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Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Fourth Annual General Meeting of the Company will be held at 4th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 15 June 2006 at 10.30 a.m. for the purposes of transacting the following business:-

ORDINARY BUSINESS:-

1. To receive the audited financial statements of the Company for the financial year ended 31 December 2005 and the Report of the Directors and Auditors thereon. **(Resolution 1)**

2. To approve the Directors' fees for the year ended 31 December 2005. **(Resolution 2)**

3. To re-elect En. Ishak Bin Osman who is retiring under Article 103 of the Company's Articles of Association. **(Resolution 3)**

4. To re-elect Y. Bhg. Laksamana Madya (Rtd) Dato' Seri Ahmad Ramli Bin Haji Mohd Nor who is retiring under Article 94 of the Company's Articles of Association. **(Resolution 4)**

5. To re-elect Y. Bhg. Datuk Azzat Bin Kamaludin who is retiring under Article 94 of the Company's Articles of Association. **(Resolution 5)**

6. To re-elect Mr. David William Berry who is retiring under Article 94 of the Company's Articles of Association. **(Resolution 6)**

7. To appoint Messrs Ernst & Young as Auditors of the Company and authorise the Directors to determine their remuneration. **(Resolution 7)**

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965 (a copy of which is annexed and marked "Annexure A" in the Annual Report 2005) has been received by the Company for the nomination of Messrs Ernst & Young, who have given their consent to act, for appointment as Auditors of the Company.

SPECIAL BUSINESS:-

To consider and if thought fit, to pass the following resolutions:-

8. **Ordinary Resolution - Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965** **(Resolution 8)**

   "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

9. **Ordinary Resolution - Proposed Shareholders' Mandate for Recurrent Related Party Transactions** **(Resolution 9)**

"THAT, subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company and the Listing Requirements of the Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its Subsidiaries to enter into all transactions involving the Related Parties as specified in Sections 2.2 and 2.3 of the Circular to Shareholders dated 24 May 2006 provided that such transactions are:-

(i) recurrent transactions of a revenue or trading nature;
(ii) necessary for the day-to-day operations;
(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and
(iv) are not to the detriment of the minority shareholders.

AND THAT such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
(b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
(c) revoked or varied by a resolution passed by the Shareholders in a General Meeting;

whichever is the earlier.

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

10. To transact any other ordinary business of the Company.

By order of the Board,

Company Secretaries
David Loo Kean Beng
Kang Shew Meng
Seow Fei San

Kuala Lumpur
Dated this 24 May 2006

Notes:-

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.*

2. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. If the appointer is a Corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its officer or attorney duly authorised.*

3. *The instrument appointing a proxy must be deposited at the Registered Office of the Company, 17th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight hours before the time appointed for holding the meeting.*

Explanatory Notes on Special Business

(i) The ordinary resolution proposed under item 8, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting required by law to be held, whichever is earlier.

(ii) The proposed resolution 9, if passed, will enable the Company and/or its Subsidiaries to enter into recurrent transactions involving the interests of Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business and on terms not to the detriment of the minority shareholders of the Company.

Statement Accompanying Notice of Annual General Meeting

1. Directors who are standing for re-election at the Thirty-Fourth Annual General Meeting of the Company to be held at 4th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 15 June 2006 at 10.30 a.m. are as follows:-

   Directors standing for re-election:-

   1) En. Ishak Bin Osman
   2) Y. Bhg. Laksamana Madya (Rtd) Dato' Seri Ahmad Ramli Bin Haji Mohd Nor
   3) Y. Bhg. Datuk Azzat Bin Kamaludin
   4) Mr. David William Berry

2. Details of Directors standing for re-election

The details of the Directors standing for re-election at the forthcoming Thirty-Fourth Annual General Meeting are set out in the Profile of the Board of Directors appearing on pages 6 to 8 and 15 of the Annual Report.

3. Place, Date and Time of the Board of Directors' Meetings

All Board Meetings during the financial year ended 31 December 2005 were held at 1st Floor and 10th Floor of Ming Building, Jalan Bukit Nanas, 50250 Kuala Lumpur and 17th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur. The date and time of the Board Meetings held were as follows:-

Date of Meetings	Time
31 January 2005	10.30 a.m.
7 February 2005	10.30 a.m.
28 February 2005	10.00 a.m.
19 May 2005	10.00 a.m.
26 June 2005	5.30 p.m.
22 August 2005	3.00 p.m.
30 August 2005	3.30 p.m.
19 September 2005	3.00 p.m.
21 November 2005	9.00 a.m.
29 November 2005	8.30 a.m.
19 December 2005	9.30 a.m.

Corporate Information

DIRECTORS

Y. BHG. LAKSAMANA MADYA (RTD) DATO' SERI AHMAD RAMLI BIN HAJI MOHD NOR
Executive Deputy Chairman/
Group Managing Director/
Chief Executive;
appointed on 17.08.2005

Y. BHG. DATUK AZZAT BIN KAMALUDIN
Non-Independent Non-Executive Director;
appointed on 17.08.2005

EN. ISHAK BIN OSMAN
Executive Director - Operations

EN. IDRIS BIN ZAKARIA
Independent Non-Executive Director

TN. HJ. MOHD NOORDIN BIN ABDULLAH
Independent Non-Executive Director

MR. DAVID WILLIAM BERRY
Independent Non-Executive Director;
appointed on 23.02.2006

SECRETARIES

Mr. David Loo Kean Beng (*appointed on 22.08.2005*)
Mr. Kang Shew Meng (*appointed on 22.08.2005*)
Ms. Seow Fei San (*appointed on 22.08.2005*)

AUDITORS

Shamsir Jasani Grant Thornton

REGISTERED OFFICE

17th Floor, Menara Boustead
69 Jalan Raja Chulan
50200 Kuala Lumpur
Tel. No : 03-2031 6516
Fax. No : 03-2026 5978

PRINCIPAL PLACE OF BUSINESS

17th Floor, Menara Boustead
69 Jalan Raja Chulan
50200 Kuala Lumpur
Tel. No : 03-2078 7770
Fax. No : 03-2078 7768

REGISTRAR

Epsilon Registration Services Sdn Bhd
312, 3rd Floor, Block C
Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan
Tel. No : 03-7806 2116
Fax. No : 03-7806 1261

PRINCIPAL BANKERS

Affin Bank Berhad
Bank Islam Malaysia Berhad
Bumiputra-Commerce Bank Berhad
OCBC Bank (M) Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Board

Profile of
The Board of Directors

Y. BHG. LAKSAMANA MADYA (RTD) DATO' SERI AHMAD RAMLI BIN HAJI MOHD NOR

**Executive Deputy Chairman/
Group Managing Director/
Chief Executive
62 years of age, Malaysian**

He was appointed to the Board on 17 August 2005.

He graduated from the Brittania Royal Naval College Dartmouth, United Kingdom, Indonesia Naval Staff College, United States Naval War College and Naval Post-Graduate School in Monterey. He also holds a Masters Degree in Public Administration from the Harvard University, United States. He retired as the Chief of the Royal Malaysian Navy in 1999.

Current directorships in public companies include, Affin Bank Berhad, Muhibbah Engineering Berhad and Comintel Corporation Berhad.

He does not have any family relationship with any Director and/or major shareholders of PSC Industries Berhad ("PSCI"), nor any personal interest in any business arrangement involving the Company.

Y. BHG. DATUK AZZAT BIN KAMALUDIN
Non-Independent Non-Executive Director
61 years of age, Malaysian

He was appointed to the Board on 17 August 2005. He is a member of the Audit Committee.

He is a lawyer by profession, and is a partner of the law firm of Azzat & Izzat. He graduated from the University of Cambridge with degrees in Law and in International Law in 1969 and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970. Prior to being admitted as an advocate and solicitor of the High Court of Malaya in 1979, he served as an Administrative and Diplomatic Officer with the Ministry of Foreign Affairs Malaysia in various capacities. He is also presently a Director of Affin Holdings Berhad, Boustead Holdings Berhad, KPJ Healthcare Berhad, Pulai Springs Berhad, Celcom (Malaysia) Berhad, Visdynamics Holdings Berhad and several other private limited companies. He served as a member of the Securities Commission from 1 March 1993 to 21 March 1999.

He does not have any family relationship with any Director and/or major shareholders of PSCI, nor any personal interest in any business arrangement involving the Company, other than the rendering of professional services to the Group which is carried out in the ordinary course of business of Azzat & Izzat, of which he is a partner.

EN. ISHAK BIN OSMAN
Executive Director - Operations
59 years of age, Malaysian

He was appointed to the Board on 22 January 1998.

He graduated from University of Malaya in Economics (Hons) majoring in Accountancy and a Master of Business Administration in Finance from Leuven University, Belgium. He started his working career in the Ministry of Finance, Malaysia and held various positions in the Ministry during his eleven years with the Government.

He joined Amanah Merchant Bank Berhad as Senior Manager, Project Finance in 1982 and subsequently promoted to be General Manager, Banking & Advisory Service in 1984. In 1987, he moved to Kumpulan Kewangan Berhad ("KKB"), the holding company of Amanah Merchant Bank as a Senior General Manager - Operation. During his services with KKB, he sat on various Boards, namely, Amanah Merchant Bank, Malaysia Discount Berhad, Amanah International Insurance Berhad, Malaysia Credit Finance Berhad and KK Industries Berhad.

In 1989, he assumed the Managing Director’s position in Malaysia Credit Finance Berhad. He does not have any family relationship with any Director and/or major shareholders of PSCI, nor any personal interest in any business arrangement involving the Company.

EN. IDRIS BIN ZAKARIA
Independent Non-Executive Director
61 years of age, Malaysian

He was appointed to the Board on 8 July 1998. He is a member of the Audit, Remuneration and Nomination Committees.

He holds a Diploma in Automobile Engineering, Japan. He established himself in the automobile sector for thirty years and has served companies such as UMW Toyota, Malaysia. He is a Director of Actacorp Holdings Berhad and several other private companies and is also a member of the Kuala Lumpur Dewan Bandaraya Advisory Council. He does not have any family relationship with any Director and/or major shareholders of PSCI, nor any personal interest in any business arrangement involving the Company.

TN. HJ. MOHD NOORDIN BIN ABDULLAH
Independent Non-Executive Director
65 years of age, Malaysian

He was appointed to the Board on 12 December 2001. He is the Chairman of the Audit, Remuneration and Nomination Committees.

He holds a Diploma in British Banking from City of London College. He has more than thirty years of experience in the banking sector. During his employment with Bank Bumiputra Malaysia Berhad, he had the privilege to serve as the Head of Credit Recovery and Compliance Division, Retail & Islamic Banking Division, Area Manager of Regional Office in Wilayah Persekutuan/Selangor and Regional Office Johor/Melaka and also as the General Manager of Kuala Lumpur main branch. He does not have any family relationship with any Director and/or major shareholders of PSCI, nor any personal interest in any business arrangement involving the Company.

MR. DAVID WILLIAM BERRY
Independent Non-Executive Director
58 years of age, New Zealander and Permanent Resident of Malaysia

He was appointed to the Board on 23 February 2006. He is a member of the Audit Committee.

He first arrived in Malaysia in 1980 as the Chief Executive of Chartered Merchant Bankers (now known as Affin Merchant Bank). In a career in financial services spending over 30 years, he has acquired experience in commercial and merchant banking, as well as investment management and venture capital.

From 2002 to 2004, he served as Executive Director and CEO of Cahya Mata Sarawak Berhad, a diversified public company listed on Bursa Malaysia Securities Berhad. He is well-versed in corporate affairs and governance issues and, today, is active as Managing Director - Governance at Columbus Circle Governance Sdn Bhd, a specialist firm providing advice and counsel to companies in the areas of corporate governance, investor relations, financial communications, risk management, internal controls and corporate/financial strategy. Between 1990 and 2002, he served as a Non-Executive Director of Boustead Holdings Berhad. He does not have any family relationship with any Director and/or major shoreholders of PSCI, nor any personal interest in any business arrangement involving the Company.

Executive Deputy Chairman's Statement

Y. Bhg. Laksamana Madya (Rtd)
Dato' Seri Ahmad Ramli
Bin Haji Mohd Nor

Dear Shareholder,

Given the changes taking place in the Group, I am pleased to present my inaugural report as the new Executive Deputy Chairman of PSC Industries Berhad ("PSCI"). I hope it will provide you with a better understanding of the circumstances and the current situation of the Group.

The foundation of this change has taken place at the very helm, where the composition of its Board of Directors as well as our Senior Management team were reviewed following the change in shareholding structure.

These changes underline the developments that have taken place in 2005. I trust you will find this review informative but more importantly, as one of our valued shareholders, we hope you will appreciate the course the Group has set its sights on.

Executive Deputy Chairman's Statement

Financial Review

Due to lower contribution from all business segments, and no contribution from the Offshore Patrol Vessels ("OPV") project, PSCI recorded a lower turnover of RM171 million in 2005 compared to RM532 million the previous year. This translated to a net loss of RM549 million for the year under review.

In adhering to prudent accounting practices, we have written-off deferred expenditure to the tune of RM455 million. This amount is a result of OPV designs which were largely incurred earlier, and would very likely become obsolete in terms of value. In addition, we had to write-off consulting fees of RM143 million for projects that never materialised.

Furthermore, we had to account for a revision in profit margin which amounted to RM607 million due to cost escalation of the OPV project. To add to this, an impairment of property, plant and equipment of RM35 million; goodwill written off amounting to RM204 million; deferred asset of RM63 million and provision of doubtful debts amounting to RM292 million, had to be taken up.

Based on this grim prospect, PSCI was classified under Practice Note ("PN") 17 of Bursa Malaysia for negative shareholders' funds in 2005. However, the Group is trying its best to work towards declassification from the PN17 category.

Due to foreclosure by various financial institutions, PSC-Naval Dockyard ceased to be a subsidisry of the Group, hence becoming an associate at year-end. This has resulted in a reversal of losses incurred in prior and current financial years amounting to RM1.3 billion.

Review Of Operations

The Group is developing a business plan that will, hopefully in the long term, place the company in a more positive position in terms of enhancing shareholders' value. As part of this plan, the Group intends to focus on growing its business prospects via concentrating on the offshore fabrication and shipbuilding market as well as dockyard services.

Our strength lies in our experience and technical expertise in completing multi-discipline engineering, procurement, fabrication and commissioning contracts for various marine related development projects locally and internationally.

In order to leverage on its strength, the Group has put into action efforts to increase productivity by encouraging multi-tasking and improving specialisation. This was done via the introduction of incentive schemes and a variety of training exercises for employees at all levels. Selected employees were also sponsored by the Group to pursue a Bachelor's Degree in Mechanical Engineering in a bid to enhance the commitment and skills set of our human resource.

Executive Deputy Chairman's Statement

In tandem with these efforts, PSCI also successfully carried out a Voluntary Separation Scheme and restructured the management of the Group. As such, in terms of operations and management, the Group has focused on an efficient integration process, via dedicated regular meetings with senior management groups, with the aim of promoting a better understanding of the situation and the solutions that need to be immediately addressed within the Group.

We would like to convey a deep sense of gratitude to our work force, shareholders, financiers, consultants and business partners for their strength, resolve and believe in the new found vigor of the Group. We hope to have your continued support and trust that in the coming periods, we are able to work closely together to improve on our current situation.

Terima kasih.

Laksamana Madya (Rtd) Dato' Seri Ahmad Ramli
Bin Haji Mohd Nor
Executive Deputy Chairman

15 May 2006

Audit Committee Report

COMPOSITION OF MEMBERS

Chairman
Tn. Hj. Mohd Noordin Bin Abdullah (Independent Non-Executive Director)

Members
Y. Bhg. Datuk Azzat Bin Kamaludin (Non-Independent Non-Executive Director; appointed on 17 August 2005)
En. Idris Bin Zakaria (Independent Non-Executive Director)
Mr. David William Berry (Independent Non-Executive Director; appointed on 23 February 2006)

MEMBERSHIP

The Audit Committee shall be appointed by the Board from amongst the Directors of the Company and shall number not less than three members, a majority of whom shall be Independent Non-Executive Directors. The members of the Audit Committee shall elect a Chairman from amongst themselves who is an Independent Non-Executive Director.

The terms of office and performance of the Committee and each of its members shall be reviewed by the Board no less than once every three years.

AUTHORITY

The Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee. The Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary.

The Committee shall have direct access to the internal and external auditors and be able to convene meetings with external auditors excluding the attendance of the executive members of the Committee, whenever necessary.

DUTIES AND RESPONSIBILITY

The duties of the Committee shall be:-

- To consider the appointment, resignation and dismissal of external auditors and the audit fee.
- To discuss with the external auditors, prior to the commencement of audit, the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved.
- To review the quarterly announcements to the Bursa Malaysia Securities Berhad and year end annual financial statements before submission to the Board.
- To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary).
- To review the external auditors' management letter and management's response.
- To do the following in respect of the internal audit function:-
  - review the adequacy of scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
  - review internal audit programme.
  - ensure co-ordination of external audit with internal audit.
  - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function.
- To monitor related party transactions entered into by the Company and the Group, and to ensure that the Directors report such transactions as necessary in accordance with the Bursa Malaysia Securities Berhad Listing Requirements.
- To review the effectiveness of internal control systems.
- To perform any other such function as may be agreed to by the Audit Committee and the Board.

MEETINGS AND MINUTES

Meetings shall be held not less than four times a year, or more frequently when necessary. The presence of internal and external auditors will be requested if required. Other Board members and employees may attend meetings upon the invitation of the Audit Committee. The external auditors may request a meeting if they consider it necessary. Written notice of the meeting together with the agenda shall be given to the members of the Committee and where applicable, the external auditors.

The Secretary to the Audit Committee shall be the Company Secretary. Minutes of each meeting shall be distributed to each member of the Board. The Chairman of the Committee shall report on each meeting to the Board.

During the financial year ended 31 December 2005, there were three Audit Committee meetings held and the fourth Audit Committee meeting was not held due to the lack of quorum, however, the Board of Directors has taken up the responsibility and duty to review the fourth quarter result at the Board meeting. The details of attendance of the Committee members are as follows:-

NAME OF DIRECTORS	INDEPENDENT	ATTENDANCE OF MEETINGS
Tn. Hj. Mohd Noordin Bin Abdullah	Yes	3/3
Y. Bhg. Datuk Azzat Bin Kamaludin#	No	0/1
En. Idris Bin Zakaria	Yes	3/3
En. Ibrahim Bin Topaiwah*	No	2/2
Mr. David William Berry+	Yes	-

Notes:-
Appointed on 22 August 2005.
* *Resigned on 17 August 2005.*
+ *Appointed on 23 February 2006.*

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2005, the activities undertaken by the Audit Committee included the following:-

1. Reviewing the quarterly financial statements before announcements to the Bursa Malaysia Securities Berhad.

2. Reviewing the year end financial statements together with external auditors' management letter in relation to the audit and accounting issues arising from the audit and management's response.

3. Discussing and reviewing the external auditors' scope of work, audit plan and procedures.

4. Discussing and reviewing the state of internal control in the Company.

INTERNAL AUDIT FUNCTION

The Internal Audit Division is responsible for providing independent assessments for adequate, efficient and effective internal control systems to anticipate potential risks exposures over key business processes within the Group.

Statement on Corporate Governance

The Code

The Board of Directors is committed to ensuring the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of PSCI.

BOARD OF DIRECTORS

Composition of the Board

The Board currently has six members, comprising two Executive Directors and four Non-Executive Directors, three of whom are Independent Directors. No individual dominates the Board's decision making and the number of Directors reflects fairly the investment of the shareholders. The Board also fulfills the requirement of having at least one-third of its members as Independent Non-Executive Directors.

Y. Bhg. Laksamana Madya (Rtd) Dato' Seri Ahmad Ramli Bin Haji Mohd Nor leads the Board as Executive Deputy Chairman, Group Managing Director and Chief Executive of the Company. Together, the Directors bring a wide range of business; commercial and financial experience relevant to the direction of the Group.

The Board continues to give close consideration to its size, composition and spread of experience and expertise. This balance enables the Board to provide effective leadership as well as independent judgement on business decisions, taking into account long term interests of shareholders, customers, suppliers and other business associates with whom the Group conducts its business.

The profile of the members of the Board is also provided on pages 6 to 8 in this Annual Report.

In accordance with the requirement of the Code, Tn. Hj. Mohd Noordin Bin Abdullah has been appointed as the Senior Independent Non-Executive Director to be available to deal with concerns of the Company.

Board Responsibilities

Following the changes in the Board, there is no separate division of responsibilities between the Executive Deputy Chairman, Group Managing Director and Chief Executive of the Company to ensure that there is a balance of power and authority. However, with the presence of Independent Non-Executive Directors of the calibre necessary to execute sufficient weight in the Board decisions creates a balance in the Board and the Audit Committee are working towards ensuring full compliance with the Principles and Best Practices of the Code. Nevertheless, the ultimate responsibility for the final decision on all matters lies with the Board of Directors.

An effective Board leads and controls the Group. This entails reviewing and adopting strategic plans for the Company, setting direction, overseeing the conduct of the business and managing the Company. Key matters such as approval of annual and quarterly results, acquisitions and disposals, capital expenditures, budgets, material contracts and business engagements, succession planning for top management are reserved for the Board. These reserved matters are set out in a formal statement of the Board's role.

The Board is assisted by various committees, which oversees the day-to-day operations of the Group including review of monthly performance, budgets, capital investment proposals and many other operating issues arising out of the ordinary course of business.

The Board has also delegated certain responsibilities to other Board committees, which operate within clearly defined terms of reference. Standing committees of the Board include the Audit Committee, the Nomination Committee and the Remuneration Committee.

Board Meetings

Board meetings are held at quarterly intervals with additional meetings convened for particular matters, when necessary. All Directors are fully briefed in advance of Board meetings on the matters to be discussed and have access to any further information they may require. The Board may, whenever required, set up committees delegated with specific powers and responsibilities.

The Directors have access to the advice and services of the company secretaries, who are responsible for ensuring the Board meeting procedures, are followed and that applicable rules and regulations are complied with.

The Memorandum and Articles of Association of the Company provides for the Chairman to have the casting vote in the event an equality of votes arises over an issue in question.

The Board met for a total of ten times during the financial year ended 31 December 2005.

Name of Director	Status of Directorship	Independent	Attendance of Meetings
Y. Bhg. Tan Sri Dato' Amin Shah Bin Haji Omar Shah**	Non-Executive Chairman	No	4/10
Y. Bhg. Laksamana Madya (Rtd) Dato' Seri Ahmad Ramli Bin Haji Mohd Nor+	Executive Deputy Chairman/Group Managing Director/ Chief Executive	No	6/6
Y. Bhg. Datuk Azzat Bin Kamaludin+	Non-Independent Non-Executive Director	No	6/6
En. Ishak Bin Osman	Executive Director	No	9/10
En. Idris Bin Zakaria	Independent Non-Executive Director	Yes	9/10
Tn. Hj. Mohd Noordin Bin Abdullah	Independent Non-Executive Director	Yes	7/10
En. Azlan Shah Bin Haji Omar Shah*	Group Managing Director	No	1/4
En. Ibrahim Bin Topaiwah*	Executive Director	No	4/4
Y. Bhg. Datuk Mohamad Saleh Bin Mohd Ghazali^	Non-Independent Non-Executive Director	No	7/7
Mr. David William Berry#	Independent Non-Executive Director	Yes	-

Notes:-
+ *Appointed on 17 August 2005.*
* *Resigned on 17 August 2005.*
^ *Resigned on 31 October 2005.*
# *Appointed on 23 February 2006.*
** *Vacated office on 1 January 2006.*

Supply of Information

Prior to the Board meeting, an agenda and a Board report will be issued to all Directors for their review. This is issued in sufficient time to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting. The Board report contains relevant information on the business of the meeting.

The Board has approved a procedure to take independent professional advice in appropriate circumstances, at the Company's expense. Before incurring such professional fees, the Director concerned must consult with the Executive Deputy Chairman of the Board or with two other Directors, one of whom is Non-Executive.

Directors have access to all information within the Company, whether as a full Board or in the individual capacity, in the furtherance of their duties.

Directors also have access to the advice and services of the Company Secretaries who are responsible for ensuring that Board procedures are followed.

Appointment and re-election of Directors

In accordance with the Company's Articles of Association, all newly appointed Directors shall retire from office but shall be eligible for re-election in the next Annual General Meeting subsequent to their appointment. The Articles further provides that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting.

BOARD COMMITTEES

Audit Committee

The Audit Committee reviews issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures an objective and professional relationship is maintained with external auditors. The Committee has full access to both the internal and external auditors who, in turn, have access at all times to the Chairman of the Committee.

The report of the Audit Committee is set out on pages 12 - 13 of the annual report.

Nomination Committee

The Board has established a Nomination Committee consisting of the following Independent Non-Executive Directors:-

Chairman : Tn. Hj. Mohd Noordin Bin Abdullah
Member : En. Idris Bin Zakaria

The functions of the Nomination Committee shall be to:-

- Recommend candidates for all directorships.
- Recommend appointments to Board Committees.
- Annually review the required mix of skills and experience and other qualities, including core competencies, which Non-Executive Directors should bring to the Board.

The Directors have direct access to the advice and services of the Group's Company Secretaries who are responsible for ensuring that all appointments are properly made and all necessary information is obtained from Directors, both for the Company's own records and for the purposes of meeting the requirements of the Companies Act, 1965, Listing Requirements of the Bursa Malaysia Securities Berhad and other regulatory requirements.

On appointment, Directors will receive information on the Company which include financial, corporate business and regulatory information and their formal statement of the Board's role. Information will regularly be updated through meetings or written circulars. Directors are encouraged to attend training courses at the Company's expense to keep abreast with development in the market place.

All Directors of the Company have attended the Mandatory Accreditation Programme conducted by the Approved Organiser. During the year, some of the Directors have attended trainings and seminars and will continue to undergo other relevant training programmes as appropriate, to further enhance their skills and knowledge.

Remuneration Committee

The Board has established a Remuneration Committee consisting of the following Independent Non-Executive Directors:-

Chairman : Tn. Hj. Mohd Noordin Bin Abdullah
Members : En. Idris Bin Zakaria

The terms of reference approved for the Committee are to:-

- Review and recommend the general remuneration policy of the Group.
- Recommend to the Board the remuneration of Executive Directors in all its forms, drawing from outside advice as necessary and to review annually the compensation of Directors.
- Remuneration package of Non-Executive Director and Non-Executive Chairman should be a matter for the Board as a whole and the individuals concerned should abstain from discussion of their own remuneration.

The policy of the Remuneration Committee is to reward employees competitively, taking into account performance, market comparisons and competitive pressure in the industry. The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular Non-Executive Directors concerned.

A summary of the remuneration of the Directors for the financial year ended 31 December 2005, distinguishing between Executive and Non-Executive Directors in aggregate, with categorisation into appropriate components and the number of Directors whose remuneration falls into each successive band are as follows: -

	Executive Directors (RM)	Non-Executive Directors (RM)	Total (RM)
Fees	49,500	38,500	88,000
Salary	1,089,887	256,630	1,346,517
EPF	96,480	-	96,480
Allowance	439,681	70,398	510,079
Benefit-in-kind	110,800	17,104	127,904
Total	**1,786,348**	**382,632**	**2,168,980**

Directors' Remuneration	Executive Directors	Non-Executive Directors	Total
RM0 – RM50,000	1	2	3
RM50,001 – RM100,000	-	1	1
RM150,001 – RM200,000	1	-	1
RM250,001 – RM300,000	-	1	1
RM450,001 – RM500,000	2	-	2
RM600,001 – RM650,000	1	-	1
Total	**5**	**4**	**9**

INVESTORS AND SHAREHOLDERS RELATIONSHIP

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

At each Annual General Meeting, the Board encourages shareholders to participate in the question and answer session pertaining to the business activities of the Group. Executive Directors and where appropriate, the Chairman of the Audit Committee is available to respond to shareholders' questions during the meeting. Where appropriate, the Chairman will undertake to provide a written answer to any significant question, which cannot be readily answered on the spot.

ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements of results to the shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects.

Before the financial statements were drawn up, the Directors have taken the necessary steps to ensure that the Group had used all the applicable accounting policies consistently, and that the policies are supported by reasonable and prudent judgements and estimates. All accounting standards, which the Board considers to be applicable, have been followed, subject to any explanations and material departures disclosed in the notes to the financial statements.

The role of the Audit Committee in the review and reporting of the financial information of the Group is outlined in the Report of the Audit Committee in the Annual Report.

Relationship with the Auditors

The Board has established a formal and transparent relationship with the auditors. The appointment of the external auditors is subject to the approval of shareholders at the Annual General Meeting whilst their remuneration is determined by the Board. The roles of both the external and internal auditors are further described in the Audit Committee Report.

Statement of Internal Control

The information on the Group's internal control is presented in the statement of the Internal Control in the Annual Report.

Statement on Internal Control

The Board of Directors ("the Board") is committed to maintaining a sound systems of internal control to safeguard shareholders' investment and the Group's assets. Nevertheless, the Board is working toward corrective actions where exceptions were noted.

The Board is pleased to provide the following Statement on Internal Control which outlines the nature and scope of internal controls of the Group during the year pursuant to Paragraph 15.27(b) of the Listing Requirements of the Bursa Malaysia Securities Berhad.

RESPONSIBILITY

The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and effectiveness of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. The review covers financial, operational and compliance controls of the Group. In view of the inherent limitations in any system of internal controls, the system is designed to manage rather than eliminate the risk of failure to achieve its corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against misstatement or loss.

INTERNAL CONTROL

Whilst the Board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues, it has delegated to executive management the implementation of the systems of internal control within an established framework.

The key elements of the Group's internal control systems include the following : -

- The role played by the Group Managing Director as the channel of communication between the Board and the management. The Group Managing Director who is empowered to manage the business of the Group implements the Board's expectations of the systems of internal control.

- The Group Managing Director, together with the respective management team, attended to various management and operations meetings, and review financial and operations reports, in order to monitor the performance and profitability of the Group's businesses. The Group Managing Director and the management team practice an open door policy whereby matters arising are promptly and effectively dealt with drawing on the experience and knowledge of employees throughout the Group.

- The Group has clearly defined organisational structures and delegations of responsibilities and authorisations limits at various management levels.

- The Group also has in place various support functions, which are centralised at Head Office. These comprise Secretarial, Legal, Human Resource, Finance and Treasury. These support functions maintain consistency in the setting and application of policies and procedures relating to these functions, and reduce duplication of efforts, thereby providing synergy to the Group.

- The management of key operating subsidiary companies are responsible for:-

  - the conduct and performance of their respective business unit;
  - identification and evaluation of significant risks applicable to their respective area of business together with the design and operation of suitable internal controls;
  - ensuring that an effective system of internal controls is in place;
  - meeting defined reporting deadlines and ensuring compliance with policies, procedure and regulatory requirement.

- Detailed budgeting process whereby key operating subsidiary companies prepare budgets for the coming year, which are approved at the operating level. Actual performance compared with budget is reviewed periodically with explanations of major variances.

- Corporate values and code of conduct, which emphasise on ethical behaviour are set out in Group's Employee Handbook.

Statement on Internal Control

The internal audit function, which is centrally controlled, reviews and assesses the adequacy and effectiveness of the internal control with focus on the crucial aspects of the operational, financial, organisation and compliance processes. Any major weakness failings in the system of internal control that have been identified will be brought to the attention of the Audit Committee and the Board for review and rectification.

The external auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal control and the data contained in the financial statements to the extent necessary to express their audit opinion. Findings arising from the audit are discussed with management and material findings reported to the Audit Committee.

The effectiveness of the Group's system of internal controls will continue to be reviewed and updated by the Board through the Audit Committee which in line with the changes in the operating environment. The Board is of the view that the current system of internal control is in place throughout the Group and sufficient to safeguard the Group's interest.

This statement is made in accordance with a resolution of the Board of Directors dated 26 April 2006.

Directors' Responsibility Statement

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS AND OTHER INFORMATION

The Directors are required by the Companies Act, 1965 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing these financial statements, the Directors have:-

- adopted suitable accounting policies and applying them consistently;
- made judgments and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

Additional Compliance Information

Sanctions and/or Penalties

On 11 November 2005, the Company received a public reprimand and fine of RM25,000 from the Bursa Malaysia Securities Berhad in respect of the breach of Paragraph 9.04(1) and Paragraph 3.2 of Practice Note No. 1/2001 of Bursa Malaysia Securities Berhad Listing Requirements.

Revaluation Policy on Landed Properties

Save and except for investment properties which were appraised once in every five years, the Group does not have a revaluation policy.

Non-Audit Fees

The amount of non-audit fees paid to the external auditors by the Group and by the Company for the financial year amounted to RM40,893 and RM21,080 respectively.

Share Buy-Backs

The Company did not make any share buy-back during the financial year.

Options and Warrants

No options and warrants were exercised during the financial year.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

The Company has not sponsored any ADR or GDR programme during the financial year ended 31 December 2005.

Variation in Results

There was no material variation between the audited results for the financial year ended 31 December 2005 and the unaudited results previously released for the financial quarter ended 31 December 2005.

Profit Guarantee

The Company did not make any arrangement during the financial year which requires profit guarantee.

Material Contracts

There were no material contracts entered into by the Company and its subsidiary companies, involving Directors and substantial shareholders during the financial year.

Financial Statements

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, property holding and development. The principal activities of the subsidiary companies are as mentioned in Note 13 to the Financial Statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

FINANCIAL RESULTS

	The Group RM'000	The Company RM'000
Loss after taxation	(634,899)	(432,700)
Minority interests	86,209	-
Loss for the financial year	(548,690)	(432,700)

DIVIDENDS

There were no dividends paid or declared by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the Notes to the Financial Statements.

ISSUE OF SHARES AND DEBENTURES

There were no shares and debentures issued by the Company during the financial year.

INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all bad debts had been written off and adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

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

(a) which would render the amount written off as bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

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

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION

The Directors state that:-

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

In the opinion of Directors:-

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the notes to the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Significant events during the financial year and subsequent to the balance sheet date are disclosed in Note 45 to the Financial Statements.

DIRECTORS

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

Y. Bhg. Laksamana Madya (Rtd) Dato' Seri Ahmad Ramli Bin Haji Mohd Nor (Executive Deputy Chairman/Group Managing Director/Chief Executive; appointed on 17.08.2005)

Y. Bhg. Datuk Azzat Bin Kamaludin (Non-Independent Non-Executive Director; appointed on 17.08.2005)

En. Ishak Bin Osman (Executive Director - Operations)

En. Idris Bin Zakaria (Independent Non-Executive Director)

En. Mohd Noordin Bin Abdullah (Independent Non-Executive Director)

Mr. David William Berry (Independent Non-Executive Director; appointed on 23.02.2006)

Y. Bhg. Tan Sri Dato' Amin Shah Bin Haji Omar Shah (Non-Executive Chairman; vacated office on 01.01.2006)

Y. Bhg. Datuk Mohamad Saleh Bin Mohd Ghazali (Non-Independent Non-Executive Director; resigned on 31.10.2005)

En. Azlan Shah Bin Haji Omar Shah (Group Managing Director; resigned on 17.08.2005)

En. Ibrahim Bin Topaiwah (Executive Director; resigned on 17.08.2005)

In accordance with Article 94 of the Articles of Association, Y. Bhg. Laksamana Madya (Rtd) Dato' Seri Ahmad Ramli Bin Haji Mohd Nor, Y. Bhg. Datuk Azzat Bin Kamaludin and Mr. David William Berry retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 103 of the Articles of Association, En. Ishak Bin Osman retires from the Board at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

According to the Register of Directors' Shareholdings, the Directors' beneficial interest in the share of the Company at the financial year end are as follows:-

		Ordinary shares of RM1 each		
The Company	**As at 1.1.2005**	**Bought**	**Sold**	**As at 31.12.2005**
Y. Bhg. Laksamana Madya (Rtd) Dato' Seri Ahmad Ramli Bin Haji Mohd Nor	-	1,000	-	1,000
Y. Bhg. Tan Sri Dato' Amin Shah Bin Haji Omar Shah				
- direct	5,060,400	-	1,296,000	3,764,400
- indirect (1)	43,778,832	-	28,273,288	15,505,544
- indirect (2)	10,000	-	-	10,000
- indirect (3)	349,000	-	349,000	-
- indirect (4)	1,000,000	-	-	1,000,000
En. Mohd Noordin Bin Abdullah	100	-	-	100

(1) Deemed interest by virtue of his substantial shareholdings in Business Focus Sdn Bhd.

(2) Deemed interest by virtue of his shareholdings in Pilot Lead Investments Limited.

(3) Deemed interest by virtue of his son's and sister's direct shareholdings in PSC Industries Berhad.

(4) Deemed interest by virtue of his sustained shareholding in Modalshah (M) Sdn Bhd.

No other Directors who are in office at financial year end, held any interest in the shares of the Company and its subsidiary companies during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Group and the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in Note 30 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

AUDITORS

Messrs Shamsir Jasani Grant Thornton, retire and do not seek for re-appointment.

Signed in accordance with a resolution of the Board of Directors dated 26 April 2006.

LAKSAMANA MADYA (RTD) DATO' SERI AHMAD RAMLI BIN HAJI MOHD NOR

DATUK AZZAT BIN KAMALUDIN

Kuala Lumpur
26 April 2006

Statement by Directors

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 30 to 81 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005, results of the operations and cash flows of the Group and of the Company for the financial year then ended.

Signed in accordance with a resolution of the Board of Directors dated 26 April 2006.

LAKSAMANA MADYA (RTD) DATO' SERI AHMAD RAMLI BIN HAJI MOHD NOR

DATUK AZZAT BIN KAMALUDIN

Kuala Lumpur
26 April 2006

Statutory Declaration

I, Peramjeet Singh A/L Gian Singh, being the Officer primarily responsible for the financial management of PSC Industries Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 30 to 81 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 by)
the above named at Kuala Lumpur in)
the Federal Territory this day of)
26 April 2006) **PERAMJEET SINGH A/L GIAN SINGH**

Before me:
S. Masohood Omar
(No. W354)

Commissioner for Oaths
Kuala Lumpur

Report of The Auditors

To The Members of PSC Industries Berhad

We have audited the financial statements set out on pages 30 to 81 of PSC Industries Berhad.

These financial statements are the responsibility of the Company's Directors.

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

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:

  (i) the state of affairs of the Group and of the Company as at 31 December 2005 and of the results and cash flows of the Group and of the Company for the financial year ended on that date; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiary companies of which we have not acted as auditors, as indicated in Note 13 to the financial statements.

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

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Malaysia, did not include any comment made under Subsection (3) of Section 174 of the Act.

Report of The Auditors

Without qualifying our opinion, we draw your attention of the following:-

(a) As disclosed in Note 2 to the financial statements, as at 31 December 2005, the Group and the Company having a capital deficiency of RM444.4 million and RM212.0 million respectively and the Group's and the Company's total current liabilities exceeded their total current assets by RM591.6 million and RM248.8 million respectively.

In addition, the Group and the Company have defaulted in their repayment of loan and other bank borrowing facilities amounting to RM547.4 million and RM241.0 million respectively as at 31 December 2005.

These conditions indicate the existence of a material uncertainty which may cast doubt about the Group's and the Company's ability to continue as a going concern. We have been informed by the Directors that the Group is in the midst of formulating a restructuring plan to regularise its financial condition. Accordingly, the ability of the Group and the Company to continue as a going concern is dependent on the formulation, approval and implementation on the proposed restructuring plan, profitable operation, positive cash flows and financial support of the shareholders. The financial statements of the Group and the Company do not include any adjustments relating to amounts and classification of assets and liabilities that might be necessary should the relevant approvals for the proposed restructuring plan be further delayed or not obtained.

SHAMSIR JASANI GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

Y. BHG. DATO' N.K. JASANI
CHARTERED ACCOUNTANT
(NO: 708/03/06(J/PH))
PARTNER

Kuala Lumpur
26 April 2006

Balance Sheets

As at 31 December 2005

	Note	The Group 2005 RM'000	The Group 2004 RM'000	The Company 2005 RM'000	The Company 2004 RM'000
Share Capital	6	**174,083**	174,083	**174,083**	174,083
Reserves		**(618,489)**	(69,779)	**(386,129)**	46,571
Total shareholders' funds		**(444,406)**	104,304	**(212,046)**	220,654
Minority Interests		**5,316**	91,908	**-**	-
Deferred And Long Term Liabilities					
Finance creditors	7	**3,739**	14,125	**68**	109
Term loans	8	**180**	284,977	**-**	-
Deferred taxation	9	**533**	2,190	**-**	7,830
		(434,638)	497,504	**(211,978)**	228,593
Represented by:-					
Property, Plant and Equipment	10	**86,450**	494,277	**247**	320
Investment Properties	11	**70,000**	70,000	**-**	-
Deferred Assets	12	**-**	67,168	**-**	-
Subsidiary Companies	13	**-**	-	**36,141**	298,867
Associate Companies	14	**10**	-	**-**	-
Investments	15	**505**	1,633	**445**	890
Goodwill on consolidation	16	**15**	157,265	**-**	-
Deferred Expenditure	17	**-**	143,839	**-**	-
Offshore Patrol Vessels Expenditure	18(a)	**-**	455,341	**-**	-
Current Assets					
Offshore Patrol Vessels expenditure	18(b)	**-**	260,481	**-**	-
Contract sum receivables	19	**3,887**	125,918	**-**	-
Inventories	20	**2,879**	15,389	**-**	-
Trade receivables	21	**27,072**	176,273	**-**	-
Other receivables, deposits and prepayments	22	**4,063**	262,588	**-**	27,419
Amount due from subsidiary companies	23	**-**	-	**5,468**	137,361
Amount due from related parties	24	**24,903**	-	**621**	-
Deposits with licensed banks	25	**4,916**	270,569	**-**	135
Tax recoverable		**-**	-	**170**	-
Cash and bank balances		**12,634**	6,660	**40**	119
Total current assets		**80,354**	1,117,878	**6,299**	165,034

Balance Sheets

As at 31 December 2005

		The Group		The Company	
	Note	**2005 RM'000**	2004 RM'000	**2005 RM'000**	2004 RM'000
Less: Current Liablilities					
Contract sum payables	19	**211**	77,860	**-**	-
Trade payables	26	**38,503**	814,571	**-**	-
Other payables and accrued liabilities	27	**32,835**	109,316	**872**	1,546
Amount due to subsidiary companies	23	**-**	-	**13,240**	11,326
Amount due to related parties	24	**19,415**	-	**-**	-
Term loans	8	**524,381**	939,849	**240,998**	220,120
Other bank borrowings	28	**53,584**	65,343	**-**	-
Taxation payable		**3,043**	2,958	**-**	3,526
Total current liabilities		**671,972**	2,009,897	**255,110**	236,518
Net Current Liabilities		**(591,618)**	(892,019)	**(248,811)**	(71,484)
		(434,638)	497,504	**(211,978)**	228,593

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

Income Statements

For the financial year ended 31 December 2005

	Note	The Group		The Company	
		2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Revenue	29	**170,963**	531,802	**993**	5,303
Cost of sales/direct costs		**(166,262)**	(463,025)	**-**	-
Gross profit		**4,701**	68,777	**993**	5,303
Other operating income		**46,787**	13,278	**16**	-
Distribution cost		**(100)**	(83)	**-**	-
Administration expenses		**(3,575)**	(1,309)	**(58)**	(80)
Other operating expenses		**(104,407)**	(92,543)	**(2,339)**	(1,451)
(Loss)/Profit from operations	30	**(56,594)**	(11,880)	**(1,388)**	3,772
Finance cost	31	**(101,026)**	(55,368)	**(21,197)**	(15,434)
Exceptional items	32	**(476,985)**	(464,809)	**(418,171)**	(11,668)
Share of loss of associate companies		**(59)**	-	**-**	-
Loss before taxation		**(634,664)**	(532,057)	**(440,756)**	(23,330)
Taxation	33	**(235)**	18,429	**8,056**	-
Loss after taxation		**(634,899)**	(513,628)	**(432,700)**	(23,330)
Minority interests		**86,209**	87,886	**-**	-
Net loss for the year		**(548,690)**	(425,742)	**(432,700)**	(23,330)
Loss per share (sen)	34	**(315)**	(248)		
Dividends per share (sen) - gross	35	**-**	4	**-**	4

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

Statement of Changes in Equity

For the financial year ended 31 December 2005

	Share capital RM'000	Share premium* RM'000	Revaluation reserve* RM'000	Exchange fluctuation reserve* RM'000	Capital reserves* RM'000	Unappropriated profits/ (Accumulated loss) RM'000	Total RM'000
The Group							
Balance at 1 January 2004	158,258	2,108	8,033	(5,181)	6,096	299,156	468,470
Net gain not recognised in the income statements							
- currency translation differences	-	-	-	2	-	-	2
- realisation of revaluation reserve upon disposal of subsidiary company	-	-	(8,033)	(3,243)	(6,096)	-	(17,372)
Private placement	15,825	69,630	-	-	-	-	85,455
Expenses on issuance of shares capital	-	(1,495)	-	-	-	-	(1,495)
First and final dividend of 8% less 28% income tax (note 35)	-	-	-	-	-	(5,014)	(5,014)
Net loss for the year	-	-	-	-	-	(425,742)	(425,742)
Balance at 31 December 2004	174,083	70,243	-	(8,422)	-	(131,600)	104,304
Net gain not recognised in the income statements							
- currency translation differences	-	-	-	(20)	-	-	(20)
Net loss for the year	-	-	-	-	-	(548,690)	(548,690)
Balance at 31 December 2005	**174,083**	**70,243**	**-**	**(8,442)**	**-**	**(680,290)**	**(444,406)**
The Company							
Balance at 1 January 2004	158,258	2,108	-	-	-	4,672	165,038
Private placement	15,825	69,630	-	-	-	-	85,455
Expenses on issuance of shares capital	-	(1,495)	-	-	-	-	(1,495)
First and final dividend of 8% less 28% income tax (Note 35)	-	-	-	-	-	(5,014)	(5,014)
Net loss for the year	-	-	-	-	-	(23,330)	(23,330)
Balance at 31 December 2004	174,083	70,243	-	-	-	(23,672)	220,654
Net loss for the year	-	-	-	-	-	(432,700)	(432,700)
Balance at 31 December 2005	**174,083**	**70,243**	**-**	**-**	**-**	**(456,372)**	**(212,046)**

* Non-distributable reserves

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

Cash Flow Statements

For the financial year ended 31 December 2005

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Cash Flows From Operating Activities				
Loss before taxation	**(634,664)**	(532,057)	**(440,756)**	(23,330)
Adjustments for:-				
Interest expenses	**101,026**	55,368	**21,197**	15,434
Interest income	**(4,093)**	(5,582)	**(509)**	(4,803)
Provision for doubtful debts no longer required	**(18,744)**	(702)	**-**	-
Impairment loss on investments	**1,128**	-	**263,171**	-
Amortisation	**3,951**	4,321	**-**	-
Unrealised loss on foreign exchange	**94**	1,713	**-**	-
Goodwill written off	**203,496**	-	**-**	-
Gain on disposal of a subsidiary company	**(1,322,346)**	(28,814)	**-**	-
Gain on disposal of associate company	**(1,061)**	-	**-**	-
Provision for obsolete inventories	**3,716**	720	**-**	-
Provision for obsolete inventories no longer required	**(34)**	-	**-**	-
Deposit written off	**1,000**	-	**-**	-
Provision for doubtful debts	**291,715**	66,775	**124,045**	10,000
Provision for refund of deposit	**1,000**	-	**-**	-
Depreciation	**18,637**	16,790	**73**	74
Loss/(Gain) on disposal of property, plant and equipment	**333**	(70)	**-**	-
Property, plant and equipment written off	**2,441**	311	**-**	-
Bad debts written off	**22,751**	361	**-**	-
Deferred expenditure written off	**143,486**	19,784	**-**	1,668
Deferred asset written off	**63,217**	-	**-**	-
Offshore Patrol Vessels expenditure written off	**455,341**	-	**-**	-
Impairment loss on property, plant & equipment	**35,177**	-	**-**	-
Share of loss of associate companies	**59**	-	**-**	-
Interest waived to subsidiary companies	**-**	-	**19,020**	-
Unrealised gain on foreign exchange	**(15,882)**	(1,609)	**-**	-
Operating loss before working capital changes	**(648,256)**	(402,691)	**(13,759)**	(957)
Changes in working capital:-				
Inventories	**(3,942)**	(4,260)	**-**	-
Receivables	**(65,997)**	(29,056)	**12,245**	1
Payables	**165,037**	160,674	**(676)**	1,211
Subsidiary companies	**-**	-	**2,988**	(49,860)
Associated companies	**(5,488)**	-	**(621)**	-
Contract sum receivables	**4,956**	(16,800)	**-**	-
Offshore Patrol Vessels expenditure	**526,114**	92,545	**-**	-
Cash (used in)/generated from operations	**(27,576)**	(199,588)	**177**	(49,605)
Interest paid	**(16,688)**	(46,323)	**(54)**	(1,573)
Tax paid	**(765)**	(522)	**(50)**	(120)
Deferred expenditure paid	**(382)**	(138,290)	-	(739)
Net cash (used in)/generated from operating activities	**(45,411)**	(384,723)	**73**	(52,037)

Cash Flow Statements

For the financial year ended 31 December 2005

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Cash Flows From Investing Activities				
Interest received	**4,093**	5,582	**16**	-
Proceeds from disposal of property, plant and equipment	**2,232**	111	**-**	-
Proceeds from disposal of a subsidiary company (Note 13 (c) (ii))	**(2,782)**	2,782	**-**	-
Purchase of subsidiary companies, net of cash and cash equivalent acquired (Note 13 (d) (iii))	**-**	(506)	**-**	-
Withdrawal from fixed deposit pledged	**37,084**	36,281	**135**	-
Placement of fixed deposits	**(3,599)**	(5,157)	**-**	-
Purchase of property, plant and equipment (Note B)	**(15,203)**	(9,405)	**-**	-
Net cash generated from investing activities	**21,825**	29,688	**151**	-
Cash Flows From Financing Activities				
Private placement	**-**	85,455	**-**	85,455
Dividends paid to minority interests	**(128)**	-	**-**	-
Term loans raised	**30,306**	161,394	**-**	-
Repayment of term loans and other bank borrowings	**(12,495)**	(51,622)	**(265)**	(26,998)
Repayment of hire purchase creditors	**(1,543)**	(2,913)	**(38)**	(36)
Other bank borrowings	**8,537**	(3,267)	**-**	-
Dividends paid to shareholders	**-**	(5,014)	**-**	(5,014)
Share issue expenses	**-**	(1,495)	**-**	(1,495)
Net cash generated from/(used in) financing activities	**24,677**	182,538	**(303)**	51,912
Net changes	**1,091**	(172,497)	**(79)**	(125)
Cash and cash equivalents at beginning of financial year	**(20,966)**	151,538	**119**	244
Cash and cash equivalents at end of financial year (Note A)	**(19,875)**	(20,959)	**40**	119

Cash Flow Statements

For the financial year ended 31 December 2005

Notes To The Cash Flow Statements

(A) Analysis Of Cash And Cash Equivalents

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Deposits with licensed banks	**2,391**	4,234	**-**	-
Cash and bank balances	**12,634**	6,660	**40**	119
Bank overdrafts	**(34,900)**	(31,853)	**-**	-
Cash and cash equivalents as previously reported	**(19,875)**	(20,959)	**40**	119
Effect of foreign exchange rate changes	**-**	(7)	**-**	-
	(19,875)	(20,966)	**40**	119

(B) Property, Plant And Equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM32,961,949 (2004 : RM11,673,174) of which RM Nil (2004 : RM2,268,232) was acquired by means of hire purchase. Cash payments of RM15,203,069 (2004 : RM9,404,942) were made to purchase the property, plant and equipment and the balance of RM17,758,880 (2004 : RM Nil) was reclassified from working capital.

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

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

2. GOING CONCERN

As at 31 December 2005, the Group and the Company having a capital deficiency of RM444.4 million and RM212.0 million respectively and the Group's and the Company's total current liabilities exceeded their total current assets by RM591.6 million and RM248.8 million respectively.

The Group and the Company have defaulted in their repayment of loan and other bank borrowing facilities amounting to RM547.4 million and RM241.0 million respectively as at 31 December 2005. During the financial year, the bankers issued letter of demand for the full repayment of outstanding balances and have taken legal action against the Company and its subsidiary companies.

The Group is in the midst of formulating a restructuring plan to regularise its financial condition. Accordingly, the ability of the Group and the Company to continue as a going concern is dependent on the formulation, approval and implementation on the propose restructuring plan, profitable operation, positive cash flows and financial support of the shareholders.

The financial statements of the Group and the Company do not include any adjustments relating to the amounts and classification of assets and liabilities that might be necessary should the relevant approvals for the propose restructuring plan be further delayed or not obtained.

3. FINANCIAL RISK MANAGEMENT POLICIES

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

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

(a) Foreign currency risk

The Group is exposed to foreign currency risk as a result of its normal operating activities, both external and intra-Group where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Group's policy is to minimise the exposure of overseas operating subsidiaries/activities to transaction risk by matching local currency income against local currency costs.

(b) Interest rate risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

(c) Credit risk

The Group has a credit policy and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on trade customers.

(d) Liquidity and cash flow risks

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention

The financial statements of the Group and of the Company are prepared under the historical cost convention, modified by the revaluation of certain assets and unless otherwise indicated in the other significant accounting policies.

(b) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and its subsidiary companies made up to the end of the financial year. The results of subsidiary companies acquired or disposed during the financial year are included in the consolidated income statement from the date of their acquisition up to the date of disposal. Inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

At the date of acquisition, the fair value of the subsidiary companies' net assets are reflected in the Group's financial statements. The difference between the acquisition price and the fair value of the net assets of the subsidiary companies at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation. Goodwill on consolidation is retained in the consolidated balance sheet and will be written off only when there is an impairment in value.

(c) Subsidiary companies

Subsidiary companies are those companies in which the Group has a long term interest of more than 50% of the equity capital and in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary companies are stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 4 (j).

(d) Minority interest

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

(e) Associate companies

Associate companies are those companies in which the Group holds a long term equity interest of between 20% and 50% and is in a position to exercise significant influence over its financial and operating policies through management participation.

The Group's share of profits less losses and taxation of the associate company is included in the consolidated income statement in place of dividends received and the Group's share of post-acquisition retained profits or losses and reserves is included in the cost of investment in the consolidated balance sheet.

These amounts are based on the latest audited financial statements of the company concerned.

Investment in associate companies are stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 4 (j).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition

(i) Contract revenue and profit on long term construction contracts are accounted for on the percentage of completion method by reference to the percentage of actual construction work completed and cost incurred.

When the outcome of a construction contract cannot be estimated reliably;

(1) Revenue is recognised only to the extent of a contract costs incurred that is probable will be recoverable; and

(2) Contract costs will be recognised as an expenses in the financial year in which they are incurred.

In all cases, full provision for these losses are made in the financial statements where foreseeable losses on contracts are anticipated.

(ii) Revenue from manufacturing and trading activities are recognised upon delivery of product and customer acceptance, if any, or performance of services, net of discount and sales returns.

(iii) Dividend income is recognised in the income statement as and when declared or right to receive payment is established.

(g) Capital work in progress

Capital work in progress consists of building, workshop and platform under construction/installation for intended use as production facilities. The amount is stated at cost and not depreciated until the assets is fully completed and brought into use.

(h) Contract sum receivable/payable

Contract sum receivable consists of expenditure incurred to date on construction, shipbuilding and shiprepair and related engineering contract and a proportion of estimated profit attributable to contract work performed to date less progress billings received and receivable.

Where progress billings in respect of individual contract exceeded the sum of contract costs incurred plus recognised profit less recognised loss, the excess amounts are classified under contract sum payable.

(i) Property, plant and equipment and depreciation

(i) Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 4 (j).

(ii) Freehold land is not depreciated while leasehold lands are amortised over the remaining period of the lease.

(iii) Depreciation on other property, plant and equipment is calculated to write off their cost or amount of the valuation on a straight line basis over the expected useful lives of the property, plant and equipment concerned. The principal annual rates used for this purpose are:-

Leasehold land	Over 29 - 99 years
Buildings, jetties, slipways and roads	3% - 10%
Factory buildings and improvements	1% - 10%
Plant and machinery	5% - 20%
Equipment, furniture, fittings, tools and renovation	7% - 50%
Barges and motor vehicles	5% - 25%

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets

The carrying values of the Group's assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash generating unit.

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

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(k) Foreign currency translation

Foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date and income statement items, where applicable, are converted at rates ruling on the transaction dates. Differences on exchange are taken to the income statement.

For the purpose of consolidation, financial statements of the foreign subsidiary companies are translated into Ringgit Malaysia at rate of exchange ruling at the balance sheet date while income statements are translated at average rates for the financial year. Exchange differences arising from these translations are reflected in the exchange fluctuation reserve account.

The exchange rates ruling at balance sheet date are as follows:-

	2005 **RM**	2004 RM
1 Sterling Pound	**6.52**	7.32
1 Swiss Franc	**2.88**	3.35
1 Australia Dollar	**2.77**	2.92
1 US Dollar	**3.78**	3.80
1000 Ghana Cedis	**0.41**	0.42
1 Euro	**4.49**	5.17
1 Canadian Dollar	**3.25**	3.12

(l) Investment properties

Depreciation is not provided on investment properties in accordance with International Accounting Standard 25. Investment properties consists of land and building and are held as long term investment, deriving rental income. Investment properties are stated at valuation less impairment losses. Revaluation are made at least once every five (5) years by independent valuer on an open market value basis. Any increase arising from valuation is credited to a revaluation reserve; any decrease is first offset against an increase on earlier valuation in respect of the same property and is thereafter charged to the income statement.

The policy for recognition and measurement of impairment losses is in accordance with Note 4 (j).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments

(i) Investment in quoted shares are stated at the lower of cost and market value.

(ii) Investment in unquoted shares are stated at cost less impairment losses.

The policy for recognition and measurement of impairment losses is in accordance with Note 4 (j).

(iii) Other investments which are held on long term basis are stated at cost. Provision for diminution in value of investment will be made if in the opinion of Directors, such diminution is of a permanent nature.

(n) Inventories

Inventories are valued at the lower of cost and net realisable value after adequate provision has been made for all obsolete and slow moving inventories. Costs of inventories are determined principally on a first-in first-out basis.

(o) Income tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that 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 not recognised if the temporary differences arise from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(p) Receivables

Known bad debts are written off and specific provision is made for any debts considered to be doubtful of collection.

(q) Property, plant and equipment acquired under finance lease and hire purchase arrangements

The cost of assets acquired under finance lease and hire purchase arrangements are capitalised. The depreciation policy on these assets is similar to that of the Group's property, plant and equipment depreciation policy. Outstanding obligation due under the finance lease and hire purchase agreements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on finance lease and hire purchase agreements are allocated to income statements over the period of the respective agreements.

(r) Deferred expenditure

Deferred expenditure in relation to rights issue/bonus issue expenses will be written off against share premium account upon completion of the exercise.

Deferred expenditure of the subsidiary companies comprise of expenditure incurred for the purpose of securing future projects. The deferred expenditure will be charged to the project account on successful procurement of the project concerned. Should the project be aborted, the related expenditure will be charged to the income statement in the financial year in which such decision is made.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Offshore Patrol Vessels Expenditure

Long term

The long term Offshore Patrol Vessels (OPV) expenditure comprise design and integrated logistics support cost which relates to the privatisation agreement with the Government of Malaysia for the construction of 27 units of OPV, of which 6 units have been secured and remaining 21 units is to be awarded by the Government. This expenditure is stated at cost. The Group considers portion of the OPV expenditure as current assets where significant development work has been undertaken and is expected to be completed within the normal operating cycle.

Should the privatisation agreement be terminated, the related expenditure will be charged to income statement immediately.

Short term

OPV expenditure comprise of all direct costs and other related costs common to the construction of patrol vessel, including interests from financing, depreciation and technical advisory fees in relation to the project, and where applicable, attributable profits on construction in progress less progress billings received and receivable.

(t) Capitalisation of borrowing cost

Interest incurred on borrowings associated with yard development and capital work in progress are added to the cost of such assets until the assets are ready for its intended use.

(u) Deferred assets

Deferred assets refers to the amount paid for the acquisition of Rights under the Patrol Vessel Contracts plus interest expense capitalised until the Patrol Vessel Contracts started and is being amortised equally over 23¼ financial years commencing October 1998.

(v) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans such as Employees Provident Fund (EPF) are recognised as an expense in the income statement as incurred.

(w) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(y) Payables

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services rendered.

(z) Interest-bearing borrowings

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

5. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activities of the Company are investment holding, property holding and development. The principal activities of the subsidiary companies are as mentioned in Note 13 to the Financial Statements.

There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

The financial statements of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 April 2006.

6. SHARE CAPITAL

	The Group and The Company	
	2005 RM'000	2004 RM'000
Authorised:		
Ordinary shares of RM1 each	**500,000**	500,000
Issued and fully paid:		
Ordinary shares of RM1 each		
At beginning of financial year	**174,083**	158,258
Private placement	**-**	15,825
At end of financial year	**174,083**	174,083

7. FINANCE CREDITORS

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Payable within 1 year	**5,419**	5,950	**47**	47
Payable between 1 year but not later than 5 years	**4,035**	15,324	**71**	118
Payable after 5 years	**-**	888	**-**	-
	9,454	22,162	**118**	165
Less: Interest in suspense	**(734)**	(3,507)	**(9)**	(18)
	8,720	18,655	**109**	147
Present value of hire purchase				
- within 1 year	**4,981**	4,530	**41**	38
- after 1 year but not later than 5 years	**3,739**	13,260	**68**	109
- after 5 years	**-**	865	**-**	-
	8,720	18,655	**109**	147

The amount payable within 1 year is included under other payables and accrued liabilities.

8. TERM LOANS

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Secured:-				
Term loan 1	**166,265**	149,751	**166,265**	149,751
Term loan 2	**5,498**	4,934	**5,498**	4,934
Term loan 3	**42,726**	40,374	**-**	-
Term loan 4	**72,766**	67,156	**-**	-
Term loan 5	**21,890**	20,404	**-**	-
Term loan 6	**15,114**	150,025	**-**	-
Term loan 7	**-**	120,000	**-**	-
Term loan 8	**-**	30,816	**-**	-
Term loan 9	**63,013**	57,991	**-**	-
Term loan 10	**-**	15,277	**-**	-
Term loan 11	**-**	253,511	**-**	-
Term loan 12	**-**	20,543	**-**	-
Term loan 13	**46,375**	42,822	**46,375**	42,822
Term loan 14	**-**	51,362	**-**	-
Term loan 15	**-**	126,096	**-**	-
Term loan 16	**-**	16,924	**-**	-
Term loan 17	**306**	-	**-**	-
	433,953	1,167,986	**218,138**	197,507

8. TERM LOANS (continued)

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Unsecured: -				
Term loan 18	**14,889**	14,889	**14,889**	14,889
Term loan 19	**1,652**	1,652	**-**	-
Term loan 20	**25,534**	22,013	**-**	-
Term loan 21	**10,562**	10,562	**-**	-
Term loan 22	**3,351**	3,405	**3,351**	3,405
Term loan 23	**4,620**	4,319	**4,620**	4,319
Term loan 24	**30,000**	-	**-**	-
	90,608	56,840	**22,860**	22,613
Total	**524,561**	1,224,826	**240,998**	220,120
Repayable within 12 months (included under current liabilities)	**(524,381)**	(939,849)	**(240,998)**	(220,120)
	180	284,977	**-**	-

(a) The term loans obtained from financial institutions are secured by the following: -

(i) Term loan 1 - a loan agreement, negative pledge, a pledge by the Company in respect of 13.2 million shares in a subsidiary company and personal guarantee by one of the Company Director.

(ii) Term loan 2 - a first charge over a third party's land held under Pajakan Negeri.

(iii) Term loan 3 - a first charge over a subsidiary company's freehold land and building.

(iv) Term loan 4 - an assignment of sales proceeds of the construction of housing project in Albania by a subsidiary company and a letter of guarantee from the Company.

(v) Term loan 5 - a second legal third party charge for RM18 million, ranking pari passu with the first party first fixed charge created by a bank over assets of the Group and corporate guarantee given by the Company.

(vi) Term loan 6 - a first charge on 2 pieces of land held under Pajakan Negeri respectively, for the purpose of investment in PSC-Naval Dockyard Sdn Bhd and pledgement of part of ordinary shares of PSC-Naval Dockyard Sdn Bhd.

(vii) Term loan 7 - a first charge over 27 million shares of another subsidiary company, a first charge on the bank account with irrevocable instructions for all distributions from the pledged share and floating charge over all assets of the subsidiary company.

(viii) Term loan 8 - an assignment of contract proceeds from the Government up to RM30 million and fixed deposits of the subsidiary company amounting to RM800,000.

(ix) Term loan 9 - a first charge over a subsidiary company's constructions project in China.

(x) Term loan 10 - third party first legal charge on properties and a security deposits of RM300,000 placed with the licensed bank by a subsidiary company.

(xi) Term loan 11 - an assignment contract proceeds up to RM320,000,000 corporate guarantee given by the Company and personal guarantee by one of the Directors of the Company.

(xii) Term loan 12 - an assignment of contract proceeds from the Government up to RM30 million and fixed deposits of the subsidiary company amounting to RM1.25 million.

8. TERM LOANS (continued)

(xiii) Term loan 13 - a negative pledge in respect of 14 million shares in a subsidiary company.

(xiv) Term loan 14 - an assignment of contract proceeds from the Government up to RM50,000,000 and fixed deposit of the Company amounting to RM3,500,000 and corporate guarantee given by the Company.

(xv) Term loan 15 - an assignment of contract proceed from the Government up to EUR46,375,000 (equivalent to RM239,758,750) and debentures on equipment purchase.

(xvi) Term loan 16 - an assignment of contract proceeds from the Government up to EUR9,538,247 (equivalent to RM49,312,737) and debenture on equipment purchase.

(xvii) Term loan 17 - Lien on fixed deposit for Cedis 1.0 billion (equivalent to RM420,000).

(xviii) Term loan 18 - negative pledge in respect of all the present and future assets of the Company and personal guarantee by one of the Directors of the Company and a third party.

(xix) Term loan 19 - corporate guarantee given by the Company and personal guarantee by one of the Directors of the Company and a third party.

(xx) Term loan 20 - corporate guarantee given by the Company.

(xxi) Term loan 21 - corporate guarantee given by the Company and personal guarantee by one of the Directors of the Company and a third party.

(xxii) Term loan 22 - clean basis.

(xxiii) Term loan 23 - negative pledge on the assets of the Company.

(xxiv) Term loan 24 - clean basis.

(b) The repayment schedule of the term loans are:-

(i) Term loan 1 has been restructured to be repaid over 5 years commencing April 2002.

(ii) Term loan 2 has been restructured to be repaid over 5 years commencing September 2002.

(iii) Term loan 3 has been restructured to be repaid by monthly installment of RM250,000 with effect from May 2003 until the outstanding balance reduces to RM40 million and thereafter a bullet repayment will be made to settle the outstanding loan by 31 December 2004.

(iv) Term loan 4 is repayable over 7 years, on a tail-heavy basis with the first to commence at the end of 36 months from the first drawdown date i.e. February 1996.

(v) Term loan 5 has been restructured to be repaid by monthly installment of RM250,000 with effect from May 2003 until the outstanding balance reduces to RM20 million and thereafter a bullet repayment will be made to settle the outstanding loan by 31 December 2004.

(vi) Term loan 6 has been restructured to be repaid over 5 years commencing April 2002. As at the financial year end, RM150.9 million has been offset against the term loan by way of foreclosure of 36 million ordinary shares of PSC-Naval Dockyard Sdn Bhd pledged to the bank.

(vii) Term loan 7 has been extended to be repaid by bullet repayment on 12 July 2005. As at the financial year end, RM125.6 million has been offset against the term loan by way of foreclosure of 40 million ordinary shares of PSC-Naval Dockyard Sdn Bhd pledged to the bank.

(viii) Term loan 8 is repayable within 4 years by way of assignment of progress billing to the Government of Malaysia in relation to the construction contract.

(ix) Term loan 9 has been restructured to be repaid over 5 years commencing April 2002.

8. TERM LOANS (continued)

(x) Term loan 10 is repayable within 5 years from first drawdown on January 2000. The interest shall be payable monthly commencing February 2001 and the principal is to be fully repaid at the end of the tenure.

(xi) Term loan 11 is repayable within 3¾ years from 18 September 2003 by way of assignment of progress billing to the Government of Malaysia in relation to the construction contract.

(xii) Term loan 12 is repayable within 4 years from 1 November 2002 by way of assignment of progress billing to the Government of Malaysia in relation to the construction contract.

(xiii) Term loan 13 has been restructured to be repaid over 4 years commencing May 2002.

(xiv) Term loan 14 is repayable within 3 years from 3 October 2005 by way of assignment of progress billing to the Government of Malaysia in relation to the construction contract.

(xv) Term loan 15 is repayable within 2½ years from 1 May 2004 by way of assignment of progress billing to the Government of Malaysia in relation to the construction contract.

(xvi) Term loan 16 is repayable within 2¼ years from 31 January 2005 by way of assignment of progress billing to the Government of Malaysia in relation to the construction contract.

(xvii) Term loan 17 is repayable by 36 equal monthly instalments from the date of drawdown.

(xviii) Term loan 18 has been restructured to be repaid over 4 years commencing October 2002.

(xix) Term loan 19 has been restructured to be repaid over 4 years commencing October 2002.

(xx) Term loan 20 has been restructured to be repaid over 5 years commencing April 2002.

(xxi) Term loan 21 has been restructured to be repaid over 4 years commencing October 2002.

(xxii) Term loan 22 has been converted from other bank borrowing and restructured to be repaid over 19 quarterly principal repayments of RM315,000 per quarter and one final installment of the balance commencing from July 2002.

(xxiii) Term loan 23 has been converted from other bank borrowing and restructured to be repaid over 12 equal quarterly instalments of RM392,667 each, commencing October 2002.

(xxiv) Term loan 24 is repayable by bullet repayment 12 months from the date of drawdown.

(c) The term loans carry interest at rates ranging from 5.9% to 12.0% (2004 : 4.4% to 11.7%) per annum.

(d) The Group has defaulted in repayment of all the term loans except for term loan 17 and the bankers have taken legal action against the Group, as such, these term loans are classified as short term.

There were no term loan 8, 10,11,12,14,15 and 16 in the current year following the completion of the disposal of a subsidiary company as at year end.

9. DEFERRED TAXATION

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
At 1 January	**2,190**	2,062	**7,830**	7,830
Transfer from/(to) taxation	**(1,657)**	128	**(7,830)**	-
At 31 December	**533**	2,190	**-**	7,830
Depreciation and capital allowances	**399**	266	**-**	-
Others	**134**	1,924	**-**	7,830
	533	2,190	**-**	7,830

As at 31 December 2005, the estimated amount of deferred taxation benefit calculated at current tax rate, which has not been recognised in the Group's and Company's financial statement are as follows:-

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Tax effect of timing differences in respect of				
- capital allowances and depreciation	**8,220**	28,498	**-**	-
Unutilised business losses	**(19,823)**	(34,141)	**(100)**	-
Unabsorbed capital allowances	**(8,451)**	(26,365)	**(1,612)**	(1,612)
	(20,054)	(32,008)	**(1,712)**	(1,612)

The potential deferred tax assets of the Group and of the Company have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiary companies in the Group and it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

10. PROPERTY, PLANT AND EQUIPMENT

(a) The details of the property, plant and equipment are as follows:-

The Group Cost or valuation	Land and buildings RM'000	Plant and machinery RM'000	Equipment, fittings, renovation, vehicles and others RM'000	Capital work in progress RM'000	Total 2005 RM'000	Total 2004 RM'000
At 1 January						
- cost	145,386	38,471	206,840	243,053	**633,750**	638,629
- valuation	13,296	-	-	-	**13,296**	17,639
	158,682	38,471	206,840	243,053	**647,046**	656,268
Additions	3	111	4,035	28,812	**32,961**	11,673
Reclassification	-	-	(444)	-	**(444)**	(2,454)
Disposal of subsidiary companies	(50,501)	(31,746)	(179,536)	(270,643)	**(532,426)**	(15,164)
Disposals	-	(73)	(5,987)	(1)	**(6,061)**	(475)
Written off	-	(49)	(2,391)	(59)	**(2,499)**	(2,227)
Translation difference	(24)	(3)	(7)	(6)	**(40)**	(575)
At 31 December	108,160	6,711	22,510	1,156	**138,537**	647,046
Accumulated depreciation						
At 1 January	29,490	22,236	101,043	-	**152,769**	140,597
Charge for the financial year	4,410	2,506	13,868	-	**20,784**	22,863
Reclassification	-	-	(29)	-	**(29)**	-
Disposal of subsidiary companies	(3,921)	(18,864)	(95,087)	-	**(117,872)**	(8,039)
Disposals	-	(39)	(3,457)	-	**(3,496)**	(434)
Written off	-	(35)	(23)	-	**(58)**	(1,916)
Translation difference	(4)	(2)	(5)	-	**(11)**	(302)
At 31 December	29,975	5,802	16,310	-	**52,087**	152,769
Accumulated Impairment losses						
At 1 January	-	-	-	-	**-**	-
Impairment for the financial year	12,800	1,050	21,327	-	**35,177**	-
Disposal of subsidiary companies	(12,800)	(1,050)	(21,327)	-	**(35,177)**	-
At 31 December	-	-	-	-	**-**	-
Net book value						
2005	78,185	909	6,200	1,156	**86,450**	-
2004	129,192	16,235	105,797	243,053	**-**	494,277
Depreciation charge for the financial year 2004	4,463	2,836	15,564	-	**-**	22,863
The Group						
Cost or valuation at 31 December						
- cost	94,864	6,711	22,510	1,156	**125,241**	633,750
- valuation: 1991	13,096	-	-	-	**13,096**	13,096
- valuation: 1997	200	-	-	-	**200**	200
	108,160	6,711	22,510	1,156	**138,537**	647,046

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Analysis of land and buildings :-

The Group Cost or valuation	Long term leasehold land, reclaimed land and buildings RM'000	Short term leasehold land RM'000	Yard development RM'000	Buildings jetties, slipways and roads RM'000	Total 2005 RM'000	Total 2004 RM'000
At 1 January						
- cost	2,853	-	101,193	41,340	**145,386**	147,710
- valuation	13,096	200	-	-	**13,296**	17,639
	15,949	200	101,193	41,340	**158,682**	165,349
Additions	-	-	3	-	**3**	1,160
Transfer	-	-	-	-	**-**	(150)
Disposal of subsidiary	-	-	(50,501)	-	**(50,501)**	(7,455)
Translation difference	-	-	-	(24)	**(24)**	(222)
At 31 December	15,949	200	50,695	41,316	**108,160**	158,682
Accumulated Depreciation						
At 1 January	1,786	200	16,271	11,233	**29,490**	27,067
Charge for the financial year	259	-	2,804	1,347	**4,410**	4,463
Disposal of subsidiary	-	-	(3,921)	-	**(3,921)**	(2,020)
Translation difference	-	-	-	(4)	**(4)**	(20)
At 31 December	2,045	200	15,154	12,576	**29,975**	29,490
Accumulated Impairment losses						
At 1 January	-	-	-	-	**-**	-
Impairment for the financial year	-	-	12,800	-	**12,800**	-
Disposal of subsidiary	-	-	(12,800)	-	**(12,800)**	-
At 31 December	-	-	-	-	**-**	-
Net book value						
2005	13,904	-	35,541	28,740	**78,185**	-
2004	14,163	-	84,922	30,107	**-**	129,192
Depreciation charge for the financial year 2004	163	1	2,804	1,495	**-**	4,463
Cost or valuation at 31 December						
- cost	2,853	-	50,695	41,316	**94,864**	145,386
- valuation :1991	13,096	-	-	-	**13,096**	13,096
- valuation :1997	-	200	-	-	**200**	200
	15,949	200	50,695	41,316	**108,160**	158,682

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Analysis of equipment, fittings, renovation, vehicles and others:-

The Group Cost	Equipment RM'000	Furniture, fittings, tools equipment and renovation RM'000	Barges and motor vehicles RM'000	Total 2005 RM'000	Total 2004 RM'000
At 1 January	33,712	57,639	115,489	**206,840**	179,751
Additions	2,974	704	357	**4,035**	8,928
Transfer	65	(65)	-	**-**	20,231
Reclassification	-	-	(444)	**(444)**	(1,206)
Disposal of subsidiary	(26,836)	(47,749)	(104,951)	**(179,536)**	-
Disposals	(8)	(43)	(5,936)	**(5,987)**	(424)
Written off	-	(2,391)	-	**(2,391)**	(442)
Translation difference	-	(6)	(1)	**(7)**	2
At 31 December	9,907	8,089	4,514	**22,510**	206,840
Accumulated Depreciation					
At 1 January	25,196	27,454	48,393	**101,043**	85,997
Charge for the financial year	1,711	5,401	6,756	**13,868**	15,564
Transfer	-	-	-	**-**	52
Reclassification	-	-	(29)	**(29)**	-
Disposal of subsidiary	(19,982)	(26,625)	(48,480)	**(95,087)**	-
Disposals	(5)	(30)	(3,422)	**(3,457)**	(408)
Written off	-	(23)	-	**(23)**	(164)
Translation difference	-	(4)	(1)	**(5)**	2
At 31 December	6,920	6,173	3,217	**16,310**	101,043
Accumulated Impairment losses					
At 1 January	-	-	-	**-**	-
Impairment for the financial year	-	-	21,327	**21,327**	-
Disposal of subsidiary	-	-	(21,327)	**(21,327)**	-
At 31 December	-	-	-	**-**	-
Net book value					
2005	2,987	1,916	1,297	**6,200**	-
2004	8,516	30,185	67,096	**-**	105,797
Depreciation charge for the financial year 2004	1,719	7,656	6,189	**-**	15,564

10. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company **Cost or valuation**	**Short term leasehold land RM'000**	**Equipment, furniture, fittings, tools and renovation RM'000**	**Barges and motor vehicles RM'000**	**Total 2005 RM'000**	**Total 2004 RM'000**
At 1 January					
- cost	-	26	706	**732**	732
- valuation	200	-	-	**200**	200
At 31 December	200	26	706	**932**	932
Accumulated depreciation					
At 1 January	200	18	394	**612**	538
Charge for the financial year	-	3	70	**73**	74
At 31 December	200	21	464	**685**	612
Net book value					
2005	-	5	242	**247**	-
2004	-	8	312	**-**	320
Depreciation charge for the financial year 2004	1	3	70	**-**	74

(b) Long term leasehold land, reclaimed land and building and short term leasehold land of the Group were revalued by the Directors in 1991 and 1997 respectively based on valuation carried out by independent professional valuers based on existing use basis and has not been revalued ever since. The Group does not adopt a policy of regular revaluation as required by MASB 15, Property, Plant and Equipment and is applying the transitional provision for assets revalued before the coming into force of the accounting period.

In the opinion of the Directors, unreasonable expenses would be incurred in obtaining the original costs of the assets value in that financial year.

(c) The long term leasehold land and the reclaimed land have an unexpired lease period of more than 50 years.

(d) Included in net book value of property, plant and equipment are assets acquired under hire purchase instalments plans and pledged under term loan arrangements as follows:-

	The Group		**The Company**	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Leasehold land and buildings	**11,051**	11,310	**-**	-
Yard development	**35,542**	37,336	**-**	-
Buildings, jetties, slipways and roads	**25,409**	26,669	**-**	-
Barges and motor vehicles	**867**	17,093	**209**	237

11. INVESTMENT PROPERTIES

The Group

The investment properties have been revalued in 2001 by the Directors to the amount of RM70,000,000 to reflect the current market value. The investment properties have been pledged to a licensed bank to secure the term loan 3, 5 and revolving credit facilities as disclosed in Note 8 and 28 respectively to the Financial Statements.

12. DEFERRED ASSETS

	The Group	
	2005 RM'000	2004 RM'000
Cost	**91,862**	91,862
Less: Accumulated amortisation		
At 1 January	**(24,694)**	(20,743)
Charge for the financial year	**(3,951)**	(3,951)
At 31 December	**(28,645)**	(24,694)
Written off due to disposal of subsidiary company	**(63,217)**	-
Net carrying amount	**-**	67,168

The deferred assets is written off during the financial year as the Directors are of the opinion that the acquisition of Rights no longer exist after the disposal of a subsidiary company.

13. SUBSIDIARY COMPANIES

	The Company	
	2005 RM'000	2004 RM'000
Unquoted shares, at cost	**298,867**	298,867
Less: Impairment losses	**(262,726)**	-
	36,141	298,867

(a) Shares in a subsidiary company amounting to RM102,087,798 and RM6,380,487 (2004 : RM102,087,798 and RM6,380,487) are pledged to financial institutions for banking facilities granted to the Company and a third party respectively.

13. SUBSIDIARY COMPANIES (continued)

(b) The subsidiary companies are:-

Name of company	Country of incorporation	Interest in equity held by Company 2005 %	Company 2004 %	Subsidiary companies 2005 %	Subsidiary companies 2004 %	Principal activities
PSC Asset Holdings Sdn Bhd	Malaysia	**100**	100	**-**	-	Property investment and management
Penang Shipbuilding & Construction Sdn Bhd	Malaysia	**100**	100	**-**	-	Heavy engineering construction, ship repair and shipbuilding, contractor and a commissioned agent
Sedap Development Sdn Bhd	Malaysia	**100**	100	**-**	-	Property development
Sedap Trading Sdn Bhd	Malaysia	**100**	100	**-**	-	Ceased operations
Eagacorp Marine Sdn Bhd	Malaysia	**51**	51	**-**	-	Dormant
# Asia Coins Sdn Bhd	Malaysia	**100**	-	**-**	-	Dormant
Held by PSC Asset Holdings Sdn Bhd						
Desa PSC Sdn Bhd	Malaysia	**-**	-	**100**	100	Construction and building contractor
Held by Penang Shipbuilding & Construction Sdn Bhd						
PSC-Naval Dockyard Sdn Bhd	Malaysia	**-**	-	**-**	27.69	Repair and maintenance of naval and merchant ships, equipment and systems, fabrication of steels structures and shipbuilding
PSC Tema Shipyard Limited	Republic of Ghana	**-**	-	**60**	60	Shiprepairing, engineering and metalled activities, and fabrication and other activities in connection therewith
# Dominion Defence & Industries Sdn Bhd	Malaysia	**-**	-	**100**	100	Supply of equipment and machinery
Perstim Industries Sdn Bhd	Malaysia	**-**	-	**99.87**	99.87	Investment holding
PSC Defence Technologies Sdn Bhd	Malaysia	**-**	-	**100**	100	Investment holding

13. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Interest in equity held by Company 2005 %	Company 2004 %	Subsidiary companies 2005 %	Subsidiary companies 2004 %	Principal activities
Malaysian Heavy Industry Group Sdn Bhd	Malaysia	**-**	-	**60**	60	Investment holding
PSC Navaltech Sdn Bhd	Malaysia	**-**	-	**100**	100	Designing, planning, specifications drawing for constructions and other related activities
UMC Engineering Sdn Bhd	Malaysia	**-**	-	**51.3**	51.3	Ceased operations
Tenaga PSC Sdn Bhd	Malaysia	**-**	-	**100**	100	Ceased operations
PSC Crane-Systems Sdn Bhd	Malaysia	**-**	-	**100**	100	Dormant
PSC Welding Services Sdn Bhd	Malaysia	**-**	-	**90**	90	Dormant
PSC Marine & Shipping Sdn Bhd	Malaysia	**-**	-	**100**	100	Ceased operations
## Penang Shipbuilding & Construction (UK) Limited	United Kingdom	**-**	-	**100**	100	Dormant
PSC Shipbuilding & Engineering Sdn Bhd	Malaysia	**-**	-	**100**	100	Dormant
Marine Technology Industrial Park Sdn Bhd	Malaysia	**-**	-	**100**	100	Dormant
PSC Marine Technology Academy Sdn Bhd	Malaysia	**-**	-	**100**	100	Dormant
PSC Srijeluda Sdn Bhd	Malaysia	**-**	-	**100**	100	Dormant
Marine Venture Capital Sdn Bhd	Malaysia	**-**	-	**100**	100	Dormant
PSC Miri Sdn Bhd	Malaysia	**-**	-	**100**	100	Dormant
Alpha Shanghai (M) Sdn Bhd	Malaysia	**-**	-	**100**	100	Dormant
Frigate-In-Support Services Sdn Bhd	Malaysia	**-**	-	**100**	100	Dormant
PSC Petroleum Sdn Bhd	Malaysia	**-**	-	**100**	100	Dormant

13. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Interest in equity held by Company 2005 %	Company 2004 %	Subsidiary companies 2005 %	Subsidiary companies 2004 %	Principal activities
Held by Dominion Defence & Industries Sdn Bhd						
# Burlington Capital Sdn Bhd	Malaysia	**-**	-	**60**	60	Dormant
# Burlington Engineering & Construction Sdn Bhd	Malaysia	**-**	-	**60**	60	Dormant
# Burlington Promotions & Publications Sdn Bhd	Malaysia	**-**	-	**100**	100	Dormant
# Burlington Plantations Sdn Bhd	Malaysia	**-**	-	**100**	100	Dormant
Held by PSC Defence Technologies Sdn Bhd						
Aeromarine Maintenance Services Sdn Bhd	Malaysia	**-**	-	**70**	70	Marketing and distributing Exocet Weapon System
Atlas Defence Technology Sdn Bhd	Malaysia	**-**	-	**70**	70	Supply of electronics and system technology in relation to the shipping and marine industry
PSC Bofors Defence Asia Sdn Bhd	Malaysia	**-**	-	**51**	51	Providing, supplying and servicing BOFORS weapons systems
Naval and Defence Communication System Sdn Bhd	Malaysia	**-**	-	**100**	100	Design, manufacture, supply, integrate service and maintenance repair and overhaul of the communication systems and equipment
C31 Systems Sdn Bhd	Malaysia	**-**	-	**100**	-	Supply, service and repair of weapon and weapon control systems
Integrated Navigation And Defence Systems Sdn Bhd	Malaysia	**-**	-	**100**	-	Supply, service and maintenance of navigation equipment and system
Held by Perstim Industries Sdn Bhd						
PSC-Naval Dockyard Sdn Bhd	Malaysia	**-**	-	**-**	51.54	Repair and maintenance of naval and merchant ships, equipment and systems, fabrication of steels structures and shipbuilding

13. SUBSIDIARY COMPANIES (continued)

Name of company	Country of incorporation	Interest in equity held by Company 2005 %	Company 2004 %	Subsidiary companies 2005 %	Subsidiary companies 2004 %	Principal activities
Held by PSC Marine & Shipping Sdn Bhd						
Johor Riau Ferry Services Sdn Bhd	Malaysia	**-**	-	**100**	100	Dormant

\# Subsidiary companies not audited by Shamsir Jasani Grant Thornton.

\#\# Company which is not required by legislation to be audited in the country of incorporation. Management financial statements have been used for consolidation purposes and the Directors are of the opinion that its results are immaterial to the Group.

(c) On 11 October 2005, the Company announced that its subsidiary company Perstim Industries Sdn Bhd ("PISB") has agreed with Limaran Logistics Sdn Bhd ("Limaran") for the foreclosure of 40 million ordinary shares of RM1.00 each ("Foreclosure Shares") in the paid up capital of PSC-Naval Dockyard Sdn Bhd ("Dockyard") in final settlement for its term loan facility of USD31.6 million ("Term Loan") granted by Credit Suisse, Labuan branch ("Lender") under a facility agreement dated 11 June 2002. On 5 December 2005, PISB has received a notice from Limaran notifying of their exercise of rights to foreclose the said Foreclosure Shares as final settlement of the Term Loan granted by the Lender. On 5 December 2005, the Lender had foreclosed the Foreclosure Shares for an amount of RM125.6 million. The Foreclosure Shares represent approximately 30.77% of the paid up share capital of Dockyard.

On 22 November 2005, the Company announced that its subsidiary company, Penang Shipbuilding & Construction Sdn Bhd ("PSC") has received a letter from Affin Bank Berhad ("Affin Bank") notifying PSC that Affin Bank will be taking all relevant steps to realise by sale thereof, 36,000,001 ordinary shares of RM1.00 each in the capital of Dockyard ("ABB Shares") which had been mortgaged to Affin Bank. On 22 November 2005, Affin Bank had foreclosed the ABB shares for an amount of RM150.9 million. The ABB Shares represent approximately 27.7% of the paid up share capital of Dockyard.

Upon the said foreclosure by Limaran and Affin Bank, the Company only hold approximately 27 million shares in Dockyard representing approximately 20.8% of the paid up share capital of Dockyard and Dockyard cease to be a subsidiary company of the Company.

For the purpose of these financial statements, the disposal of the said subsidiary share is deemed to be completed on 31 December 2005.

13. SUBSIDIARY COMPANIES (continued)

(i) The effect of the disposal of PSC-Naval Dockyard Sdn Bhd on the financial results of the Group to the date of disposal were as follows (2004 : disposal of Wavemaster International Pty Ltd):-

	2005 RM'000	2004 RM'000
Revenue	85,604	359
Cost of sales	(101,157)	(1,444)
Other operating income	39,133	320
Administration expenses	(939)	(272)
Other operating expenses	(58,765)	(12,233)
Loss from operations	(36,124)	(13,270)
Finance cost	(30,255)	(483)
Provision for doubtful debts	(105,279)	-
Deferred expenditure written off	(142,009)	-
Offshore Patrol Vessels expenditure written off	(455,341)	-
Impairment loss on property, plant and equipment	(35,177)	-
Revision of profit margin for Offshore Patrol Vessels project	(606,899)	-
Loss before taxation	(1,411,084)	(13,753)
Taxation	(147)	-
Loss for the financial year	(1,411,231)	(13,753)
Less: Minority interest	87,095	-
	(1,324,136)	(13,753)

(ii) The effect of the disposal of PSC-Naval Dockyard Sdn Bhd on the financial position of the Group were as follows (2004 : disposal of Wavemaster International Pty Ltd):-

	2005 RM'000	2004 RM'000
Intangible assets	-	4,398
Offshore Patrol Vessels expenditure	(241,343)	-
Work in progress	43,590	9,386
Property, plant and equipment	379,377	7,125
Trade receivables	92,417	243
Other receivables	75,364	5,519
Inventories	13,489	685
Tax recoverable	3,975	-
Deposit with licensed bank	192,226	266
Cash and bank balances	2,782	-
Overdraft	-	(2,762)
Trade payables	(903,776)	(4,247)
Other payables and accruals	(110,233)	(31,098)
Finance payables	(9,118)	(671)
Term loan and other bank borrowing	(538,111)	-
Capital and revaluation reserve	-	(14,129)
Minority interest	(241)	-
Exchange fluctuation reserve	-	(3,243)
Share of net liabilities	(999,602)	(28,528)
Goodwill on consolidation	(46,246)	-
Amount accounted as associate company	53,579	-
Share of post acquisition loss of associate company	(53,579)	-
	(1,045,848)	(28,528)
Gain on disposal	1,322,346	28,814
Proceeds from disposal of subsidiary company	276,498	286
Less: Set off against term loans	(276,498)	-
Less: Cash and cash equivalents disposed	(2,782)	2,496
Net (outflows)/inflows from disposal of subsidiary company	(2,782)	2,782

13. SUBSIDIARY COMPANIES (continued)

(d) On 25 April 2005, a subsidiary company PSC Defence Technologies Sdn Bhd acquired 100% equity interest in C3I Systems Sdn Bhd (C3I) and Integrated Navigation And Defence Systems Sdn Bhd (INDS) for a cash consideration of RM2 respectively.

On 30 December 2005, the Company had acquired a 100% equity interest in Asia Coin Sdn Bhd (AC) for a cash consideration of RM2.

(i) The effect of the acquisition of C3I, INDS and AC on the financial results of the Group during the financial year were as follows (2004 : acquisition of In-Service Support Technologies Sdn Bhd, PSC Petroleum Sdn Bhd, Naval & Defence Communication Systems Sdn Bhd and PSC Bofors Defence Asia Sdn Bhd):-

	The Group	
	2005 RM'000	2004 RM'000
Revenue	**1,307**	-
Cost of sales	**(1,095)**	-
Gross profit	**212**	-
Other operating income	**-**	6
Administration expenses	**(15)**	(32)
Other operating expenses	**(1,433)**	(713)
Finance cost	**-**	(1)
Loss before taxation	**(1,236)**	(740)
Taxation	**-**	-
Increase in Group's net loss	**(1,236)**	(740)

(ii) The effect of the acquisition of C3I and INDS on the financial position of the Group as at the end of the financial year were as follows (2004 : acquisition of In-Service Support Technologies Sdn Bhd, PSC Petroleum Sdn Bhd, Naval & Defence Communication Systems Sdn Bhd and PSC Bofors Defence Asia Sdn Bhd):-

	The Group	
	2005 RM'000	2004 RM'000
Fixed deposit	**-**	700
Property, plant and equipment	**-**	134
Other receivables	**-**	192
Amount due from holding company	**-**	4,227
Amount due from related company	**30,053**	2,736
Cash and bank balances	**50**	232
Trade payables	**(459)**	-
Contract sum payable	**(23)**	-
Term loan	**(30,000)**	-
Other payables and accruals	**(1,064)**	(2,286)
Net assets as at financial year end	**(1,443)**	5,935
Less: Minority interest's share of net assets	**-**	(408)
Increase in Group's net (liabilities)/assets	**(1,443)**	5,527

13. SUBSIDIARY COMPANIES (continued)

(iii) The details of net assets acquired, goodwill and cash flow as at the date of acquisition arising from the acquisition of C3I, INDS and AC were as follows (2004 : acquisition of In-Service Support Technologies Sdn Bhd, PSC Petroleum Sdn Bhd, Naval & Defence Communication Systems Sdn Bhd and PSC Bofors Defence Asia Sdn Bhd):-

	The Group	
	2005 RM'000	2004 RM'000
Trade receivables	-	996
Cash and bank balances	**-**	4,000
Trade payables	**-**	(4)
Minority interest	**-**	(489)
Net assets acquired	**-**	4,503
Goodwill arising on acquisition	**-**	3
Purchase consideration discharged by cash	**-**	4,506
Less : Cash and bank balances acquired	**-**	(4,000)
Net cash used in acquisition of equity interest in a subsidiary company	**-**	506

14. ASSOCIATE COMPANIES

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Unquoted shares, at cost	**54,839**	1,250	**1,250**	1,250
Group's share of post-acquisition losses	**(54,829)**	(1,250)	**-**	-
	10	-	**1,250**	1,250
Less: Accumulated impairment losses	**-**	-	**(1,250)**	(1,250)
	10	-	**-**	-
Represented by:				
Share of net assets	**(23,146)**	-	**-**	-
Goodwill on acquisition	**23,156**	-	**-**	-
	10	-	**-**	-

14. ASSOCIATE COMPANIES (continued)

The associate companies are:-

Name of company	Country of incorporation	Interest in equity held 2005 %	2004 %	Principal activities
Tohwa-Sedap Food Industry Sdn Bhd	Malaysia	**50.00**	50.00	Manufacture & retail of snack food products (ceased operation, under liquidation and no latest financial statement is available)
Held by Perstim Industries Sdn Bhd				
*PSC-Naval Dockyard Sdn Bhd	Malaysia	**20.77**	-	Repair and maintenance of naval and merchant ships, equipment and systems, fabrication of steels structures and shipbuilding
Held by PSC-Naval Dockyard Sdn Bhd				
Wavemaster Langkawi Yacht Centre Sdn Bhd	Malaysia	**69.79**	69.79	Repair and maintenance of luxury boats and yachts, customising and servicing facilities
PSCND Shiprepair Sdn Bhd	Malaysia	**100**	100	Repair, upgrading and maintenance of warships, naval and merchant ships
PSC IT Sdn Bhd	Malaysia	**100**	100	Ceased operations
In-Service Support Technologies Sdn Bhd	Malaysia	**100**	100	Dormant
Held by Penang Shipbuilding & Construction Sdn Bhd				
Penang Shipbuilding & Construction Holding (Thailand) Limited	Thailand	**48.8**	-	Investment holding

*The said investment have been transferred from investment in subsidiary company at carrying amount upon the disposal of shares as mentioned in Note 13(c).

15. INVESTMENTS

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
At cost:				
Unquoted shares in Malaysia	**683**	683	**-**	-
Quoted shares in Malaysia	**26**	26	**-**	-
Others	**924**	924	**890**	890
	1,633	1,633	**890**	890
Less: Impairment losses	**(1,128)**	-	**(445)**	-
	505	1,633	**445**	890
Market value of quoted shares in Malaysia	**14**	23	**-**	-

16. GOODWILL ON CONSOLIDATION

	The Group	
	2005 RM'000	2004 RM'000
Arising from consolidation	**206,393**	206,390
Reserve arising on consolidation	**(49,128)**	(49,128)
	157,265	157,262
Acquisition of subsidiary companies	**-**	3
Disposal of subsidiary companies	**46,246**	-
Written off during the financial year	**(203,496)**	-
	15	157,265

17. DEFERRED EXPENDITURE

	The Group	
	2005 RM'000	2004 RM'000
At cost:		
Expenses incurred for purpose of securing future projects		
At beginning of financial year	**143,839**	25,333
Addition	**382**	138,290
Reclassification	**(735)**	-
Less: Written off	**(143,486)**	(19,784)
	-	143,839

Included in the above in previous year is an amount of RM136.43 million which was incurred by a subsidiary company relating to the expenses in securing the second batch of Offshore Patrol Vessels project.

The amount written off in financial year ended 31 December 2005 is inclusive of the RM136.43 million as mentioned above. The amount is written off as the Directors are of the opinion that there will be significant changes to the PV Contract Building Specification as a result of changing technology and obsolescence. Thus, there will be no on-going design and integration assets to which economic benefits can be obtained. The remaining deferred expenditure written off is due to projects that were not secured.

18. OFFSHORE PATROL VESSELS EXPENDITURE

(a) LONG TERM

Long term OPV expenditure amounting to RM Nil (2004 : RM455 million) is due to amount written off during the financial year as the Directors are of the opinion that there will be a significant changes to the PV Contract Building Specification as a result of changing technology and obsolescene. Thus, there will be no on-going design and integration assets to which economic benefits can be obtained.

The long term OPV expenditure belong to a subsidiary company which has been disposed off as at year end.

	The Group	
	2005 RM'000	2004 RM'000
(b) SHORT TERM		
Cost		
At 1 January	-	2,744,567
Additions	-	599,846
	-	3,344,413
Portion of Offshore Patrol Vessels (loss)/profits attributable to construction work performed to date	-	229,741
Less: Progress billings	-	(3,313,673)
At 31 December	-	260,481
Retention sum	-	59,214

Offshore Patrol Vessels expenditure refers to construction of Offshore Patrol Vessels for the Royal Malaysian Navy.

Included in the Offshore Patrol Vessels expenditure are the following expenses capitalised during the financial year:-

	The Group	
	2005 RM'000	2004 RM'000
Loss on foreign exchange - unrealised	-	41,422
Staff costs	-	10,841
Vehicle rental	-	461
Equipment rental	-	95
Depreciation	-	1,586
Interest on loan	-	28,572
Loss on foreign exchange - realised	-	1,962
Rental of premises	-	859
Lease rental and quit rent on land	-	9

19. CONTRACT SUM RECEIVABLES/(PAYABLES)

	The Group	
	2005 RM'000	2004 RM'000
Contract work in progress	**173,179**	401,265
Portion of profit attributable to construction work performed to date	**5,437**	123,927
Progress billings	**(174,940)**	(477,134)
	3,676	48,058
Contract sum receivables	**3,887**	125,918
Contract sum payables	**(211)**	(77,860)
	3,676	48,058
Retention sum	**5,298**	6,382

(a) Included in contract work in progress account are the following expenses capitalised during the financial year:-

	The Group	
	2005 RM'000	2004 RM'000
Depreciation	**1,442**	4,487
Rental expenses	**1,093**	1,143
Staff cost	**4,867**	4,467

(b) Amount of contract revenue and contract costs recognised in the financial year are as follows:-

	The Group	
	2005 RM'000	2004 RM'000
Contract revenue	**137,136**	195,843
Contract costs (included in cost of sales/direct costs)	**160,681**	198,117

20. INVENTORIES

The amounts attributable to the different categories of inventories are as follows:-

	The Group	
	2005 RM'000	2004 RM'000
At cost:-		
Raw materials	**27**	13,377
Work in progress	**-**	210
Consumables	**51**	55
	78	13,642
At net realisable value :-		
Work in progress	**220**	-
Raw materials	**2,581**	1,747
	2,879	15,389

21. TRADE RECEIVABLES

	The Group	
	2005 RM'000	2004 RM'000
Trade receivables	**139,316**	251,260
Provision for doubtful debts	**(112,244)**	(74,987)
	27,072	176,273

Included in trade receivables of the Group are retention sum receivable amounting to RM5,298,444 (2004 : RM65,596,131).

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Other receivables, deposits and prepayments	**155,705**	290,250	**21,567**	37,419
Provision for doubtful debts - specific	**(151,642)**	(27,662)	**(21,567)**	(10,000)
	4,063	262,588	**-**	27,419

(i) Included in the above is an amount of RM36 million (2003 : RM36 million) being receivable from the Government of Malaysia ("Government"). On 11 December 1995, a consortium, with Penang Shipbuilding & Construction Sdn Bhd (PSC), a wholly-owned subsidiary company as the leader, has entered into a Privatisation Agreement with the Government. Pursuant to the Privatisation Agreement, a subsidiary company, PSC-Naval Dockyard Sdn Bhd (PSCND) will be awarded the contract (PV Contract) to construct Offshore Patrol Vessels (OPV) for the Royal Malaysian Navy (RMN) of which the Government has confirmed its order for initial 6 units of OPV and the remaining 21 units of OPV will be ordered by the Government. However, the signing of the above OPV Contract was delayed and PSCND has only been awarded the contract on 5 September 1998. As a result, the consortium has made a claim to the Government as compensation for financing and other incidental costs arising due to the above delay. The RM36 million is PSC's portion of the claim made by the consortium due to the delay.

However, full provision (2004 : RM11.2 million) has been made as at the financial year end as the Directors are of the opinion that the amount is not recoverable.

(ii) Included in other receivables is an amount of RM14,200,000 (2004 : RM14,200,000) owing by a debtor for balance of purchase consideration for disposal of one of the subsidiary company's land. As at balance sheet date, the said land is still registered in the name of the said subsidiary company and it is receiving rental income from the said land. The land has been charged for banking facilities granted to a related party.

However, full provision has been made as at the financial year end as the Directors are of the opinion that the amount is not recoverable.

(iii) Included in other receivables is an amount of RM60,800,000 (2004 : RM60,800,000) owing by a debtor for the disposal of a property by a wholly owned subsidiary company in previous financial year.

However, full provision has been made as at the financial year end as the Directors are of the opinion that the amount is not recoverable.

23. AMOUNT DUE FROM/(TO) SUBSIDIARY COMPANIES

	The Company	
	2005 RM'000	2004 RM'000
Amount due from subsidiary companies	**117,946**	137,361
Provision for doubtful debts - specific	**(112,478)**	-
	5,468	137,361
Amount due to subsidiary companies	**13,240**	11,326

The amounts due from/(to) subsidiary companies are unsecured with no fixed terms of repayment and are interest-free except for an amount due from subsidiary companies of RM5,445,099 (2004 : RM115,723,212) which carries interest at rate of 8% (2004 : 8%) per annum.

24. AMOUNT DUE FROM/(TO) RELATED PARTIES

Related parties refer to associate companies of PSC Industries Berhad's group of companies.

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Amount due from related parties	**26,221**	-	**621**	-
Provision for doubtful debts - specific	**(1,318)**	-	**-**	-
	24,903	-	**621**	-
Amount due to related parties	**19,415**	-	**-**	-

The amount due from/(to) related parties are unsecured, interest free and have no fixed term of repayment.

25. DEPOSITS WITH LICENSED BANKS

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Deposit with licensed banks	**4,916**	270,569	**-**	135

Deposits with licensed banks amounting to RM2,525,609 (2004 : RM266,333,679) and RM Nil (2004 : RM135,000) are pledged for banking and guarantee facilities granted to the Group and the Company respectively.

Included in the above is an amount of RM Nil (2004 : RM242,435,100) of the Group which is held in trust by a third party.

26. TRADE PAYABLES

Included in the trade payables of the Group is an amount of RM Nil (2004 : RM377,975,669) being advance billing to the Government of Malaysia for the constructions of six units of Offshore Patrol Vessel for Royal Malaysian Navy.

27. OTHER PAYABLES AND ACCRUED LIABILITIES

Included in the above is an amount of RM18,000 (2004 : RM1,483,303) for the Group due to Directors of subsidiary company, which is unsecured, interest free and has no fixed terms of repayment.

28. OTHER BANK BORROWINGS

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Bank overdrafts - secured	**34,900**	31,853	**-**	-
Revolving credit - secured	**10,887**	10,203	**-**	-
Bankers' acceptance - secured	**7,276**	6,838	**-**	-
Trade financing facilities - secured	**521**	16,449	**-**	-
Total	**53,584**	65,343	**-**	-

(a) The above bank borrowings are obtained at interest rates ranging from 7.05% to 22.50% (2004 : 6.0% to 11.7%) per annum.

(b) Except for the bank overdraft facilities amounting to RM428,963, the Group has defaulted in repayment for the abovementioned bank borrowings and the bankers have take legal action against the Group.

(c) The bank overdrafts, revolving credit, bankers' acceptance and trade financing facilities of the subsidiary companies are secured by way of a pledge of the subsidiary company's fixed deposits, legal charge over land and building, fixed and floating charge over assets and assignment of contract proceeds, sinking fund and additionally guaranteed by the Company. One of the trade financing facilities of a subsidiary company is additionally guaranteed by a former director of the Company and a third party.

29. REVENUE

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Sale of goods	**21,007**	1,017	**-**	-
Shipbuilding and shiprepair related activities	**95,786**	502,761	**-**	-
Rental income from investment property	**5,412**	5,363	**-**	-
Interest income	**-**	-	**493**	4,803
Management fees	**-**	-	**500**	500
Construction contracts	**48,758**	22,661	**-**	-
	170,963	531,802	**993**	5,303

30. (LOSS)/PROFIT FROM OPERATIONS

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
(Loss)/Profit from operations is stated after charging:-				
Depreciation	**18,637**	16,790	**73**	74
Directors' remuneration:-				
- fees	**88**	212	**82**	96
- other emoluments	**1,953**	2,436	**358**	446
Auditors' remuneration:-				
- current financial year	**260**	230	**10**	8
- under/(over) provision in previous financial year	**7**	8	**-**	-
Bad debts written off	**22,751**	361	**-**	-
Cancellation of dividend by subsidiary companies	**-**	-	**12,380**	-
Rental of premises	**1,357**	1,222	**-**	-
Hire of equipment	**593**	338	**-**	-
Interest waiver to subsidiary companies	**-**	-	**19,020**	-
Lease rental	**1,372**	1,224	**-**	-
Rental of sea vessel and jetty	**742**	14	**-**	-
Amortisation of design technology	**-**	370	**-**	-
Amortisation of deferred assets	**3,951**	3,951	**-**	-
Property, plant and equipment written off	**2,441**	311	**-**	-
Loss on foreign exchange				
- realised	**257**	560	**-**	-
- unrealised	**94**	1,713	**-**	-
Other rental	**747**	744	**-**	-
Provision for obsolete inventories	**3,716**	720	**-**	-
Loss on disposal of property, plant and equipment	**333**	-	**-**	-
Deposit written off	**1,000**	-	**-**	-
Impairment loss on investment	**1,128**	-	**445**	-
Provision for refund of deposit	**1,000**	-	**-**	-
And after crediting:-				
Gain on foreign exchange				
- realised	**580**	24	**-**	-
- unrealised	**15,882**	1,609	**-**	-
Gain on disposal of property, plant and equipment	**-**	70	**-**	-
Interest income	**4,093**	5,582	**509**	4,803
Rental income	**1,406**	457	**-**	-
Provision for doubtful debts no longer required	**18,744**	702	**-**	-
Gain on disposal of associate company	**1,061**	-	**-**	-
Provision for obsolete inventories no longer required	**34**	-	**-**	-

The estimated monetary value of benefits provided to the Directors of the Company during the financial year amounted to RM127,904 (2004 : RM97,325).

31. FINANCE COST

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Term loan interest	**96,269**	50,046	**21,188**	15,423
Other interest	**4,757**	5,322	**9**	11
	101,026	55,368	**21,197**	15,434

32. EXCEPTIONAL ITEMS

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Cancellation of dividend by subsidiary companies	**-**	-	**(12,380)**	-
Deferred expenditure written off	**(143,486)**	(19,784)	**-**	(1,668)
Deferred assets written off	**(63,217)**	-	**-**	-
Offshore Patrol Vessels (OPV) expenditure written off	**(455,341)**	-	**-**	-
Gain on disposal of subsidiary company	**1,322,346**	28,814	**-**	-
Goodwill written off	**(203,496)**	-	**-**	-
Interest waiver to subsidiary companies	**-**	-	**(19,020)**	-
Impairment loss on property, plant & equipment	**(35,177)**	-	**-**	-
Impairment loss on investment in subsidiary companies	**-**	-	**(262,726)**	-
Provision for doubtful debts	**(291,715)**	(66,775)	**(124,045)**	(10,000)
Revision of profit margin for OPV project	**(606,899)**	(407,064)	**-**	-
	(476,985)	(464,809)	**(418,171)**	(11,668)

33. TAXATION

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Taxation based on profit for the financial year:-				
Malaysian income tax	**1,851**	726	**-**	-
Non-Malaysian income tax	**92**	136	**-**	-
Transfer to/(from) deferred taxation	**(1,657)**	128	**(7,830)**	-
	286	990	**(7,830)**	-
Overprovision in respect of prior financial years	**(51)**	(19,419)	**(226)**	-
	235	(18,429)	**(8,056)**	-

33. TAXATION (continued)

A reconciliation of income tax expenses on loss before taxation with the applicable statutory income tax rate is as follows:-

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Loss before taxation	**(634,651)**	(532,057)	**(440,756)**	(23,330)
Income tax at rate of 28%	**(177,702)**	(148,976)	**(123,412)**	(6,532)
Tax effect in respect of :				
Effect of different tax rates in other countries	**66**	64	**-**	-
Tax saving as a result of first RM500,000 taxable income taxed at 20% for subsidiary companies with issued and paid-up capital of RM2.5 million and below	**(172)**	(148)	**-**	-
Tax effect from expenses not deductible under Section 60 F of the Income Tax Act, 1967 for investment holding company	**7,331**	2,172	**-**	-
Non-allowable expenses	**200,910**	16,949	**115,823**	6,536
Loss/(Income) not subject to tax	**(43,311)**	97,568	**(143)**	-
Tax savings from utilisation of tax losses	**-**	(16)	**-**	-
Deferred tax assets not recognised in the financial statements	**13,164**	33,377	**(98)**	(4)
Current financial year tax expense	**286**	990	**(7,830)**	-
Under provision in prior financial year	**(51)**	(19,419)	**(226)**	-
Total tax expense	**235**	(18,429)	**(8,056)**	-
Unutilised tax losses carried forward subject to agreement of the tax authorities	**70,796**	121,936	**358**	-
Unabsorbed capital allowances carried forward subject to agreement of the tax authorities	**29,916**	93,475	**5,759**	5,759
Unabsorbed reinvestment allowances carried forward subject to agreement to the tax authorities	**488**	20,195	**488**	488

There were significant reversal of provision for taxation for the Group made in previous financial years as one of its subsidiary company has obtained approval from the Ministry of Finance a tax exemption under Section 127 of Income Tax Act, 1967 where the income generated by the subsidiary company in relation to the Offshore Patrol Vessel project for a period of 5 years commencing from the commencement date of the project will be tax exempted.

The potential deferred tax assets of the Group and of the Company have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiary companies in the Group and it is not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

34. EARNINGS PER SHARE

The earnings per share has been calculated based on net loss for the financial year of the Group of RM548,690,000 (2004 : RM425,742,000) and the weighted average number of shares in issue during the financial year of 174,083,348 (2004 : 171,445,848).

35. DIVIDENDS

There was no dividend declared or recommended for the financial year ended 31 December 2005 (2004 : Nil).

There was no dividend paid in the financial year ended 31 December 2005 (2004 : a first and final dividend in respect of the financial year ended 31 December 2003 of 4% less 28% income tax amounting to RM5,014,000 was declared and paid).

36. EMPLOYEES INFORMATION

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
(a) Staff cost	**24,407**	68,216	**524**	657

(b) The numbers of employees of the Group and of the Company (including Executive Directors) at the end of the financial year were 751 (2004 : 1,962) and 4 (2004 : 5) respectively.

37. COMMITMENTS

	The Group	
	2005 RM'000	2004 RM'000
Capital commitment:-		
- Approved but not contracted for	**-**	836
- Approved and contracted for	**5,621**	268,552
Other commitment:-		
- Approved and contracted for	**-**	1,288,217
	5,621	1,557,605

38. FUTURE LEASE COMMITMENTS

The following are the future lease commitments as at the end of the financial year:-

	The Group	
	2005 RM'000	2004 RM'000
Payable in the financial year:-		
2006	**1,220**	1,407
2007	**610**	2,110

39. OFFSHORE PATROL VESSELS CONTRACT COMMITMENT

	The Group	
	2005 RM'000	2004 RM'000
Offshore Patrol Vessels Contract	**-**	1,985,664

The above refers to the construction of 6 units of Offshore Patrol Vessels (OPV) contract signed with the Government of Malaysia.

40. CONTINGENT LIABILITIES

	The Group		The Company	
	2005 RM'000	2004 RM'000	**2005 RM'000**	2004 RM'000
Unsecured:-				
Guarantee to financial institutions on behalf of:-				
- subsidiary companies in the Group	**-**	-	**330,980**	640,980
- related parties*	**310,000**	-	**310,000**	-
- third parties	**2,000**	2,000	**2,000**	2,000
Guarantee to other corporations on behalf of subsidiary companies in the Group	**-**	-	**1,466**	1,466
Unsecured:-				
Amount under legal action and in dispute with supplier	**9,290**	7,675	**-**	-
Amount in dispute with third party	**1,980**	1,980	**-**	-
Tax liability under appeal not reflected in financial statements	**1,430**	1,430	**-**	-
Estimated liquidated ascertain damages payable to Government of Malaysia for Offshore Patrol Vessels project	**-**	15,579	**-**	-
Interest charged on balance of unpaid capital of a subsidiary company	**4,446**	-	**-**	-
	329,146	28,664	**644,446**	644,446
Secured:-				
Shares of a subsidiary company pledged for the banking facilities of a corporate shareholder	**7,600**	7,600	**-**	-
Freehold land of a subsidiary company pledged for the banking facilities of a corporate shareholder	**-**	10,000	**-**	-
	7,600	17,600	**-**	-

The Directors are of the opinion that the above contingent liabilities of the Group and of the Company will not crystallise in the near future.

*These related parties were previously subsidiary company of the Company.

41. CONTINGENT ASSET

	The Group	
	2005 RM'000	2004 RM'000
Liquidated Ascertain Damages against its main sub-contractor in relation to the Offshore Patrol Vessels projects	**-**	49,249,474

42. SIGNIFICANT RELATED PARTY TRANSACTIONS

	The Company	
	2005 RM'000	2004 RM'000
Interest income from subsidiary companies		
- PSC Asset Holdings Sdn Bhd	**493**	513
- Penang Shipbuilding & Construction Sdn Bhd	**-**	4,290
Management fees from subsidiary companies		
- PSC Asset Holdings Sdn Bhd	**500**	500

The above transaction are undertaken on agreed terms and prices in normal course of business.

43. SEGMENTAL REPORTING - GROUP

(a) Primary segmental reporting - Business segment

	Shipbuilding and shiprepair related activities RM'000	Construction RM'000	Investment property RM'000	Trading RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM'000
2005							
REVENUE							
External revenue	115,965	48,758	5,412	759	69	-	170,963
Intersegment revenue	-	27,492	73	9,974	1,120	(38,659)	-
Total revenue	115,965	76,250	5,485	10,733	1,189	(38,659)	170,963
RESULTS							
Segment results	(204,754)	(155,596)	1,216	359	(176,007)	(493)	(535,275)
Unallocated costs							(2,397)
Interest income	3,982	61	15	19	16	-	4,093
Loss from operations							(533,579)
Finance cost							(101,026)
Share of loss of associate companies							(59)
Loss before taxation							(634,664)
Taxation							(235)
Loss after taxation							(634,899)
Minority interests							86,209
Net loss for the financial year							(548,690)

43. SEGMENTAL REPORTING - GROUP (continued)

(a) Primary segmental reporting - Business segment (continued)

	Shipbuilding and shiprepair related activities RM'000	Construction RM'000	Investment property RM'000	Trading RM'000	Other operations RM'000	Eliminations RM'000	Consolidated RM'000
2004							
REVENUE							
External revenue	502,761	22,661	5,363	919	98	-	531,802
Intersegment revenue	18	13,345	-	9,732	5,304	(28,399)	-
Total revenue	502,779	36,006	5,363	10,651	5,402	(28,399)	531,802
RESULTS							
Segment results	(425,240)	(47,460)	3,148	322	(6,703)	(4,804)	(480,737)
Unallocated costs							(1,534)
Interest income	4,919	638	13	12	-	-	5,582
Loss from operations							(476,689)
Finance cost							(55,368)
Loss before taxation							(532,057)
Taxation							18,429
Loss after taxation							(513,628)
Minority interests							87,886
Net loss for the financial year							(425,742)

43. SEGMENTAL REPORTING - GROUP (continued)

(a) Primary segmental reporting - Business segment (continued)

	Shipbuilding and shiprepair related activities RM'000	Construction RM'000	Investment property RM'000	Trading RM'000	Other operations RM'000	Consolidated RM'000
2005						
OTHER INFORMATION						
Segment assets	229	99,547	71,403	21,549	44,591	237,319
Unallocated corporate asset	-	-	-	-	-	15
Consolidated total assets	229	99,547	71,403	21,549	44,591	237,334
Segment liabilities	20,748	334,080	45,086	(1,779)	274,713	672,848
Unallocated corporate liabilities	-	-	-	-	-	3,576
Consolidated total liabilities	20,748	334,080	45,086	(1,779)	274,713	676,424
Capital expenditure on property, plant and equipment	32,612	318	2	29	-	32,961
Depreciation	15,144	3,333	38	37	85	18,637
Non cash expenses other than depreciation	764,407	246,881	17,425	-	200,040	1,228,753

43. SEGMENTAL REPORTING - GROUP (continued)

(a) Primary segmental reporting - Business segment (continued)

	Shipbuilding and shiprepair related activities RM'000	Construction RM'000	Investment property RM'000	Trading RM'000	Other operations RM'000	Consolidated RM'000
2004						
OTHER INFORMATION						
Segment assets	1,788,095	158,263	70,003	23,052	310,723	2,350,136
Unallocated corporate asset	-	-	-	-	-	157,265
Consolidated total assets	1,788,095	158,263	70,003	23,052	310,723	2,507,401
Segment liabilities	1,469,945	427,666	42,230	17,910	348,290	2,306,041
Unallocated corporate liabilities	-	-	-	-	-	5,148
Consolidated total liabilities	1,469,945	427,666	42,230	17,910	348,290	2,311,189
Capital expenditure on property, plant and equipment	9,998	1,471	28	72	104	11,673
Depreciation	15,968	584	46	112	80	16,790
Non cash expenses other than depreciation	25,013	55,590	-	-	11,669	92,272

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. Unallocated corporate asset consists of goodwill on consolidation. Segment liabilities comprise operating liabilities. Unallocated corporate liabilities consists of taxation payable and deferred taxation.

Capital expenditure comprises additions to property, plant and equipment and capital work in progress, including additions resulting from acquisition of a subsidiary company.

43. SEGMENTAL REPORTING - GROUP (continued)

(a) Primary segmental reporting – Business segment (continued)

Segment revenues, expenses and results also include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at arm's length transactions. These transfers are eliminated on consolidation.

The main business segments and respective business activity of each segment of the Group are:-

Business segment	Business activity
Shipbuilding and shiprepair related activities	General trading of vessel, supplying of electronics and system technology in relation to the shipping and marine industry, manufacturing of aluminium fast passenger sea ferries, franchise management service for ferry operations, shiprepairing, engineering and metalled activities and fabrication and other activities in connection therewith, repair and maintenance of naval and merchant ships, equipment and system, fabrication of steel structures and shipbuilding and super yacht customising and servicing facilities.
Construction	Heavy engineering construction, shiprepair and shipbuilding, contractor and a commission agent.
Investment property	Property holding and development.
Trading	Supplying of equipment and machinery and marketing and distributing of Exocet Weapon System.
Other operations	Investment holding.

(b) Secondary segmental reporting – geographical segment

	Revenue RM'000	Carrying amount of segment assets RM'000	Additions to property, plant and equipment RM'000
2005			
Malaysia*	162,407	226,672	32,594
Republic of Ghana	8,556	10,662	367
	170,963	237,334	32,961
2004			
Malaysia*	522,449	2,497,874	11,335
Australia	359	-	-
Republic of Ghana	8,994	9,527	338
	531,802	2,507,401	11,673

*Company's home country

44. FINANCIAL INSTRUMENTS

(i) (a) **Interest rate risk**

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on classes of financial assets and financial liabilities are as follows:-

	Less than 1 year RM'000	2 to 5 years RM'000	Total RM'000	Effective interest rate during the year
Group 2005				
Financial assets				
Deposits with licensed banks and other corporations	**4,916**	**-**	**4,916**	**2.5% - 12.5%**
Financial liabilities				
Term loans	**524,381**	**180**	**524,561**	**5.90% - 12.0%**
Other bank borrowings	**53,584**	**-**	**53,584**	**7.1% - 22.5%**
Company 2005				
Financial liabilities				
Term loans	**240,998**	**-**	**240,998**	**8.0% to 9.0%**
Group 2004				
Financial assets				
Deposits with licensed banks and other corporations	270,569	-	270,569	1.0% - 4.0%
Financial liabilities				
Term loans	939,849	284,977	1,224,826	4.4% - 11.7%
Other bank borrowings	65,343	-	65,343	6.0% - 11.7%
Company 2004				
Financial assets				
Deposits with licensed banks and other corporations	135	-	135	3.7%
Financial liabilities				
Term loans	220,120	-	220,120	7.5% - 9.9%

(b) **Credit risk**

At balance sheet date, there were no significant concentration of credit risk. The maximum exposure to credit risk for the Group is the carrying amount of each financial asset.

(ii) **Fair values**

The carrying amounts of financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values.

In addition, fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of MASB 24 which require fair value information to be disclosed. These include property, plant and equipment and investment in subsidiary companies and associate company.

45. SIGNIFICANT EVENTS

During the financial year, the following events have occurred:-

(a) On 11 October 2005, the Company announced that its subsidiary company, Perstim Industries Sdn Bhd ("PISB") has agreed with Limaran Logistics Sdn Bhd ("Limaran") for the foreclosure of 40 million ordinary shares of RM1.00 each ("Foreclosure Shares") in the paid up capital of PSC-Naval Dockyard Sdn Bhd ("Dockyard") in final settlement for its term loan facility of USD31.6 million ("Term Loan") granted by Credit Suisse, Labuan branch ("Lender") under a facility agreement dated 11 June 2002. On 5 December 2005, PISB has received a notice from Limaran notifying of their exercise of rights to foreclose the said Foreclosure Shares as final settlement of the Term Loan granted by the Lender. On 5 December 2005, the Foreclosure Shares was foreclosed for an amount of RM125.6 million. The Foreclosure Shares represent approximately 30.77% of the paid up share capital of Dockyard.

On 22 November 2005, the Company announced that its subsidiary company, Penang Shipbuilding & Construction Sdn Bhd ("PSC") has received a letter from Affin Bank Berhad ("Affin Bank") notifying PSC that Affin Bank will be taking all relevant steps to realise by sale thereof, 36,000,001 ordinary shares of RM1.00 each in the capital of Dockyard ("ABB Shares") which had been mortgaged to Affin Bank. On 22 November 2005, Affin Bank had foreclosed the ABB shares for an amount of RM150.9 million. The ABB Shares represent approximately 27.7% of the paid up share capital of Dockyard.

Upon the said foreclosure by Limaran and Affin Bank, the Company only hold approximately 27 million shares in Dockyard representing approximately 20.8% of the paid up share capital of Dockyard and Dockyard cease to be a subsidiary company of the Company. For the purpose of these financial statement, the disposal of the said subsidiary shares is deemed to be completed on 31 December 2005.

(b) On 30 November 2005, a wholly owned subsidiary company, Penang Shipbuilding & Construction Sdn Bhd and an associate company, Penang Shipbuilding & Construction Holding (Thailand) Limited entered into an agreement with Madam Kesinee Sutthisan for the disposal of 49,000 and 21,000 ordinary shares of 100 Baht each respectively in their investment in associate company, WEC International Co. Ltd. for a consideration of RM1.5 million. The above transaction had been completed as at the financial year end.

(c) On 1 December 2005, the Company announced that it is an affected listed issuer pursuant to Practice Note 17 of the Bursa Malaysia Securities Berhad Listing Requirement, as the Company has a deficit in the shareholders' equity of approximately RM376.68 million on a consolidated basis based on the unaudited consolidated 9 months quarterly results for the period ended 30 September 2005. The Company is still considering various issues in formulating a Regularisation Plan to regularise its financial condition.

Analysis of Shareholdings

As at 12 April 2006

Authorised Share Capital	: RM500,000,000
Paid-Up Share Capital	: RM174,083,348
Class of Shares	: Ordinary shares of RM1.00 each
Voting Rights	: One vote per ordinary share

ANALYSIS BY RANGE GROUPS OF SHAREHOLDINGS

			No. of Holders	%	No. of Shares	%
1	-	99	20	0.49	596	0.00
100	-	1,000	1,269	30.86	609,616	0.35
1,001	-	10,000	2,030	49.37	9,584,960	5.50
10,001	-	100,000	698	16.97	21,217,608	12.19
100,001	-	8,704,166	92	2.24	60,627,472	34.83
8,704,167	and above		3	0.07	82,043,096	47.13
Total			**4,112**	**100**	**174,083,348**	**100**

LIST OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares		No. of Shares	
	Direct	%	Indirect	%
Boustead Holdings Berhad	56,577,100	32.5	-	-
Lembaga Tabung Angkatan Tentera	-	-	56,577,100^	32.5
Y. Bhg. Tan Sri Dato' Amin Shah Bin Haji Omar Shah	3,764,400	2.16	16,515,544*	9.49
Business Focus Sdn Bhd	15,505,544	8.91	-	-
Telekom Malaysia Berhad	13,887, 396	7.98	-	-

DIRECTORS' SHAREHOLDINGS

	No. of Shares		No. of Shares	
	Direct	%	Indirect	%
Y. Bhg. Laksamana Madya (Rtd) Dato' Seri Ahmad Ramli Bin Haji Mohd Nor	1,000	#	-	-
Tn. Hj. Mohd Noordin Bin Abdullah	100	#	-	-

Notes:

^ - *Deemed interest by virtue of its substantial shareholding in Boustead Holdings Berhad.*

* - *Deemed interest by virtue of his substantial shareholding in Business Focus Sdn Bhd, Pilot Lead Investments Limited and Modalshah (M) Sdn Bhd.*

- *Negligible.*

Analysis of Shareholdings

As at 12 April 2006

LIST OF THIRTY LARGEST SHAREHOLDERS (continued)

No.	Shareholders	No. of Shares	%
1.	**BOUSTEAD HOLDINGS BERHAD** Account Non-trading	56,227,100	32.30
2.	**RHB NOMINEES (TEMPATAN) SDN BHD** Telekom Malaysia Berhad	13,887,396	7.98
3.	**ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD** Alliance Merchant Nominees (Tempatan) Sdn Bhd for Business Focus Sdn Bhd	11,928,600	6.85
4.	**NOR ASHIKIN BINTI KHAMIS**	6,987,400	4.01
5.	**QUEK LENG CHAN**	5,211,300	2.99
6.	**HLG NOMINEE (ASING) SDN BHD** Hong Leong Fund Management Sdn Bhd for Asia Fountain Investment Company Limited	3,300,000	1.90
7.	**KUALA LUMPUR CITY NOMINEES (TEMPATAN) SDN BHD** Danaharta Managers Sdn Bhd for Elegant Residence (M) Sdn Bhd	2,948,500	1.69
8.	**KUALA LUMPUR CITY NOMINEES (TEMPATAN) SDN BHD** Danaharta Managers Sdn Bhd for Atlantic Range (M) Sdn Bhd	1,761,800	1.01
9.	**TRACTORS MALAYSIA HOLDINGS BERHAD**	1,718,000	0.99
10.	**RC NOMINEES (TEMPATAN) SDN BHD** Eng Sim Leong @ Ng Leong Sing (SBB PDMPS)	1,688,500	0.97
11.	**SOUTHERN NOMINEES (TEMPATAN) SDN BHD** Pledged Securities Account for Tan Sri Dato' Amin Shah Bin Omar Shah	1,620,500	0.93
12.	**SOUTHERN NOMINEES (TEMPATAN) SDN BHD** Pledged Securities Account for Business Focus Sdn Bhd	1,608,900	0.92
13.	**CITIGROUP NOMINEES (ASING) SDN BHD** Exempt An for Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign)	1,600,000	0.92
14.	**HLB NOMINEES (ASING) SDN BHD** Pledged Securities Account for Hussein Adam Ali Ibrahim (SIN 606032)	1,580,000	0.91
15.	**CIMSEC NOMINEES (TEMPATAN) SDN BHD** Danaharta Urus Sdn Bhd for Business Focus Sdn Bhd (Misi Asiam S/B)	1,535,940	0.88
16.	**HLG NOMINEE (ASING) SDN BHD** Commerzbank (SEA) Ltd for Rheinmetall Defence Electronic S GmbH	1,504,000	0.86
17.	**B & A FAMILY HOLDINGS SDN BHD**	1,500,000	0.86
18.	**HLB NOMINEES (TEMPATAN) SDN BHD** Pledged Securities Account for Tan Sri Dato' Amin Shah Bin Haji Omar Shah (PST 4449-5)	1,480,000	0.85
19.	**TA NOMINEES (TEMPATAN) SDN BHD** Pledged Securities Account for Oh Kim Sun	1,217,800	0.70

As at 12 April 2006

LIST OF THIRTY LARGEST SHAREHOLDERS (continued)

No.	Shareholders	No. of Shares	%
20.	**JERNEH INSURANCE BHD** Shareholders' Funds Account	1,027,500	0.59
21.	**HLB NOMINEES (TEMPATAN) SDN BHD** Pledged Securities Account for Modalshah (M) Sdn Bhd (PST 4449-5A)	1,000,000	0.57
22.	**KUALA LUMPUR CITY NOMINEES (TEMPATAN) SDN BHD** Danaharta Managers Sdn Bhd for Lee Choong Lim @ Lee Tin Fook	968,300	0.56
23.	**KU CHEE ANG**	944,400	0.54
24.	**KWEE HONG LETRIK SDN BHD**	805,000	0.46
25.	**INTER-PACIFIC EQUITY NOMINEES (ASING) SDN BHD** Kim Eng Securities Pte Ltd for Sabco Investment Pte Ltd	744,000	0.43
26.	**HOR YIN KIN**	735,500	0.42
27.	**BOUSTEAD HOLDINGS BERHAD** Account Trading	735,000	0.42
28.	**ZAKARIA BIN MERANUN**	665,000	0.38
29.	**CHOO KIM GUAN**	570,000	0.33
30.	**SIM KAY HUAN**	560,000	0.32
		128,060,436	73.56

List of Properties Held by PSCI Group

Location	Description	Area	Tenure	Age	Net Book Value RM'000
PSC ASSET HOLDINGS SDN BHD Menara PSCI 39, Jalan Sultan Ahmad Shah Pulau Pinang	21 storey office building with 5 storey annexed car park	6,672 sq. m.	Freehold	12 years	70,000
PENANG SHIPBUILDING & CONSTRUCTION SDN BHD Pajakan Negeri No. 649 Lot No 3222, Mukim 13 Daerah Timur Laut Pulau Pinang	Shipyard	20.21 acres	Leasehold expiring on 24/1/2072	34 years	70,314
Pajakan Negeri No 648 Lot No 3227, Mukim 13 Daerah Timur Laut Pulau Pinang	Reclaimed land for the extension of the area of the shipyard	19.00 acres	Leasehold expiring on 24/1/2072	34 years	1,784
Mukim Tanjung Tualang Daerah Kinta Perak	Malaysia Army Equipment & Vehicle Testing Site	135 acres	Leasehold expiring on 21/6/2100	4 years	1,778
HS(D) 16204, PT8711 Mukim Lumut Daerah Manjung Perak	Marine Industry Land	307,560 sq. m.	Leasehold expiring on 18/10/2099	5 years	979

Boustead Holdings Berhad 3871-H
(A member of LTAT Group)

3 May 2006

The Board of Directors
PSC Industries Berhad
17th Floor, Menara Boustead
69 Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sirs

RE : NOTICE OF NOMINATION OF MESSRS ERNST & YOUNG

We, Boustead Holdings Berhad, a member of the company, hereby give notice, pursuant to section 172(11) of the Companies Act, 1965 of our nomination of Messrs Ernst & Young as auditors of the company in place of the retiring auditors, Messrs. Shamsir Jasani Grant Thornton.

Yours faithfully
BOUSTEAD HOLDINGS BERHAD

SHARIFAH MALEK
SECRETARY

"A TRADITION OF STRENGTH AND STABILITY. A VISION OF GROWTH AND EXCELLENCE"

28th Floor, Menara Boustead, 69, Jalan Raja Chulan, 50200 Kuala Lumpur. P.O. Box 11011, 50732 Kuala Lumpur.
Tel: 03-2141 9044 (24 Lines) Fax: 03-2141 9750, 2148 1866 Website:www.boustead.com.my

PSC Industries Berhad
(11106-V Incorporated in Malaysia)

Proxy Form

Number of shares held

I/We ____
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

being a member of PSC INDUSTRIES BERHAD, hereby appoint __________________________________

____
(FULL NAME IN BLOCK LETTERS)

of ____
(FULL ADDRESS)

or failing him/her, THE CHAIRMAN OF THE MEETING, as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Fourth Annual General Meeting of the Company, to be held at 4th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur on Thursday, 15 June 2006 at 10.30 a.m. and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1. Adoption of Directors' Reports and Financial Statements.		
2. Approval of Directors fees.		
3. Re-election of En. Ishak Bin Osman.		
4. Re-election of Y. Bhg. Laksamana Madya (Rtd) Dato' Seri Ahmad Ramli Bin Haji Mohd Nor.		
5. Re-election of Y. Bhg. Datuk Azzat Bin Kamaludin.		
6. Re-election of Mr. David William Berry.		
7. Appointment of Auditors.		
8. Approval for Directors to allot and issue shares.		
9. Approval for Shareholders' Mandate for Recurrent Related Party Transactions.		

(Please indicate with an (**x**) how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.)

Dated this ______________ day of ________________ 2006.

____
(Signature/Common Seal of Shareholder(s))

Notes:

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.*
2. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. If the appointer is a corporation, the Form of Proxy must be executed under its Common Seal or under the hand of its officer or attorney duly authorised.*
3. *The instrument appointing a proxy must be deposited at the Registered Office of the Company, 17th Floor, Menara Boustead, 69 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight hours before the time appointed for holding the meeting.*

STAMP

The Company Secretary
PSC Industries Berhad
17th Floor, Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur