,069
	806,435	412,869
	9,124,276	9,627,869

25. DEFERRED INCOME

	Group	
	2004 RM	2003 RM
Licence fees received in advance	16,066,543	13,976,235
Discount on acquisition of subsidiary companies		
At 1 January	2,257,070	1,100,291
Discount on acquisition of a subsidiary company	6,199	-
Acquisition of additional shares in an existing subsidiary	141,498	1,218,470
Disposal of subsidiary companies	-	(10,866)
Discount on acquisition realised upon liquidation of a subsidiary company	-	(50,825)
At 31 December	2,404,767	2,257,070
	18,471,310	16,233,305

Licence fees received in advance represent club membership licence fees received by a subsidiary company. The licence fees received are recognised in the income statement on a time proportion basis over the licence period.

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26. GROSS REVENUE

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Sale of goods	575,730,966	491,884,299	-	-
Revenue from sale of development units	10,691,398	13,921,110	-	-
Contract revenue	21,908,709	5,930,586	-	-
Services rendered	32,664,689	40,291,060	-	-
Rental income	4,154,511	4,195,481	-	-
Dividend income	145,665	75,053	15,087,569	5,987,923
	645,295,938	556,297,589	15,087,569	5,987,923

27. COST OF SALES

	Group	
	2004 RM	2003 RM
Cost of goods sold	449,648,234	386,308,180
Cost of development units sold	7,523,134	12,117,844
Contract costs	23,083,557	5,435,390
Cost of services rendered	30,568,836	36,213,065
Direct operating costs relating to rental income	3,086,223	2,923,486
	513,909,984	442,997,965

28. PROFIT FROM OPERATIONS

Profit from operations is stated after charging:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Allowance for doubtful debts	6,106,372	6,598,741	-	-
Amortisation of goodwill on acquisition	2,195,803	2,115,823	-	-
Amortisation of intangible assets	105,923	67,207	-	-
Auditors' remuneration				
- current year	576,863	600,450	27,000	27,000
- underestimated in prior year	9,505	2,496	5,000	5,000
Bad debts written off	22,452	1,223,577	-	-
Depreciation	14,698,614	15,351,762	-	-
Directors' remuneration				
- fees				
- current year	291,000	334,000	75,000	90,000
- overestimated in prior year	(30,000)	-	(15,000)	-
- defined contribution plans	398,939	335,966	-	-
- other emoluments	5,292,611	5,101,720	21,500	19,000

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	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Inventories written down	15,080	-	-	-
Lease rental of land	93,933	70,114	-	-
Loss on disposal of property, plant and equipment	27,434	1,195	-	-
Loss on foreign exchange				
- realised	1,555,005	257,885	-	-
- unrealised	452,132	675,502	-	-
Operating lease rental of buildings	4,790,807	4,069,694	-	-
Property, plant and equipment written off	138,854	28,445	-	-
Rental of premises	1,226,704	1,141,255	-	-
Rental of machinery	959,474	354,362	-	-
Research and development expenses	1,062,078	79,391	-	-

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
and crediting:				
Allowance for doubtful debts written back	623,962	7,938	-	-
Bad debts recovered	1,000,143	868,280	1,000,000	-
Exchange translation reserve realised on liquidation of foreign subsidiaries	-	839,315	-	-
Gain on foreign exchange				
- realised	956,680	5,952,591	-	-
- unrealised	2,734,346	2,963,939	-	-
Gross dividend income from				
- subsidiary companies	-	-	15,086,305	5,984,500
- investments quoted in Malaysia	144,402	71,630	-	-
- investments quoted outside Malaysia	1,264	3,423	1,264	3,423
Gain on disposal of property, plant and equipment	381,837	896,920	-	-
Interest income				
- subsidiary companies	-	-	3,498,715	7,525,637
- others	1,609,152	1,270,006	7,186	-
Rental income	4,423,567	4,400,304	-	-

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29. FINANCE COSTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Finance costs comprise:				
- interest on ICULS	900,615	1,193,753	900,615	1,193,753
- amortisation of discount on ICULS	324,004	437,513	324,004	437,513
- other interest expenses	6,719,045	8,220,768	4,738,855	6,256,699
- interest charged by subsidiary companies	-	-	6,667	41,881
	<u>7,943,664</u>	<u>9,852,034</u>	<u>5,970,141</u>	<u>7,929,846</u>
Less:				
Finance costs representing other interest expenses capitalised under				
- land held for property development (Note 3)	116,128	299,653	-	-
- property development costs (Note 12)	192,034	474,010	-	-
Finance costs classified in cost of sales				
- other interest expenses	56,934	131,361	-	-
	<u>7,578,568</u>	<u>8,947,010</u>	<u>5,970,141</u>	<u>7,929,846</u>

30. GAIN ON DISPOSAL OF INVESTMENTS

	Group	
	2004 RM	2003 RM
(Loss)/Gain on disposal of investments in:		
Subsidiary companies	(4,998)	364,370
Associated company	2,631,311	-
Other investments	3,953,790	-
Loss arising from dilution of interest in a subsidiary company	(2,511,774)	-
	<u>4,068,329</u>	<u>364,370</u>

31. NET IMPAIRMENT LOSS ON VALUE OF INVESTMENTS

	Group	
	2004 RM	2003 RM
Impairment loss on value of investments	3,226,200	5,102,075
Impairment loss on value of investments written back	-	(3,575,786)
	<u>3,226,200</u>	<u>1,526,289</u>

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32. TAX EXPENSE

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Current tax expense				
Malaysian				
- current year	3,737,026	4,932,448	197,000	858,000
- overestimated in prior years	(288,680)	(968,245)	-	(8,041)
	3,448,346	3,964,203	197,000	849,959
Overseas				
- current year	4,177,244	1,597,194	-	-
- overestimated in prior years	(44,578)	(39,143)	-	-
	7,581,012	5,522,254	197,000	849,959
Deferred tax (income)/expense relating to the origination and reversal of temporary differences during the year	(684,456)	99,230	-	-
Deferred tax expense under/ (over)estimated in prior years	36,458	(933,057)	-	-
	(647,998)	(833,827)	-	-
	6,933,014	4,688,427	197,000	849,959

The numerical reconciliations between the tax expense and the product of accounting profit multiplied by the applicable tax rate are as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Accounting profit (excluding share of results in associated companies)	38,216,841	28,257,170	13,066,744	4,538,453
Tax at the applicable tax rate of 28% (2003 : 28%)	10,700,715	7,912,007	3,658,688	1,270,767
Add:				
Tax effect of expenses that are not deductible in determining taxable profit:				
Amortisation and depreciation of non-qualifying assets	254,669	355,086	-	-
Other non-deductible expenses	5,047,073	4,311,771	237,478	394,451
Tax effect of current year unused tax losses and unabsorbed capital allowances not recognised	648,362	1,129,876	-	-
Balance carried forward	16,650,819	13,708,740	3,896,166	1,665,218

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	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Balance brought forward	16,650,819	13,708,740	3,896,166	1,665,218
Less:				
Tax effect of non-taxable and tax exempt income	6,037,514	503,506	3,699,166	807,218
Tax effect on utilisation of unused tax losses not previously recognised	282,388	1,055,099	-	-
Tax effect of tax incentives for the year	511,397	687,062	-	-
Tax effect of income taxed at different statutory rates	479,823	3,816,914	-	-
Tax effect of different rates in foreign tax jurisdictions	2,109,883	1,017,287	-	-
	7,229,814	6,628,872	197,000	858,000
(Less)/Add:				
Current tax expense over-estimated in prior years	(333,258)	(1,007,388)	-	(8,041)
Deferred tax expense under / (over)estimated in prior years	36,458	(933,057)	-	-
Tax expense for the year	6,933,014	4,688,427	197,000	849,959

Based on estimated tax credits and tax exempt income available and the prevailing tax rate applicable to dividends, the entire unappropriated profit at year end is available for distribution by way of dividends without incurring additional tax liability.

33. EARNINGS PER SHARE

(i) Basic earnings per share

The basic earnings per share have been calculated based on the consolidated net profit for the year of RM18,305,992 (2003 : RM8,354,175) and on 215,095,127 (2003 : 209,811,748) weighted average number of ordinary shares in issue during the year after adjusting for shares issued on conversion of ICULS calculated as follows:

	2004	2003
Number of ordinary shares at 1 January	209,951,369	209,793,969
Effect of shares issued pursuant to conversion of ICULS	5,143,758	17,779
Weighted average number of ordinary shares	215,095,127	209,811,748

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(ii) Diluted earnings per share

The potential ordinary shares arising from the exercise of options under ESOS have been excluded from the above computation for the financial year because they have an anti-dilutive effect.

In the previous financial year, the diluted earnings per share was calculated based on:

(a) The adjusted net profit of RM8,889,673 as follows:

	RM
Consolidated net profit for the year	8,354,175
Adjusted tax effects of	
- Interest saving on ICULS	859,502
- Amortisation of discount on ICULS	(324,004)
	<hr/>
Adjusted consolidated net profit for the year	8,889,673
	<hr/> <hr/>

(b) The weighted average number of ordinary shares, upon full conversion of ICULS was calculated as follows:

Weighted average number of ordinary shares as in (i)	209,811,748
Weighted average number of ordinary shares that would have been converted at 1 January 2003 pursuant to conversion of ICULS during the year	139,621
	<hr/>
Weighted average number of unissued shares under ICULS	21,600,246
	<hr/>
Weighted average number of ordinary shares (diluted)	231,551,615
	<hr/> <hr/>
Diluted earnings per share (sen)	3.84
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The potential ordinary shares arising from the exercise of warrants and options under ESOS had been excluded from the above computation as they had an anti-dilutive effect.

34. ANALYSIS OF ACQUISITION AND DISPOSAL OF SUBSIDIARY COMPANIES

The effects of acquisition and disposal of subsidiary companies on the consolidated net profit, the consolidated financial position and the consolidated cash flow statement are as follows:

(A) Acquisition of subsidiary companies

- (i) During the financial year, an internal reorganisation of the electronics division was carried out whereby the 51% interests held by Davex Holdings Berhad in 2 subsidiary companies, namely PI Electronics (HK) Limited ("PIHK") and PI International Limited, were exchanged for 2,550,000 shares of USD0.10 each, or 51% interest, in PI International Holdings Limited ("PIIH"), a company newly incorporated in British Virgin Islands.

PIIH also subscribed for the entire issued and paid-up share capital of the following subsidiary companies at a purchase consideration of USD1.00 or RM4.00 each:

Baby Lion Enterprises Limited ("BLEL")
Profitkey Holdings Limited
PI Japan Holdings Limited ("PIJH")

The subsidiaries are all newly incorporated in the British Virgin Islands.

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Subsequently, BLEL subscribed for the entire issued and paid-up share capital of the following subsidiary companies which are both incorporated in the People's Republic of China:

	Contributed capital	
	USD	or RM
Bao Hui Science & Technology Co., Ltd	259,985	989,430
PI Power Products (Shenzhen) Co., Ltd	400,000	1,506,336

PIJH also acquired 99.5% interest in PI Electronics (Japan) Co., Ltd, a company newly incorporated in Japan for a consideration of 19.9 million Yen or RM678,270.

(ii) During the financial year, the Group also acquired further 90,000 shares or 45% interest in USJ Embroidery Sdn Bhd ("USJ"), an existing 49% owned associated company of the Group at a cash consideration of RM256,320. Consequently, USJ became a subsidiary company of the Group.

(a) Effect on consolidated net profit for the year

	Subsidiaries acquired in	
	2004 RM	2003 RM
Gross revenue	-	10,110,323
Cost of sales	-	(8,246,851)
Gross profit	-	1,863,472
Other operating income	2,893	16,743
Selling and distribution costs	-	(274,421)
Administrative and general expenses	(492,448)	(946,674)
Other operating expenses	-	(278,735)
(Loss)/Profit from operations	(489,555)	380,385
Finance costs	-	(97,723)
(Loss)/Profit before tax	(489,555)	282,662
Tax expense	(1,676)	(154,413)
(Loss)/Profit after tax	(491,231)	128,249
Minority interest	290,000	(65,248)
(Decrease)/Increase in Group's net profit	(201,231)	63,001