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## BOARD OF DIRECTORS

Executive Chairman

Lim Beng Huan

Managing Director

Loh Lay Choo

Executive Directors

Lim Teik Hian

Jimmy Ong Chin Keng

Lim Teck Chye

Non-Executive Directors

Ng Chee Kong

Nik Azalan Bin Nik A. Kadir

Wong Sew Yun

## SECRETARIES

Lee Peng Loon

Ong Eng Choon

## REGISTERED OFFICE

51-21-A Menara BHL Bank

Jalan Sultan Ahmad Shah

10050 Pulau Pinang

Tel No: 04-2276 888

Fax No: 04-2298 118

## SHARE REGISTRAR

PFA Registration Services Sdn Bhd (19234-W)

Level 13, Uptown 1,

No. 1 Jalan SS21/58,

Damansara Uptown,

47400 Petaling Jaya,

Selangor Darul Ehsan.

Tel No: 03-7725 4888, 7725 8046

Fax No: 03-7722 2311

## PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad (88103-W)

Southern Bank Berhad (5303-W)

Affin Bank Berhad (25046-T)

Malayan Banking Berhad (3813-K)

Hong Leong Bank Berhad (97141-X)

## AUDITORS

Deloitte KassimChan

Chartered Accountants

4th Floor, Wisma Wang

251-A, Jalan Burma

10350 Pulau Pinang

## AUDIT COMMITTEE

Nik Azalan Bin Nik A. Kadir

Chairman and Independent Non-Executive Director

Ng Chee Kong

Independent Non-Executive Director

Jimmy Ong Chin Keng

Executive Director

## STOCK EXCHANGE LISTING

Bursa Malaysia

Second Board

**LIM BENG HUAN**

Executive Chairman

Mr Lim Beng Huan, a Malaysian aged 63 is the Executive Chairman of Emico Holdings Berhad. He was appointed as Director and Executive Chairman on 6 December 1991 and 8 January 1994 respectively. He is the co-founder of the business with Madam Loh Lay Choo. In the early 1970, he started as an independent agent supplying awards and trophy components to retail outlets in Malaysia. His foresight in recognising the market potential of this line of business led him to set up Emico in 1983. From then on, he managed to expand the business from a small partnership trading in trophies to its status of being the largest trophy manufacturer in Malaysia and ASEAN region. His vision and commitment towards the business has also steered Emico Group to venture into manufacturing and maintenance of lifts and escalators and lately into property development. He is also Chairman for the Nominating Committee and sits on the Board of several private limited companies. He and his family are the major shareholders of the Company. His wife, Madam Loh Lay Choo, is the Managing Director of the Company and his sons Mr Lim Teik Hian and Mr Lim Teck Chye sit on the Board of the Company as Executive Directors. Other than as disclosed in the related party transactions in Note 33 of the Annual Report, he has no other conflict of interest.

Mr Lim has not been convicted of any offence in the past 10 years and has attended all Board meetings held during the financial year.

**LOH LAY CHOO**

Managing Director

Madam Loh Lay Choo, a Malaysian aged 57, was appointed as Director and Managing Director on 6 December 1991 and 8 January 1994 respectively. She is the spouse of Mr Lim Beng Huan and co-founded the business with him. During the initial period of Emico's operation, she was involved in the establishment of the Company's manufacturing operations. She has in-depth knowledge of Emico Group's operations and adopts a personal touch approach in running the day to day operation matters. Her strong leadership has steered Emico Group from a small trading company to a diversified Group involved in manufacturing of plastic, woods and household products, manufacturing and maintenance of lifts and escalators and property development. She is a member of the Remuneration Committee and sits on the Board of several private limited companies. She and her family are the major shareholders of the Company. Her husband, Mr Lim Beng Huan, is the Executive Chairman of the Company and her sons Mr Lim Teik Hian and Mr Lim Teck Chye sit on the Board of the Company as Executive Directors. Other than as disclosed in the related party transactions in Note 33 of the Annual Report, she has no other conflict of interest.

Madam Loh has not been convicted of any offence in the past 10 years and has attended all Board meetings held during the financial year.

**LIM TEIK HIAN**

Executive Director

Mr Lim Teik Hian, a Malaysian aged 38 was appointed to the Board on 16 February 1996. He has a Diploma in Business Administration from Australia Business College, Melbourne, Australia. Upon graduation, he joined the Company in 1989 as the Marketing Manager and was responsible for the development of



domestic market for Emico. At a later stage, he was involved in the general management of the manufacturing concern and was instrumental in the commissioning of modern manufacturing facilities for Emico Group. He was seconded to Vietnam to set up Emico's plastic manufacturing plant and has been actively running the day to day operation since then. He is the eldest son of Mr Lim Beng Huan and Madam Loh Lay Choo, the major shareholders of the Company and his younger brother, Mr Lim Teck Chye sits on the Board of the Company as Executive Director. Other than as disclosed in the related party transactions in Note 33 of the Annual Report, he has no other conflict of interest.

Mr Lim has not been convicted of any offence in the past 10 years and has attended all Board meetings held during the financial year.

#### JIMMY ONG CHIN KENG

Executive Director

Mr Jimmy Ong Chin Keng, a Malaysian aged 42 was appointed to the Board on 16 February 1996. He is a Chartered Accountant and holds a professional qualification from the Malaysian Institute of Certified Public Accountants and is a member of Malaysian Institute of Accountants. He joined Emico Group in February 1993 as the Financial Controller and rose to the rank of Finance Director in 1996. His responsibilities include financial planning and budgeting, establishment and maintenance of accounting system and internal controls, credit management and matters relating to corporate affairs. Prior to his engagement in Emico, he served in two international accounting firms namely PriceWaterhouseCoopers and KPMG for a total of 8 years. He is a member of Emico's Audit Committee and sits on the Board of several private limited companies.

Mr Ong has not been convicted of any offence in the past 10 years and has attended all Board meetings held during the financial year.

#### NIK AZALAN BIN NIK ABDUL KADIR

Independent and Non-executive Director

Encik Nik Azalan Bin Nik Abdul Kadir, a Malaysian aged 56 was appointed to the Board on 16 April 1993. He graduated in 1978 with a qualification in Electronic Data Processing ("EDP") from Caulfield Institute of Technology Melbourne, Australia (currently Caulfield-Monash University). He was a bank officer with Bank Bumiputra Malaysia Berhad from 1978 to 1980. Subsequently, he assumed the position of Senior Executive with the Terengganu State Economic Development Corporation, Terengganu, to pursue his interest in the business sector. He was appointed as a Director of several private limited companies which are principally involved in the assembling, trading and maintenance of personal computers and mini-computers, insulation, fabrication and mechanical siteworks for the oil and gas industry. He also sits on the Board of EG Industries Berhad, a public listed company and Kelang Assets Sdn Bhd, a subsidiary of a public listed company, Worldwide Holdings Berhad. He is also the Chairman of Emico's Audit Committee and the Remuneration Committee and member of the Nominating Committee.

Encik Nik has not been convicted of any offence in the past 10 years and has attended all Board meetings held during the financial year.

#### WONG SEW YUN

Independent and Non-executive Director

Mr Wong Sew Yun, a Malaysian aged 49 was appointed to the Board on 14 January 1995. He has been involved in business for more than 26 years. He has his own business operating a transportation company plying East, West Malaysia and Indonesia. He is also involved in ceramic wares business and sits on the Board of several private limited companies.

Mr Wong has not been convicted of any offence in the past 10 years and has attended 3 out of 4 Board meetings held during the financial year.

#### NG CHEE KONG

Independent and Non-executive Director

Mr Ng Chee Kong, a Malaysian aged 62 is an Independent Non-Executive Director of the Company. He was appointed to the Board on 24 May 1999 and is a member of the Audit and the Remuneration Committee. He also sits as the Chairman of the Nominating Committee. He received his early education in Penang and joined the banking profession with a major local bank until his retirement 36 years later. During his tenor with the bank, he obtained a Diploma in Marketing & Selling Bank Services conferred by The International Management Centres, Buckingham, England.

Mr Ng has not been convicted of any offence in the past 10 years and has attended all Board meetings held during the financial year.

#### LIM TECK CHYE

Executive Director

Mr. Lim Teck Chye, a Malaysian aged 31, was appointed to the Board on 11 May 2004. He graduated from University of Toledo, Ohio, USA in Bachelor of Science in Engineering and Master of Science in Industrial Engineering. Upon graduation, he joined Fuji Lift & Escalator Manufacturing Sdn. Bhd. (formerly known as Northern Elevator Manufacturing Sdn Bhd) as its Marketing Manager in July 1997. In mid 1998, he was transferred abroad to set up an elevator manufacturing plant in Fujian province, China. The China factory is in full operation since July 1999 and has obtained ISO 9001:2000 quality certification. He was appointed to the Board of Northern Elevator Berhad as the Executive Director in October 1999 and has held the position since then. He is the youngest son of Mr Lim Beng Huan and Madam Loh Lay Choo, the major shareholders of the company. And his brother, Mr Lim Teik Hian sits on Board of the Company as Executive Director. Other than as disclosed in the related party transactions in Note 33 of the Annual Report, he has no other conflict of interest.

Mr Lim has not been convicted of any offence in the past 10 years and has attended all Board meetings held during the financial year since his appointment to the Board.



# CORPORATE STRUCTURE

AS AT 31 DECEMBER 2004

## EMICO HOLDINGS BERHAD

### PROPERTY DEVELOPMENT & INVESTMENT

- ◆ 100% Emico Development Sdn Bhd
- ◆ 79.8% Emico Properties Sdn Bhd
- ◆ 100% Emico Capital Sdn Bhd
- ◆ 100%\*\* Emico Development (Langkawi) Sdn Bhd
- ◆ 71% Mercu Tanah Langkawi Sdn Bhd
- ◆ 49.7% Operasi Tembaga Sdn Bhd
- ◆ 39.8% PKB - Operasi Tembaga Sdn Bhd
- ◇ 50%\*\* Panashiba Industries (M) Sdn Bhd

### TRADING

- ◆ 100%\*\* Emico Newk Sdn Bhd
- ◆ 50.2% Emico Asia Sdn Bhd

### MANUFACTURING

#### Consumer Products

- ◆ 100% Emico Penang Sdn Bhd
- ◆ 100%\*\* Emico Tools Sdn Bhd  
(formerly known as Emico Metal Industries Sdn. Bhd.)
- ◆ 100% Emico Marketing Sdn Bhd
- ◆ 100%\*\* Emico Creative Design Sdn Bhd
- ◆ 100% Emico Metalizing Sdn Bhd
- ◆ 53.3%\*\* Standard Trend Apparel Industries Sdn Bhd
- ◆ 60% Emico Marketing (Thailand) Limited, Partnership
- ◆ 100% Emico (Vietnam) Co. Ltd.
- ◇ 24.5%\*\* PT Panashiba Industries, Indonesia

#### Lifts and Escalators

- ◆ 60% Northern Elevator Berhad
- ◆ 60% Fuji Lift & Escalator Mfg. Sdn Bhd  
(formerly known as Northern Elevator Manufacturing. Sdn Bhd)
- ◆ 60%\*\* Pacific Elevator Sdn Bhd
- ◆ 60% Fein Blanking Sdn Bhd
- ◆ 60% Fuji Lift and Escalator Sdn Bhd
- ◆ 60% Fuji Lift Components Manufacturing Sdn Bhd
- ◇ 20.9% Quanzhou Fuji-Sino Elevators Co. Ltd, China
- ◇ 24%\*\* Asian Elevator (M) Sdn Bhd
- ◇ 18% Jiangnan Escalator (M) Sdn Bhd
- ◇ 18% OKA Elevators and Escalators Sdn Bhd

- ◆ Subsidiary Companies
- ◇ Associated Companies
- \*\* Dormant / Inactive

The Board has appointed the Audit Committee to assist the Board in discharging its duties of maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets.

#### TERMS OF REFERENCE

- Purpose

The primary objective of the Audit Committee (as a sub-committee of the Board) is to assist the Board in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.

- Reporting Responsibilities

The Audit Committee will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on any audit and financial reporting matters as it may think fit.

- Attendance at Meeting

The head of finance, the head of internal audit and a representative of external audit shall normally attend meetings. The Company Secretary shall be the Secretary of the Committee. Other officers may be invited to brief the Committee on issues that are incorporated into the agenda.

- Frequency of Meeting

The Committee will meet as frequently as the Chairman shall decide, with due notice of issues to be discussed and shall record its conclusions whilst discharging its duties and responsibilities.

- Quorum

The quorum for a meeting shall be 2 (two) members, the majority of whom shall be independent non-executive directors.

- Authority

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee may, with the approval of the Board, consult legal or other professionals where they consider it necessary to discharge their duties.

## MEMBERSHIP AND MEETINGS

The composition of the Company's Audit Committee, appointed by the Board from amongst its members, comprises of 3 (three) members of which 2 (two) are Non-Executive Directors.

During the year ended 31 December 2004, the Committee held meetings on 27 February, 28 May, 27 August and 29 November 2004 respectively, making a total of 4 (four) meetings.

No.	Name	Status of directorship	Status of Independence Status	Attendance of meetings
(i)	Nik Azalan Bin Nik Abdul Kadir (Chairman)	Non-executive	Independent	4/4
(ii)	Ng Chee Kong (Member)	Non-executive	Independent	4/4
(iii)	Jimmy Ong Chin Keng (Member)	Executive	Non-Independent	4/4

## DUTIES AND RESPONSIBILITIES

The primary goal of the Committee is to review the financial condition of the Group, its internal controls, performance and findings of the internal auditors and to recommend appropriate remedial action.

The primary duties and responsibilities of the Committee are as follows:

- to review both the internal and external auditor's scope of audit plan, their evaluation of the system of internal controls and audit reports.
- to review and evaluate the adequacy and effectiveness of the Group's accounting policies, procedures and internal controls.
- to nominate, for the approval of the Board of Directors, a person or persons as auditor(s).
- to review the assistance and co-operation given by the Company's officers to the external and internal auditors
- to review the quarterly and year end financial statements before submission to the Board of Directors.
- to review any related party transactions that may arise within the Company or the Group.
- to consider adequacy of Management's actions taken on internal and external audit reports.
- to review the allocation of shares to employees under the Employees' Share Option Scheme.

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

During the year, the Audit Committee reviewed and appraised the annual audit plan and audit reports prepared by the Internal Auditors. The Committee also appraised the adequacy of actions taken by the Management in resolving the reported audit issues and in implementing suggested improvement measures.

On quarterly basis and financial year end the Committee reviewed the financial statements prepared by the Management for proper approval by the Board on its announcements. Any significant issues resulting from the audit of the financial statements by the External Auditors were noted by the Committee.

The Committee, at the conclusion of each meeting, recommended the Management to improve on internal controls, procedures and systems of the Company, where deemed appropriate.

## ACTIVITIES OF INTERNAL AUDIT

The role of the Internal Auditors is to examine, evaluate and ensure compliance with the Group's policies, procedures and system of internal controls so as to provide reasonable assurance that such system continue to operate effectively in the Emico Group of Companies. The Internal Auditors work focuses on areas of priority as identified in accordance with the annual audit plan approved each year by the Audit Committee. For the year 2004, audit visits were conducted in all active subsidiaries of the Group.

The audit activities were as follows:-

- a . ascertaining the extent of compliance with the established policies, procedures and statutory requirements;
- b . reviewing of new systems and modified systems to ensure that proper controls exist in the systems or where certain necessary controls were absent, to prescribe controls before implementation;
- c . identifying opportunities to improve the operations and the processes in the Company and the Group

The Internal Auditors reports their audit findings to the Audit Committee and the Management of the respective subsidiaries.

The Board of Directors of Emico Holdings Berhad is committed to ensuring that the Group is moving towards the highest standards of Corporate Governance in discharging its responsibilities to protect and enhance shareholders value and the Group's financial performance.

Currently, the Board is moving towards full compliance with all the principles in Part 1 of the Malaysian Code on Corporate Governance and is also committed to ensuring adoption of the Best Practice as recommended in Part 2 of the Code.

## The Board

The Board consists of the following members:

- one executive chairman
- four executive directors
- three independent non-executive directors

The Board of Directors is leading and controlling the Group while the Company's Executive Chairman and Managing Director has the responsibility for the running of the Group's businesses.

## Board Meeting

There were four Board Meetings held during the financial year ended 31 December 2004 and the attendance of the Directors were as follows:

<u>Name of Director</u>	<u>Directorship</u>	<u>Attendance</u>
Lim Beng Huan	Executive Chairman	4/4
Loh Lay Choo	Managing Director	4/4
Lim Teik Hian	Executive Director	4/4
Jimmy Ong Chin Keng	Executive Director	4/4
Lim Teck Chye (Appointed on 11 May 2004)	Executive Director	3/3
Lim Poh Hoon (Resigned on 11 May 2004)	Executive Director	0/1
Wong Sew Yun	Independent Non-Executive Director	3/4
Nik Azlan Bin Nik A.Kadir	Independent Non-Executive Director	4/4
Ng Chee Kong	Independent Non-Executive Director	4/4

## Supply Of Information

The Board is able to access a complete information in a timely basis in form and of a quality necessary for the discharge of their duties and responsibilities. Where required, the Board has the authority to source for independent or expert advice and views from outside the Group.

## Appointment and Re-election of The Board

All Directors are required to submit themselves for re-election at least every three years.

The Board is responsible for the appointments of Directors and determining the remuneration package of each Director. In order to improve its effectiveness, the Board had set up a Nominating and a Remuneration Committee which consist of the following:

◆ Nominating Committee

<u>Name of Director</u>	<u>Directorship</u>
Mr Ng Chee Kong	Chairman
Encik Nik Azalan Bin Nik A.Kadir	Member
Mr Lim Beng Huan	Member

◆ Remuneration Committee

<u>Name of Director</u>	<u>Directorship</u>
Encik Nik Azalan Bin Nik A.Kadir	Chairman
Mr Ng Chee Kong	Member
Madam Loh Lay Choo	Member

Directors' Remuneration

Directors do not participate in decisions regarding their own remuneration. Directors' fee and emoluments are endorsed by the Board and approved by shareholders of the Company at Annual General Meeting.

The remuneration of the Directors for the financial year ended 31 December 2004 is as follows:

	Fee	Salaries and other emoluments	Benefit in kind	Total
	RM	RM	RM	RM
Executive	103,000	922,985	35,050	1,061,035
Non-Executive	30,000	11,500		41,500

The number of Directors whose remuneration fall into the respective bands are as follows:

Range of Remuneration (RM)	Executive	Non-Executive
25,000 & below		3
25,000 - 50,000		
50,000 - 100,000		
100,000 - 150,000	2	
150,000 - 200,000		
200,000 - 250,000	1	
250,000 - 300,000	2	

Directors Training

In compliance with paragraph 15.09 of the Bursa Malaysia Securities Listing Requirement, all members of the Board had attended the Mandatory Accreditation Program (MAP).

## Shareholders

The Group has always placed high emphasis on communication with its shareholders on any major developments of the Group on a timely basis. This is achieved through regular quarterly and annual reports, and announcements.

The principal forum for dialogue with shareholders is at General Meeting, where investors are also encouraged to participate and pose questions to the Board on matters relating to operational and financial information.

## Accountability and Audit

In presenting and reporting the annual reports and the quarterly announcement to shareholders, the Board has presents a balanced and understandable assessment of the Group's position and prospects.

The Board acknowledges its duty and responsibility for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets. It has established an Audit Committee comprising three (3) directors, the majority of whom are independent, to perform internal control covering financial, operational and compliance control and risk management necessary for the Group to achieve its objectives within acceptable risk profile. These controls can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has established formal and transparent relationship with the external auditors. The appointment of the auditors is recommended by Audit Committee and subject to the approval of the shareholders in Annual General Meeting. The auditors remuneration is determined by the Board but is recommended by the Audit Committee.

## Statement of Directors' Responsibility

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the profit or loss of the Group and the Company for the financial year. As required by the Act and the Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

The Directors consider that in preparing the financial statements for the year ended 31 December 2004 set out on pages 28 to 88, the Group has used the appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors have responsibility for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the Act. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

## Introduction

Pursuant to Paragraph 15.27(b) of Bursa Malaysia Securities Listing Requirement, the Board of Directors of Emico Holdings Berhad is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies ( “Internal Control Guidance”) issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Malaysia Securities.

## Responsibility for Risk and Internal Control

The Board recognises the importance of a sound system of internal control and a structured risk management framework to good corporate governance. The Board affirms its overall responsibility for the Group’s systems of internal control and for reviewing the adequacy and integrity of those systems. Because of the limitations that are inherent in any systems of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

## Risk Management

The Board and Management practice proactive significant risks identification on a quarterly basis or earlier as appropriate, particularly any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed to, and maintained at, a level acceptable to the Board.

## Internal Audit Function

The Board acknowledges the importance of internal audit function and has engaged the services of an independent professional accounting and consulting firm to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group’s systems of internal control.

The internal audit function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and weak controls to ensure that an adequate action plan has in place to improve the controls. For those areas with high risk and strong controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

## Internal Control

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:-

- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for operational, financial and human resource management, which is subject to regular review and improvement;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- A comprehensive business planning and detailed budgeting process where operating units prepare budgets for the coming year which are approved both at operating unit level and by the Board;
- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary; and
- Regular visits to operating units by members of the Board and senior management.

Based on the internal auditors' report for the financial year ended 31 December 2004, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.24 of Bursa Malaysia Securities Listing Requirements.

This statement is issued in accordance with a resolution of the Directors dated 19 April, 2005.

- |    |  |         |
|----|--|---------|
| 1. | Utilisation of Proceeds from Rights Issue            | RM'000  |
|    | Proceed from Rights Issue exercise                   | 10,017  |
|    | Expenses for the Corporate Exercise                  | (2,003) |
|    | Purchase of machinery                                | (1,704) |
|    | Utilisation for working capital                      | (6,140) |
|    |  | 170     |
|    | Balance of unutilised proceed as at 31 December 2004 |         |
2. Share Buy-Backs  
The Company has not purchased any of its own shares and as such, there is no treasury shares maintained by the Company for share buy-backs.
3. Options, Warrants or Convertible Securities  
During the financial year, there were no options, or convertibles securities exercised by the Company except for the issuance of RM40,000,000 nominal value of 4%, 5 year irredeemable convertible secured loan stocks pursuant to the Debt Restructuring Scheme.
4. American Depository Receipts (ADR) or Global Depository Receipt (GDR) Programme  
During the financial year, the company did not sponsor any ADR or GDR programme.
5. Sanctions And/Or Penalties  
There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.
6. Non-Audit Fees  
The non-audit fee paid/payable to external auditors for the financial year ended 31 December 2004 was RM8,500.
7. Profit Guarantee  
During the financial year, there was no profit guarantee given by the Company.
8. Material Contracts  
There were no material contracts entered by the Company and its subsidiaries involving Director's and major shareholder's interest other than those disclosed in the financial statements.
9. Revaluation Policy  
The Company has not adopted a regular revaluation policy on landed properties.
10. Recurrent Related Party Transactions of a Revenue Nature  
There were no material recurrent related party transactions of a revenue nature during the year other than those disclosed in the financial statements.
11. Variation in Results  
There were no variations of 10% or more between the audited results for the financial year ended 31 December 2004 and the unaudited results announced on 28 February, 2005.



On behalf of the Board of Directors of Emico Holdings Berhad, I am pleased to present herewith the Annual Report and Accounts of the Group and of the Company for the financial year ended 31 December 2004.

### REVIEW OF RESULTS

The Group recorded a higher turnover of RM83 million and profit after taxation and minority interest of RM22.9 million as compared to 2003 results of RM66 million and loss after taxation and minority interest of RM13.1 million respectively. This year is the maiden year of profit after seven consecutive years of losses and the result is substantially contributed by the waiver of interest on bank borrowings amounted to RM36.7 million upon completion of its Group Debt Restructuring Scheme on 24 May 2004.

### DIVIDEND

The Board of Directors is not recommending any payment of dividend for the financial year ended 31 December 2004.

### REVIEW OF OPERATIONS

The Group is organized into the following divisions:

- (i) Manufacturing and Trading – OEM and consumable products
- (ii) Manufacturing and Maintenance services of lifts and escalators
- (iii) Property Development

#### Manufacturing And Trading - OEM and Consumable Products

Manufacturing and Trading of OEM and consumable products, posted a lower turnover of RM27.6 million as compared to RM39.4 million last year. The major factor for the decreased in turnover came from manufacturing of OEM products. The escalating prices of plastic raw material prices during the year caused a lot of concern for the OEM manufacturer as the sales orders were cut down pending selling price reviews with customers especially towards the second half of 2004. This has slightly affected the Emico Vietnam's manufacturing plant as the factory has just started to operate in full swing in the beginning of 2004. However, it has managed to recover from this set back and from January 2005 onwards, it has been operating at near full capacity again.

#### Manufacturing- Lifts and Escalators

Northern Elevator Berhad ("NEB") Group achieved a turnover of RM34.9 million in 2004 as compared to RM21.8 million in 2003. The NEB Group posted a profit after taxation of RM9.9 million as compared to a loss after taxation of RM1.1 million in 2003. The profit for the year is substantially contributed by the waiver of interest upon completion of the Debt Restructuring Scheme.

The higher turnover for the year is mainly due to more export sales to the Middle East market as well as South East Asia market such as Vietnam, Indonesia and etc.

For the coming year, NEB Group will continue to explore for new market and expand the existing market especially to the Middle East and Vietnam market where we have already set up marketing offices in these countries.

#### Property Development

The property development project in Sungai Petani, Kedah continue to spearhead Emico's property development division. This division achieved a higher turnover of RM20.6 million as compared to RM4.8 million last year. The good response from Phase 1 Bandar Mutiara where almost all 385 units were sold contributed to the higher turnover during the year.

Bandar Mutiara will be developed into a strategic township with 2,500 units of mixed development to cater mainly for the middle income households. The development project will be divided into 5 phases with a gross development value of RM237 million and the project will be completed in stages over the next five to seven years.

We foresee that the property development division will continue to contribute positively toward the Group's results in the next few years with expected development in the following projects:-

- (i) Juru, Seberang Perai, Butterworth (Land size of 18 acres). The housing development project consist of 100 units of double storey semi detached, 16 units of single storey terrace house and 10 units of bungalow with total gross development value of RM35 million. The development will start in June 2005 and expected to be completed by the end of 2006.
- (ii) Kuah, Langkawi (Land size of 36 acres), and
- (iii) remaining land (to be developed into shop office and factory lots) in Taman Batik, Sungai Petani.

All these projects have already obtained development plan approval, hence we are targeting to launch the projects in stages over a period of time.

#### DEBT STRUCTURING SCHEME

On 24 May 2004, Emico and its Group have finally completed the debt restructuring scheme with the issuance of the following loan stocks to the scheme lenders:-

- (i) RM68,297,832 nominal value 5-year 4% Redeemable Secured Loan Stocks ("RSLs")
- (ii) RM40,000,000 nominal value 5-year 4% Irredeemable Convertible Secured Loan Stocks ("ICSLs")

The Company has also obtained approval from Bursa Malaysia Securities Berhad on 14 June 2004 and already been taken out from Practice Note 4 category and reinstate into the Second Board of the Bursa Malaysia.



## PROSPECTS

With the completion of the debt restructuring scheme in place, Emico Group will be able concentrate on its core businesses to improve on its financial results.

1. Property development as one of the core business.

Based on the strong performance from the property development division in the past and the remaining existing land bank, we are positive that this division will continue to be a very strong contributor to the results of the Group in the coming few years.

2. Manufacturing and Trading Division.

The manufacturing division will be based in Vietnam whereas the local operation will concentrate on products development and marketing with emphasis on trading. Trophy and households products which we are currently doing quite well will be the anchor products whilst other products will be added to cater to market demand. A marketing team has been set up to penetrate more overseas market with a long term view of covering the worldwide market.

3. Export of lifts and elevators to more overseas market.

With the completion of the debt restructuring scheme, the lifts and escalators division is set to grow as the earlier problem of limited working capital has been resolved with additional restructured banking facilities. As such, the lifts and escalators division is able to accept higher sales orders as well as tendering for bigger projects. We expect this division will continue to bring better results in the coming years.

## CONCLUSION

With the completion of the debt restructuring scheme, the Group will be able to look forward to a better future, hence performance wise we will endeavor to work very hard to achieve a better result each and every year onwards.

With this, I wish to thank all bankers, suppliers, customers, business associates and most important of all the management and staff of Emico who has been very supportive to Emico during these difficult times. We are also grateful to all our shareholders of the Company and relevant authorities for their continued invaluable support and confidence in the Group.

Lim Beng Huan  
Executive Chairman

# FINANCIAL STATEMENTS

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## DIRECTOR'S REPORT

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

### PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding. The principal activities of the subsidiary companies are stated in Note 9 to the financial statements. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

### RESULTS OF OPERATIONS

	<u>The Group</u> RM	<u>The Company</u> RM
Profit/(loss) after tax	24,113,250	(35,348,505)
Minority interests	(1,218,515)	-
	<hr/>	<hr/>
Net profit/(loss) for the year	<u>22,894,735</u>	<u>(35,348,505)</u>

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature except as follows:

- i) waiver of interest on bank borrowings and overprovision of interest on bank borrowings in prior years of the Group amounting to RM36,743,758 and RM9,138,387 respectively, arising from the completion of the debt restructuring scheme; and
- ii) waiver of interest on bank borrowings and overprovision of interest on bank borrowings in prior years of the Company amounting to RM3,388,776 and RM963,641 respectively, arising from the completion of the debt restructuring scheme; and
- ii) allowance for doubtful debts on amount owing by subsidiary companies to the Company of RM33,979,547.

### DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend any dividend payment in respect of the current 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 financial statements.

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM44,520,000 to RM50,920,000 by the issuance of 6,400,000 new ordinary shares of RM1 each at par to the Scheme Lenders and Restructured Facilities Lenders as partial settlement for the interest

accrued in relation to the Group and the Company's Debt Restructuring Scheme which was completed on May 24, 2004.

The new ordinary shares rank pari passu with the then existing ordinary shares of the Company and were granted listing on November 3, 2004.

The Company has not issued any debentures during the financial year.

#### WARRANTS

On December 1, 2003, 11,130,000 detachable warrants were granted by the Company to the subscribers of the rights shares. The warrants may be exercised at any time after the issue date but not later than 5.00 p.m. on December 1, 2013. Each warrant entitles its registered holder, at any time during the exercise period of the warrants, to subscribe for one new ordinary share. The exercise price of each warrant is fixed at RM1.00 payable in cash for each new ordinary share of RM1.00 each in the Company. As of December 31, 2004, none of the 11,130,000 warrants were exercised to subscribe for new ordinary shares.

#### EMPLOYEES' SHARES OPTION SCHEME

In 2002, the Securities Commission had approved the Company's Employees' Share Option Scheme (the "Scheme") which was proposed in 2001. The shareholders of the Company had approved the scheme at the Extraordinary General Meeting held on September 16, 2002. The effective date of implementation is May 24, 2004 and the principal features of the Scheme are as follows:

- (a) The total numbers of new ordinary shares of RM1.00 each to be offered under the Scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the existence of the Scheme.
- (b) An employee (including full time Executive Directors) of the Group shall be eligible to participate in the Scheme, if the employee:
  - (i) is employed full-time and is on the payroll of the Group for at least a year; and
  - (ii) has attained the age of eighteen years on the date of allocation.
- (c) The Scheme shall be in force for a period of 5 years from May 24, 2004. The Company is entitled to terminate the Scheme prior to the expiry of the five years period provided that prior to the termination of the Scheme, the approval of the Securities Commission, the shareholders of the Company and all holders of the unexercised ESOS options have been obtained.
- (d) The price payable upon the exercise of the options under the Scheme shall be the higher of either of the following:
  - (i) a discount of not more than 10% from the five days weighted average market price of the underlying shares immediately preceding the date of offer; or
  - (ii) the par value of the shares.
- (e) The new ordinary share of RM1.00 each to be issued pursuant to the exercise of the options under the Scheme shall, upon allotment and issue, rank pari passu in all respects with the then issued and fully paid-up ordinary shares of RM1.00 each of the Company except that they will not be entitled for any dividends, rights, allotments or other distributions, the entitlement date of which is prior to the date of allotment of the new shares.



As of December 31, 2004, the Company has not granted any option to the Group's eligible employees.

#### OTHER FINANCIAL INFORMATION

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

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

- (a) which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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 and 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.

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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

#### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the financial year,

- (a) the Company announced the completion of the Debt Restructuring Scheme involving the Company, its subsidiary companies and their respective Scheme Lenders where the Scheme Borrowings of RM117,439,362 were restructured as follows:

- (i) conversion of RM9,141,530 of debts into restructured facilities;
- (ii) issuance of RM68,297,832 nominal value of 4%, 5-year redeemable secured loan stock;
- (iii) issuance of RM40,000,000 nominal value of 4%, 5-year irredeemable convertible secured loan stocks;

Pursuant to the Debt Restructuring Scheme, the Group and the Company were granted a waiver of interest on bank borrowings amounting to RM36,743,758 and RM3,388,776 respectively by the Scheme Lenders.

- (b) two subsidiary companies, Emico Capital Sdn. Bhd. and Emico Development (Langkawi) Sdn. Bhd. entered into a shares sale agreement with a third party, Mr. Koay Chai Guan to dispose of their entire equity interests in Segera Properties Sdn. Bhd. comprising 2,000,000 and 125,000 ordinary shares of RM1 each for a total sales consideration of RM340,000. Upon completion of the disposals, the Group ceased to have any equity interest in Segera Properties Sdn. Bhd.. The said disposal was completed on October 20, 2004.

#### SIGNIFICANT EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

Significant event subsequent to the balance sheet date is disclosed in Note 40 to the financial statements.

#### DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Lim Beng Huan  
 Loh Lay Choo  
 Nik Azalan Bin Nik A. Kadir  
 Lim Teik Hian  
 Wong Sew Yun  
 Jimmy Ong Chin Keng  
 Ng Chee Kong  
 Lim Teck Chye (appointed on May 11, 2004)  
 Lim Poh Hoon (resigned on May 11, 2004)

#### DIRECTORS' INTEREST

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

Shares in the Company	<u>No. of ordinary shares of RM1 each</u>			Balance as of 31.12.2004
	Balance as of 1.1.2004	Bought	Sold	
Direct interest:				
Lim Beng Huan	875,436	-	(291,806)	583,630
Loh Lay Choo	1,167,776	-	(709,776)	458,000
Wong Sew Yun	1,422,836	-	(526,977)	895,859
Lim Teik Hian	52,000	-	-	52,000
Lim Teck Chye	-	200,000	-	200,000



No. of ordinary shares of RM1 each

<u>Shares in the Company</u>	<u>Balance as of</u> 1.1.2004	<u>Bought</u>	<u>Sold</u>	<u>Balance as of</u> 31.12.2004
Indirect interest:				
Lim Beng Huan	12,049,544	291,806	-	12,341,350
Loh Lay Choo	11,757,204	709,776	-	12,466,980
Wong Sew Yun	169,550	526,977	-	696,527
Lim Teik Hian	12,872,980	-	-	12,872,980
Lim Teck Chye	12,924,980	-	(200,000)	12,724,980

No. of share warrants

<u>Warrants in the Company</u>	<u>Unexercised</u> <u>balance as of</u> 1.1.2004	<u>Bought</u>	<u>Sold</u>	<u>Unexercised</u> <u>balance as of</u> 31.12.2004
Direct interest:				
Wong Sew Yun	263,488	-	-	263,488
Lim Teik Hian	13,000	-	-	13,000
Loh Lay Choo	-	114,500	-	114,500
Lim Beng Huan	-	145,907	-	145,907
Indirect interest:				
Lim Beng Huan	3,309,263	1,000	(145,907)	3,164,356
Loh Lay Choo	3,309,263	1,000	(114,500)	3,195,763
Lim Teik Hian	3,296,263	1,000	-	3,297,263
Lim Teck Chye	3,309,263	1,000	-	3,310,263

By virtue of their shareholdings in the Company, Mr. Lim Beng Huan, Madam Loh Lay Choo, Mr. Lim Teik Hian and Mr. Lim Teck Chye are also deemed to have beneficial interests in the shares of all the subsidiary companies of Emico Holdings Berhad to the extent that Emico Holdings Berhad has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration and benefits-in-kind in 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 except for any benefit which may be deemed to have arisen by virtue of the transactions mentioned in Notes 18 and 33 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby the directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

Signed on behalf of the Board  
in accordance with a resolution of the Directors,

**LIM BENG HUAN**

**LOH LAY CHOO**

Penang,

April 19, 2005



# REPORT OF THE AUDITORS

TO THE MEMBERS OF EMICO HOLDINGS BERHAD

We have audited the accompanying balance sheets as of December 31, 2004, and the related statements of income, changes in equity and cash flows, for the year then ended. 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 approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing 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 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the 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 of December 31, 2004 and of their results and cash flows for the year ended on that date; and
  - ( ii ) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- ( b ) the accounting and other records and the registers required by the Act 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 Act.

We have considered the financial statements and auditors' reports of the subsidiary companies, of which we have not acted as auditors, as indicated in Note 9 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

(FORWARD)

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comments made under Sub-section (3) of Section 174 of the Act.

We draw attention to the following significant matter which was highlighted by the auditors of a subsidiary company in their report without qualifying their opinion:

Northern Elevator Berhad and its subsidiary companies (NEB Group)

As of December 31, 2004, no allowance for doubtful debts is made on the balances of trade receivables of the NEB Group amounting to RM3,033,371. This balance has been outstanding for more than a year. The directors are of the opinion that these debts are recoverable.

**DELOITTE KASSIMCHAN**

AF 0080

Chartered Accountants

**TAN BOON HOE**

1836/07/05(J)

Partner

Penang,

April 19, 2005



# INCOME STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004

	Note	<u>The Group</u>		<u>The Company</u>	
		2004 RM	2003 RM	2004 RM	2003 RM
Revenue	4	83,060,250	65,923,599	240,000	240,000
Other operating income		1,781,875	2,914,812	-	95,405
Property development expenditure recognised		(18,526,995)	(5,625,398)	-	-
Changes in inventories of finished goods and work-in- progress		2,316,090	945,405	-	-
Purchase of finished goods		(6,315,379)	(6,876,164)	-	-
Raw materials and consumables used		(33,043,563)	(26,645,508)	-	-
Staff costs		(12,419,866)	(12,361,362)	(319,627)	(293,877)
Depreciation of property, plant and equipment		(1,878,226)	(2,147,927)	(940)	(1,044)
Amortisation of goodwill on consolidation		(225,713)	(225,713)	-	-
Other operating expenses	5	(27,643,196)	(15,519,699)	(35,701,521)	(1,620,161)
(Loss)/ profit from operations		(12,894,723)	382,045	(35,782,088)	(1,579,677)
Waiver of interest on bank borrowings		36,743,758	-	3,388,776	-
Overprovision of interest on bank borrowings in prior years		9,138,387	-	963,641	-

(FORWARD)

	Note	<u>The Group</u>		<u>The Company</u>	
		2004 RM	2003 RM	2004 RM	2003 RM
Finance costs		(6,703,219)	(14,437,229)	(3,838,444)	(1,211,523)
Income from other investments		449,492	452,538	41,610	24,136
Impairment losses of investment properties		-	(67,651)	-	-
Gain on disposal of investment in a subsidiary company		874,824	-	-	-
Share of results of associated companies		595,057	48,788	-	-
Profit/ (loss) before tax	5	28,203,576	(13,621,509)	(35,226,505)	(2,767,064)
Tax (expense)/ income					
The Company and its subsidiary companies	6	(4,036,167)	420,447	(122,000)	(4,100)
Share of tax of an associated company		(54,159)	(19,653)	-	-
		(4,090,326)	400,794	(122,000)	(4,100)
Profit/ (loss) after tax		24,113,250	(13,220,715)	(35,348,505)	(2,771,164)
Minority interests		(1,218,515)	99,057	-	-
Net profit/ (loss) for the year		<u>22,894,735</u>	<u>(13,121,658)</u>	<u>(35,348,505)</u>	<u>(2,771,164)</u>
Earnings/ (loss) per ordinary share (sen):					
Basic	7	<u>49.95</u>	<u>(47.19 )</u>		
Diluted	7	<u>33.06</u>			

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



# BALANCE SHEETS

AS OF DECEMBER 31, 2004

	Note	<u>The Group</u>		<u>The Company</u>	
		2004 RM	2003 RM	2004 RM	2003 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	8	35,457,124	34,965,092	2,800,026	2,800,966
Investment in subsidiary companies	9	-	-	14,225,250	11,042,310
Investment in associated companies	10	1,475,883	452,122	-	-
Other investments	11	476,325	653,040	-	-
Investment properties	12	2,711,249	3,112,769	-	-
Property development projects	13	24,245,943	28,903,217	-	-
Deferred tax assets	14	549,500	3,887,100	-	-
Intangible assets	15	3,635,706	3,861,419	-	-
<b>CURRENT ASSETS</b>					
Property development projects	13	21,906,765	24,215,355	-	-
Inventories	16	11,781,077	9,868,452	-	-
Trade receivables	17	36,366,166	41,058,391	-	-
Amount owing by subsidiary companies	9	-	-	93,617,024	37,099,867
Amount owing by associated companies	10	1,072,958	1,097,226	-	-
Amount owing by a director	18	269,170	24,170	-	-
Other receivables and prepaid expenses	19	7,589,805	8,892,180	1,000	1,175,732
Accrued billings		-	368,188	-	-
Tax recoverable		58,375	4,712	-	-
Deposits with licensed banks	20	9,486,018	18,157,734	2,384,650	8,000,000
Cash and bank balances	21	4,652,250	5,107,023	79,036	308,133
<b>Total Current Assets</b>		<b>93,182,584</b>	<b>108,793,431</b>	<b>96,081,710</b>	<b>46,583,732</b>

(FORWARD)

	Note	<u>The Group</u>		<u>The Company</u>	
		2004 RM	2003 RM	2004 RM	2003 RM
<b>CURRENT LIABILITIES</b>					
Trade payables	22	11,913,032	11,192,344	-	-
Amount owing to subsidiary companies	9	-	-	3,997,960	12,196,015
Amount owing to directors	23	945,937	1,118,918	3,400	3,400
Other payables and accrued expenses	24	25,105,991	52,801,556	5,874,123	5,131,030
Progress billings		2,155,979	633,230	-	-
Bank borrowings	25	16,668,376	144,491,457	839,568	17,372,139
Hire-purchase payables	26	63,894	38,439	-	-
Term loans – current portion	27	385,023	9,412,664	-	3,166,100
Tax liabilities		359,825	187,907	126,100	4,100
<b>Total Current Liabilities</b>		<b>57,598,057</b>	<b>219,876,515</b>	<b>10,841,151</b>	<b>37,872,784</b>
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>					
		35,584,527	(111,083,084)	85,240,559	8,710,948
		104,136,257	(35,248,325)	102,265,835	22,554,224
<b>SHARE CAPITAL</b>					
	28	50,920,000	44,520,000	50,920,000	44,520,000
<b>IRREDEEMABLE CONVERTIBLE SECURED LOAN STOCKS</b>					
	29	33,376,260	-	33,376,260	-
<b>RESERVES</b>					
	30	8,142,145	8,899,643	7,736,782	7,857,465
<b>ACCUMULATED LOSSES</b>					
		(68,350,691)	(90,088,739)	(66,328,433)	(29,823,241)
<b>SHAREHOLDERS' EQUITY/ (CAPITAL DEFICIENCY)</b>					
		24,087,714	(36,669,096)	25,704,609	22,554,224

(FORWARD)



	Note	<u>The Group</u>		<u>The Company</u>	
		2004 RM	2003 RM	2004 RM	2003 RM
MINORITY INTERESTS		2,002,770	815,277	-	-
LONG-TERM AND DEFERRED LIABILITIES					
Redeemable secured loan stocks	31	69,576,705	-	69,576,705	-
Irredeemable convertible secured loan stocks	29	6,984,521	-	6,984,521	-
Hire-purchase payables	26	264,552	79,833	-	-
Term loans	27	207,283	-	-	-
Deferred tax liabilities	14	1,012,712	525,661	-	-
Total Long-term and Deferred Liabilities		78,045,773	605,494	76,561,226	-
		104,136,257	(35,248,325)	102,265,835	22,554,224

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

# STATEMENTS OF CHANGES IN EQUITY



FOR THE YEAR ENDED DECEMBER 31, 2004

## The Group

	Note	Share Capital RM	Irredeemable Convertible Secured Loan Stocks ("ICSLS") RM	Other Reserves * RM	Accumulated Losses RM	Total RM
Balance as of January 1, 2003		22,260,000	-	21,122,704	(76,967,081)	(33,584,377)
Net loss for the year		-	-	-	(13,121,658)	(13,121,658)
Gain not recognised in the income statement: Exchange gain on translation of net investment in a foreign subsidiary company		-	-	19,939	-	19,939
Rights issue		22,260,000	-	(12,243,000)	-	10,017,000
Balance as of December 31, 2003		44,520,000	-	8,899,643	(90,088,739)	(36,669,096)
Issue of shares		6,400,000	-	(120,683)	-	6,279,317
Issue of ICSLS	29	-	32,434,317	-	-	32,434,317
Transfer from liability component of ICSLS	29	-	581,162	-	-	581,162

(FORWARD)

The Group

	Note	Share Capital RM	Irredeemable Convertible Secured Loan Stocks ("ICSLS") RM	Other Reserves * RM	Accumulated Losses RM	Total RM
Interest on ICSLS		-	-	-	(795,906)	(795,906)
Increase in ICSLS theoretical value	29	-	360,781	-	(360,781)	-
Exchange gain on translation of net investment in a foreign subsidiary company		-	-	10,921	-	10,921
Gain/ (loss) not recognised in income statement		-	360,781	10,921	(1,156,687)	(784,985)
Reversal of reserve on consolidation upon disposal of investment in a subsidiary company		-	-	(647,736)	-	(647,736)
Net profit for the year		-	-	-	22,894,735	22,894,735
Balance as of December 31, 2004		50,920,000	33,376,260	8,142,145	(68,350,691)	24,087,714

(FORWARD)

\* An analysis of the movement of other reserves is shown below:

<u>The Group</u>	<u>Share Premium</u> RM	<u>Reserve on Consolidation</u> RM	<u>Exchange Reserve</u> RM	<u>Total</u> RM
Balance as of January 1, 2003	20,100,465	1,022,048	191	21,122,704
Gain not recognised in the income statement: Exchange gain on translation of net investment in a foreign subsidiary company	-	-	19,939	19,939
Rights issue	(12,243,000)	-	-	(12,243,000)
Balance as of December 31, 2003	7,857,465	1,022,048	20,130	8,899,643
Issue of shares	(120,683)	-	-	(120,683)
Gain not recognised in the income statement: Exchange gain on translation of net investment in a foreign subsidiary company	-	-	10,921	10,921
Reversal of reserve on consolidation upon disposal of a subsidiary company	-	(647,736)	-	(647,736)
Balance as of December 31, 2004	<u>7,736,782</u>	<u>374,312</u>	<u>31,051</u>	<u>8,142,145</u>

(FORWARD)

The Company

	Note	Share Capital RM	Irredeemable Convertible Secured Loan Stocks ("ICSLS") RM	Share Premium RM	Accumulated Losses RM	Total RM
Balance as of January 1, 2003		22,260,000	-	20,100,465	(27,052,077)	15,308,388
Rights issue		22,260,000	-	(12,243,000)	-	10,017,000
Net loss for the year		-	-	-	(2,771,164)	(2,771,164)
Balance as of December 31, 2003		44,520,000	-	7,857,465	(29,823,241)	22,554,224
Issue of shares		6,400,000	-	(120,683)	-	6,279,317
Issue of ICSLS	29	-	32,434,317	-	-	32,434,317
Transfer from liability component of ICSLS	29	-	581,162	-	-	581,162
Interest on ICSLS		-	-	-	(795,906)	(795,906)
Increase in ICSLS theoretical price	29	-	360,781	-	(360,781)	-
Loss not recognised in income statement		-	360,781	-	(1,156,687)	(795,906)
Net loss for the year		-	-	-	(35,348,505)	(35,348,505)
Balance as of December 31, 2004		50,920,000	33,376,260	7,736,782	(66,328,433)	25,704,609

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

# CASH FLOW STATEMENTS



FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u> RM	<u>2003</u> RM	<u>2004</u> RM	<u>2003</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/ (loss) before tax	28,203,576	(13,621,509)	(35,226,505)	(2,767,064)
Adjustments for:				
Allowance for doubtful debts	10,895,063	524,913	33,979,547	-
Interest expenses	6,703,219	14,423,859	3,838,444	1,211,523
Depreciation of property, plant and equipment	1,878,226	2,147,927	940	1,044
Bad debts written off	3,881,641	-	1,174,382	-
Property, plant and equipment written off	319,315	529,834	-	-
Amortisation of goodwill on consolidation	225,713	225,713	-	-
Allowance for diminution in value of:				
Quoted investment	176,715	-	-	-
Investment in a subsidiary company	-	-	-	500,000
Unrealised loss/ (gain) on foreign exchange	172,265	(436,566)	20	-
Goodwill written off	90,052	-	-	-
Deposits written off	350	-	350	-
Waiver of interest on bank borrowings	(36,743,758)	-	(3,388,776)	-
Overprovision of interest on bank borrowings in prior years	(9,138,387)	-	(963,641)	-
Gain on disposal of investment in a subsidiary company	(874,824)	-	-	-
Share of profit of associated company	(595,057)	(48,788)	-	-
Gain on disposal of property, plant and equipment	(546,943)	(160,940)	-	-
Interest income	(449,492)	(435,708)	(41,610)	(24,136)
Allowance for doubtful debts no longer required	(431,167)	(274,788)	-	(95,405)
Allowance for slow moving inventories no longer required	(111,450)	(9,410)	-	-

(FORWARD)



	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u> RM	<u>2003</u> RM	<u>2004</u> RM	<u>2003</u> RM
Impairment losses of investment properties	-	67,651	-	-
Allowance for diminution in value of quoted investments no longer required	-	(151,470)	-	-
Dividend income	-	(16,830)	-	-
<b>Operating profit/ (loss) before working capital changes</b>	<b>3,655,057</b>	<b>2,763,888</b>	<b>(626,849)</b>	<b>(1,174,038)</b>
(Increase)/ Decrease in:				
Property development projects	1,031,893	(3,282,044)	-	-
Inventories	(1,801,175)	150,661	-	-
Trade receivables	(6,984,605)	(1,789,869)	-	-
Amount owing by associated companies	24,268	171,322	-	-
Other receivables and prepaid expenses	(1,366,332)	4,528,359	-	2,129,753
Accrued billings	368,188	-	-	-
Increase/ (Decrease) in:				
Trade payables	720,689	749,707	-	-
Amount owing to associated companies	-	(1,340,003)	-	-
Other payables and accrued expenses	6,821,796	(3,400,555)	(240,792)	(2,963,173)
Progress billings	1,522,749	-	-	-
<b>Cash generated from/ (used in) operations</b>	<b>3,992,528</b>	<b>(1,448,534)</b>	<b>(867,641)</b>	<b>(2,007,458)</b>
Income tax paid	(182,820)	(48,021)	-	-
<b>Net cash generated from/ (used in) operating activities</b>	<b>3,809,708</b>	<b>(1,496,555)</b>	<b>(867,641)</b>	<b>(2,007,458)</b>

(FORWARD)

	<u>The Group</u>		<u>The Company</u>		
	<u>Note</u>	<u>2004</u> RM	<u>2003</u> RM	<u>2004</u> RM	<u>2003</u> RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of shares in a subsidiary company		-	-	(3,182,940)	(7,022,310)
Proceeds from disposal of property, plant and equipment		786,014	162,721	-	-
Interest received		449,492	435,708	41,610	24,136
Proceeds from disposal of investment in a subsidiary company	9	340,000	-	-	-
Purchase of property, plant and equipment*		(2,228,124)	(6,015,040)	-	-
Purchase of shares in associated companies		(482,863)	-	-	-
Net (advances to)/ repayment of advances by directors		(245,000)	30,357	-	-
Proceeds from disposal of investment properties		-	276,613	-	-
Dividend income		-	16,830	-	-
Purchase of investment properties		-	(704,751)	-	-
Net advances by subsidiary companies		-	-	12,596,353	1,001,861
Net cash (used in)/ generated from investing activities		(1,380,481)	(5,797,562)	9,455,023	(5,996,313)

(FORWARD)

	<u>The Group</u>		<u>The Company</u>		
	<u>Note</u>	<u>2004</u> RM	<u>2003</u> RM	<u>2004</u> RM	<u>2003</u> RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Issuance of redeemable secured loan stocks		68,297,832	-	68,297,832	-
Issuance of irredeemable convertible secured loan stocks		40,000,000	-	40,000,000	-
Proceeds from issuance of shares		6,279,317	-	6,279,317	-
Proceeds from term-loans		706,717	-	-	-
Proceeds from issuance of shares to minority interest of a subsidiary company		34,600	-	-	-
(Decrease)/ Increase in bank borrowings		(54,000,107)	3,934,322	(11,296,119)	1,661,763
Repayment of long-term loans		(7,830,975)	(70,557)	-	-
Interest paid		(2,972,144)	(5,703,778)	(182,474)	(408,173)
Net repayment of advances to directors		(172,981)	(1,440,232)	-	(501,500)
Repayment of hire-purchase payables		(88,826)	(139,631)	-	-
Fixed deposit held as security value		(2,253,143)	(40,000)	(2,214,650)	-
Proceeds from rights issue		-	10,017,000	-	10,017,000
Transfer of borrowings by subsidiary companies		-	-	(102,978,646)	-
Net (repayment of advances to)/ advances from subsidiary companies		-	-	(8,312,466)	5,145,228
<b>Net cash generated from/ (used in) financing activities</b>		<b>48,000,290</b>	<b>6,557,124</b>	<b>(10,407,206)</b>	<b>15,914,318</b>

(FORWARD)

	<u>Note</u>	<u>The Group</u>		<u>The Company</u>	
		<u>2004</u> RM	<u>2003</u> RM	<u>2004</u> RM	<u>2003</u> RM
Effect of exchange rate changes on cash and cash equivalents		48,433	19,939	-	-
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		50,477,950	(717,054)	(1,819,824)	7,910,547
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(40,014,420)	(39,297,366)	2,068,860	(5,841,687)
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	10,463,530	(40,014,420)	249,036	2,068,860

\* During the year, the Group acquired property, plant and equipment with a cost of RM2,527,124 (2003: RM6,128,089) of which RM299,000 (2003: RM113,049) was financed by means of hire-purchase and the balance was cash payment.

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



# NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004

## 1. GENERAL INFORMATION

The Company is principally involved in investment holding. The principal activities of the subsidiary companies are stated in Note 9. There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the second board of Bursa Malaysia Securities.

The registered office of the Company is at 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia. The principal place of business of the Company is at 18, Lebuhraya Kampung Jawa, 11900 Bayan Lepas, Penang, Malaysia.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on April 19, 2005.

## 2. BASIS OF PREPARATION OF 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 the applicable approved accounting standards in Malaysia.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless stated otherwise in the accounting policies mentioned below.

During the financial year, the Group and the Company adopted the Malaysian Accounting Standards Board ("MASB") Standard 32, Property Development Activities. The adoption of MASB 32 does not have any significant effect on the financial statements of the Group and the Company for the current and previous financial years.

### Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year based on acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. The results of subsidiary companies acquired or disposed during the year are included in the consolidated income statements from the date of their acquisition or up to the date of their disposal. All significant intercompany transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

### Revenue

Sales of goods are recognised upon delivery of products and when the risks and rewards of ownership have passed and are net of sales tax, returns and discounts. Contract work is recognised by reference to the stage of completion of contract work performed. Revenue relating to property development activities are accounted for based on the percentage of completion method on development units that have been sold. The stage of completion is determined by the proportion of development costs incurred to date against the total estimate costs on projects where the outcome of the projects can be reliably estimated. All anticipated losses on property development projects are fully provided for. Sales of developed properties are recognised upon signing of the individual sales and purchase agreements.

Revenue from services rendered are recognised upon completion of services rendered. Dividend income represents gross dividends from quoted and unquoted investments and is recognised when the shareholder's right to receive payment is established. Rental income is accrued on a time basis, by reference to the agreement entered and other operating income are recognised on an accrual basis.

### Income Tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

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

### Employee Benefits

Wages, salaries, bonuses and social contributions are recognised as expenses in the year in which the associated services are rendered by employees of the Group and of the Company. 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.

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees' Provident Fund. Such contributions are recognised as expenses in the income statements as incurred.

### Foreign Currency Conversion

Transactions in foreign currencies are recorded in Ringgit Malaysia at rates of exchange ruling at the time of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at balance sheet date. Translation gains and losses are recognised in the income statements as they arise.



For the purpose of consolidation, the financial statements of the foreign incorporated subsidiary companies and associated companies have been translated into Ringgit Malaysia as follows:

Assets and liabilities - at closing rate  
 Issued capital - at historical rate  
 Revenue and expenses - at average rate

All translation gains and losses are taken up and reflected in the exchange reserve account under shareholders' equity. Such translation gains or losses are recognised as income or expenses in the income statements, in the period in which the operation is disposed of.

Goodwill arising on the acquisition of foreign entities are treated as assets of the Group and are translated at the exchange rates ruling at the dates of the transactions.

The principal closing rates used in the conversion of foreign currency amounts is as follows:

	2004	2003
	RM	RM
Currencies:		
1 United States Dollar	3.7950	3.7950
1 Hong Kong Dollar	0.4863	0.4863
1 Thai Baht	0.1027	0.0866
1 Singapore Dollar	2.1535	2.1535
1 Euro	4.9955	4.8160
1 Chinese Renminbi	2.7180	2.7180
100 Vietnam Dong	0.0243	0.0243

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation of property, plant and equipment is computed on the straight-line method based on the estimated useful lives of the various assets at the following annual rates:

Buildings	2% - 10%
Plant and machinery	10%, 16.67% & 20%
Moulds	5% - 20%
Motor vehicles	10% - 20%
Office equipment, furniture and fittings	8% - 33.33%
Tools, implements and equipment	10% & 20%
Electrical installation and renovation	10% & 20%

Freehold land is not depreciated. The Group's leasehold land are amortised over the lease periods of 58 and 60 years.

The Group carried some of its land and buildings at revalued amounts and placed reliance on the transitional provisions of International Accounting Standards No. 16 (Revised) as adopted by the Malaysian Accounting Standards Board which provides exemption from the need to make regular revaluations for such assets. Effective from 1994, no further revaluations were carried out. The aggregate carrying amount of such assets as of December 31, 2004 amounted to RM8,105,311 (2003: RM8,302,437) and this amount will be amortised or depreciated over the remaining useful lives of the relevant assets.

An increase in the carrying amount arising from revaluation of property, plant and equipment is credited to the revaluation reserve account as revaluation surplus. Any deficit arising from revaluation is charged against the revaluation reserve account to the extent of a previous surplus held in the revaluation reserve account for the same asset. In all other cases, a decrease in carrying amount is charged to income statements. An increase in revaluation directly related to a previous decrease in carrying amount for that same asset that was recognised as an expense, is credited to income statements to the extent that it offsets the previously recorded decrease.

Gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements. On disposal of revalued assets, the amounts in revaluation reserve account relating to such assets are transferred to retained profit account.

#### Impairment of Assets

At each balance sheet date, the Group and the Company review the carrying amounts of assets (other than inventories, deferred tax assets and financial assets which are dealt with in their respective policies) to determine if there is any indication that those assets may be impaired. If any such indication exists, the asset's recoverable amount, which is higher of net selling price and value in use, is estimated.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statements, unless the asset is carried at revalued amount, in which case, the impairment loss is treated as a revaluation decrease.

An impairment loss in respect of goodwill is not reversed unless the loss is caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of the event. In respect of other assets, an impairment loss is reversed if there have been a change in the estimate used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment loss are recognised in the income statements unless it reverses an impairment loss on revalued assets, in which case, the reversal is treated as a revaluation increase.

#### Property, Plant and Equipment Under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

### Investments

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investment in subsidiary companies, which are eliminated on consolidation, are stated at cost less allowance for diminution in value of investment in the Company's financial statements. Investment in quoted and unquoted shares are stated at cost less allowance for diminution in value.

Investment properties are held for their investment potential and rental income. Investment properties are stated at cost and are not depreciated as they are considered long-term investments.

Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

### Associated Companies

Associated companies are companies in which the Group has long-term equity investment from 20% to 50% and where the Group is in a position to exercise significant influence through management participation.

The Group's investment in associated companies are accounted for under the equity method of accounting based on the latest audited and/or management financial statements of the associated companies made up to December 31, 2004. Under this method of accounting, the Group's interest in the post acquisition profit and reserves of the associated companies is included in the consolidated results while dividend recovered is reflected as a reduction of the investment in the consolidated balance sheet. The carrying amount of the investments is reduced to recognise any decline, other than a temporary decline, in the value of the investments.

Unrealised profits and losses arising on transactions between the Group and its associated companies are eliminated to the extent of the Group's equity interest in the relevant associated companies except where unrealised losses provide evidence of an impairment of the asset transferred.

### Goodwill on Consolidation

Goodwill on consolidation representing the excess of the cost of investments over the fair value of the net assets acquired is either written off or amortised on a straight line basis over a period of twenty five years.

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

### Reserve on Consolidation

Reserve on consolidation representing the excess of the fair value of the net assets acquired over the cost of investments is taken directly to capital reserve.

### Borrowing Costs

Interest cost incurred in connection with the acquisition of property, plant and equipment and on property development projects which require a period of time to get them ready for their intended use and for sale respectively are capitalised and included as part of the cost of the related assets. However, interest cost incurred for property development projects for which active development is interrupted are charged out to the income statements. All interest and other costs incurred in connection with borrowings are expensed as incurred.

### Property Development Projects

Property development revenue are recognised for all units sold using the percentage of completion method, by reference to the stage of completion of the property development projects at the balance sheet date as measured by the proportion that development costs incurred for work performed to-date bear to the estimated total property development costs on completion.

When the outcome of a property development activity cannot be estimated reliably, property development revenue is recognised to the extent of property development costs incurred that is probable of recovery.

Any anticipated loss on a development project (including costs to be incurred over the defects liability period), is recognised as an expense immediately.

Accrued billings represent the excess of property development revenue recognised in the income statement over the billings to purchasers while, progress billings represent the excess of billings to purchasers over property development revenue recognised in the income statement.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are determined either on the first-in, first-out, weighted average or specific identification basis, depending on the nature of the inventories. Costs of finished goods and work-in-progress consist of cost of raw materials, direct labour and a proportion of factory overheads while the cost of raw materials consist of the purchase price plus the cost of bringing the inventories to their present location. Cost of developed properties consists of the cost of land, construction and appropriate development overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

### Receivables

Receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

### Borrowings and Payables

Borrowings and payables are stated at cost.

### Leases

Assets under leases which in substance transfer the risks and benefits of ownership of the assets to the Group have been capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments and the fair value of the leased assets at the beginning of the respective lease terms. Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to income statements as incurred.

Finance charges are allocated to the income statements over the periods of the agreements to give a constant periodic rate of charge on the remaining lease liabilities.

### Share Capital

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

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances (including the balances in Housing Development Account), demand deposits that are not pledged, bank overdrafts and highly liquid investments, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Financial Instruments

Financial instruments carried on the balance sheets 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 and the Company have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### Contingent Liabilities

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote except for cases where the amount involved is material, and the directors are of the opinion that disclosure is appropriate.

4. REVENUE

An analysis of revenue is as follows:

	<u>The Group</u>		<u>The Company</u>	
	2004 RM	2003 RM	2004 RM	2003 RM
Sales of goods	41,456,796	43,166,048	-	-
Revenue from property development activities	20,597,788	4,803,241	-	-
Contract work and maintenance services rendered	20,593,345	17,588,634	-	-
Chroming services rendered	412,321	365,676	-	-
Management services rendered	-	-	240,000	240,000
	<u>83,060,250</u>	<u>65,923,599</u>	<u>240,000</u>	<u>240,000</u>

5. PROFIT/ (LOSS) BEFORE TAX

Profit/ (loss) before tax is arrived at:

	<u>The Group</u>		<u>The Company</u>	
	2004 RM	2003 RM	2004 RM	2003 RM
After charging:				
Allowance for doubtful debts	10,895,063	524,913	33,979,547	-
Interest expenses	6,703,219	14,423,859	3,838,444	1,211,523
Bad debts written off	3,881,641	-	1,174,382	-
Directors' remuneration:				
Fees:				
Directors of the Company	133,000	110,000	80,000	80,000
Directors of a subsidiary Company	24,000	30,000	-	-
Employees' provident fund contributions:				
Directors of the Company	21,600	21,600	21,600	21,600
Directors of subsidiary companies	14,880	43,440	-	-
Other emoluments:				
Directors of the Company	901,385	799,289	213,627	192,277
Directors of subsidiary companies	533,659	548,822	-	-
Rental of:				
Premises	448,602	476,479	-	-
Equipment	40,958	13,723	-	-
Plant and machinery	10,000	120,000	-	-
Motor vehicles	7,097	-	-	-

(FORWARD)



	<u>The Group</u>		<u>The Company</u>	
	2004 RM	2003 RM	2004 RM	2003 RM
Property, plant and equipment written off	319,315	529,834	-	-
Allowance for diminution in value of:				
Quoted investment	176,715	-	-	-
Investment in a subsidiary company	-	-	-	500,000
Loss on foreign exchange:				
Unrealised	172,265	-	20	-
Realised	14,505	7,404	-	-
Audit fee:				
Current year	105,837	106,456	14,000	14,000
Overprovision in prior year	(2,400)	(15,975)	-	(3,300)
Goodwill written off	90,052	-	-	-
Deposits written off	350	-	350	-
And crediting:				
Gain on disposal of property, plant and equipment	546,943	160,940	-	-
Rental income on premises	513,950	493,800	-	-
Interest income	449,492	435,708	41,610	24,136
Allowance for doubtful debts no longer required	431,167	274,788	-	95,405
Allowance for slow moving inventories no longer required	111,450	9,410	-	-
Gain on foreign exchange:				
Realised	45,112	109,089	-	-
Unrealised	-	436,566	-	-
Allowance for diminution in value of quoted investment no longer requested	-	151,470	-	-
Dividend income	-	16,830	-	-

The allowance for doubtful debts and bad debts written off of the Group and of the Company were included under other operating expenses.

On April 28, 2004, two subsidiary companies, Emico Capital Sdn. Bhd. and Emico Development (Langkawi) Sdn. Bhd. entered into a share sale agreement with a third party, Mr. Koay Chai Guan to dispose of their entire equity interests in Segera Properties Sdn. Bhd. comprising 2,000,000 and 125,000 ordinary shares of RM1 each for a total sales consideration of RM340,000. The disposal was completed on October 20, 2004 and the Group ceased to have equity interest in Segera Properties Sdn. Bhd.. The said disposal resulted in a gain on disposal to the Group amounting to RM874,824.

The effect of this disposal on the financial results of the Group based on the unaudited management financial statements is as follows:

	<u>The Group</u>	
	Unaudited August 23, 2004 (8 months) RM	Unaudited August 23, 2003 (8 months) RM
Revenue	-	-
Administrative expenses	2,325	1,511
Finance costs	306,330	242,838
	<hr/>	<hr/>
Loss before tax	308,655	244,349
Income tax expense	-	-
	<hr/>	<hr/>
Loss after tax	308,655	244,349
Minority interest	(46,298)	(36,652)
	<hr/>	<hr/>
Increase in Group's profit attributable to shareholders	<u>262,357</u>	<u>207,697</u>

6. TAX INCOME/ (EXPENSE)

	<u>The Group</u>		<u>The Company</u>	
	2004 RM	2003 RM	2004 RM	2003 RM
Current tax:				
Current year	(140,500)	(76,600)	-	(4,100)
(Under)/ Overprovision in prior years	(161,068)	579,798	(122,000)	-
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences:				
Current	(4,099,048)	34,400	-	-
Overprovision in prior years	352,500	-	-	-
Effect of opening deferred tax resulting from reduction in tax rate	-	(129,100)	-	-
Crystallisation of deferred tax liability on revaluation surplus	11,949	11,949	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Tax income/ (expense)	<u>(4,036,167)</u>	<u>420,447</u>	<u>(122,000)</u>	<u>(4,100)</u>

The numerical reconciliation between the current year's income tax expense and accounting profit/(loss) at the statutory income tax rates is as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	RM	RM	RM	RM
Accounting profit/ (loss)	27,608,519	(13,572,721)	(35,226,505)	(2,767,064)
Tax at the applicable income tax rate of 20% and 28% (2003: 20% and 28%)	7,534,028	(3,272,174)	(9,863,000)	(774,800)
Tax effects on:				
Non-deductible expenses	3,684,575	1,775,906	11,160,000	658,900
Non-taxable income	(1,888,122)	(221,948)	(1,230,300)	(26,700)
Effect of different tax rates of other tax jurisdiction	129,100	129,100	-	-
Net deferred tax assets not recognised	315,866	1,779,367	-	146,700
Utilisation of deferred tax assets not previously recognised	(5,547,848)	(160,000)	(66,700)	-
Effect of opening deferred tax resulting from reduction in income tax rate	-	129,100	-	-
	4,227,599	159,351	-	4,100
Under/ (over)provision in prior year	(191,432)	(579,798)	122,000	-
Tax income/ (expense)	4,036,167	(420,447)	122,000	4,100

The government enacted a change in the corporate income tax rate such that small and medium scale companies with paid-up capital of RM2.5 million and below are subject to income tax at the rate of 20% on chargeable income of up to RM500,000 and RM100,000 for the year of assessments 2004 and 2003 respectively. For chargeable income in excess of RM500,000 and RM100,000 for the years of assessments 2004 and 2003 respectively, the corporate income tax rate is at 28%.

The applicable tax rate of 20% and 28% (2003: 28%) used in the numerical reconciliation of tax of the Group and of the Company is determined based on the statutory income tax rate prevailing for the Company and its subsidiary companies.

As of December 31, 2004, the approximate amount of unused tax losses and unused tax capital allowances of the Group and of the Company for which no deferred tax assets are recognised in the financial statements and, which are available for set off against future taxable income are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	RM	RM	RM	RM
Unused tax losses	41,828,000	52,701,000	429,000	947,000
Unused tax capital allowances	1,316,000	8,492,000	-	-

The unused tax losses and unused tax capital allowances are subject to agreement by the tax authorities.

7. EARNINGS/ (LOSS) PER ORDINARY SHARE

	<u>The Group</u>	
	<u>2004</u> RM	<u>2003</u> RM
Net profit/ (loss) attributable to ordinary shareholders	22,894,735	(13,121,658)
	<u>2004</u> Unit	<u>2003</u> Unit
Number of ordinary shares in issue as of January 1	44,520,000	22,260,000
Effect of rights issue	-	5,547,924
Effect of share issue	1,315,068	-
Weighted average number of ordinary shares in issue	45,835,068	27,807,924
Basic earnings / (loss) per ordinary share (sen)	49.95	(47.19)
	<u>2004</u> RM	
Net profit attributable to ordinary shareholders	22,894,735	
Add: Assumed saving in interest expense charged to income statements on conversion of irredeemable convertible secured loan stocks	302,627	
Adjusted net profit for calculating diluted earnings per ordinary share	23,197,362	
	<u>2004</u> Unit	
Weighted average number of ordinary shares in issue	45,835,068	
Conversion of irredeemable convertible secured loan stocks	24,328,767	
Adjusted weighted average number of ordinary shares	70,163,835	
Diluted earnings per ordinary share (sen)	33.06	

The effect of the assumed conversions of warrants to ordinary shares would result in anti-dilution in the earnings per share.

The diluted loss per ordinary share in 2003 was not shown as the effect of the assumed conversions of warrants to ordinary shares would be anti-dilutive.

8. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost Unless Stated Otherwise	Beginning of year	Additions	Disposals	Transfer	End of year
RM	RM	RM	RM	RM	RM
2004:					
Freehold land					
- at 1994 valuation	500,000	-	-	-	500,000
- at cost	5,047,168	12,500	-	401,520	5,461,188
Long leasehold land					
- at 1993 valuation	700,000	-	-	-	700,000
- at cost	3,125,689	-	-	-	3,125,689
Short leasehold land					
- at 1994 valuation	1,580,000	-	-	-	1,580,000
Buildings					
- at 1994 valuation	7,536,000	-	-	-	7,536,000
- at cost	11,914,959	-	-	-	11,914,959
Plant and machinery	16,175,509	1,556,988	(1,228,755)	-	16,503,742
Moulds	7,039,837	286,713	-	-	7,326,550
Motor vehicles	3,199,759	394,168	(961,699)	-	2,632,228
Office equipment, furniture and fittings	4,529,097	216,357	(399,514)	-	4,345,940
Tools, implements and equipment	751,268	195	(6,119)	-	745,344
Electrical installation and renovation	161,731	60,203	(44,610)	-	177,324
	62,261,017	2,527,124	(2,640,697)	401,520	62,548,964
2003	57,317,442	6,128,089	(1,184,514)	-	62,261,017

<u>Accumulated Depreciation</u>	<u>Beginning of year</u>	<u>Charge for the year</u>	<u>Disposals</u>	<u>Transfer</u>	<u>End of year</u>
	RM	RM	RM	RM	RM
2004:					
Long leasehold land					
- at 1993 valuation	120,690	17,678	-	-	138,368
- at cost	414,290	54,765	-	-	469,055
Short leasehold land					
- at 1994 valuation	287,305	28,728	-	-	316,033
Buildings					
- at 1994 valuation	1,605,568	150,720	-	-	1,756,288
- at cost	1,658,387	310,844	-	-	1,969,231
Plant and machinery	11,032,374	726,164	(833,524)	-	10,925,014
Moulds	5,936,009	50,264	-	-	5,986,273
Motor vehicles	2,488,780	174,615	(938,702)	-	1,724,693
Office equipment, furniture and fittings	2,934,648	336,318	(277,391)	-	2,993,575
Tools, implements and equipment	733,470	12,642	(4,981)	-	741,131
Electrical installation and renovation	84,404	15,488	(27,713)	-	72,179
	<u>27,295,925</u>	<u>1,878,226</u>	<u>(2,082,311)</u>	<u>-</u>	<u>27,091,840</u>
2003	<u>25,800,897</u>	<u>2,147,927</u>	<u>(652,899)</u>	<u>-</u>	<u>27,295,925</u>

The Company

<u>Cost</u>	<u>Beginning of year</u>	<u>Addition</u>	<u>Disposal</u>	<u>End of year</u>
	RM	RM	RM	RM
2004:				
Freehold land	2,800,000	-	-	2,800,000
Motor vehicles	552,792	-	-	552,792
Office equipment, furniture and fittings	10,450	-	-	10,450
	<u>3,363,242</u>	<u>-</u>	<u>-</u>	<u>3,363,242</u>
2003	<u>3,363,242</u>	<u>-</u>	<u>-</u>	<u>3,363,242</u>

Accumulated Depreciation	Beginning of year	Charge for the year	Disposal	End of year
	RM	RM	RM	RM
2004:				
Motor vehicles	552,790	-	-	552,790
Office equipment, furniture and fittings	9,486	940	-	10,426
	<u>562,276</u>	<u>940</u>	<u>-</u>	<u>563,216</u>
2003	<u>561,232</u>	<u>1,044</u>	<u>-</u>	<u>562,276</u>
	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	RM	RM	RM	RM
Net Book Value:				
Freehold land				
- at 1994 valuation	500,000	500,000	-	-
- at cost	5,461,188	5,047,168	2,800,000	2,800,000
Long leasehold land				
- at 1993 valuation	561,632	579,310	-	-
- at cost	2,656,634	2,711,399	-	-
Short leasehold land				
- at 1994 valuation	1,263,967	1,292,695	-	-
Buildings				
- at 1994 valuation	5,779,712	5,930,432	-	-
- at cost	9,945,728	10,256,572	-	-
Plant and machinery	5,578,728	5,143,135	-	-
Moulds	1,340,277	1,103,828	-	-
Motor vehicles	907,535	710,979	2	2
Office equipment, furniture and fittings	1,352,365	1,594,449	24	964
Tools, implements and equipment	4,213	17,798	-	-
Electrical installation and renovation	105,145	77,327	-	-
	<u>35,457,124</u>	<u>34,965,092</u>	<u>2,800,026</u>	<u>2,800,966</u>

As of December 31, 2004, certain property, plant and equipment of the Group and of the Company with total carrying values of RM3,925,089 (2003: RM3,928,852) and RM2,800,000 (2003: RM2,800,000) respectively are pledged to local banks as securities for credit facilities as mentioned in Note 25.

As of December 31, 2004, certain property, plant and equipment of the Group with total carrying value of RM24,493,427 (2003: Nil) are pledged as securities for the redeemable secured loan stocks and irredeemable convertible secured loan stocks issued during the year.

The freehold and leasehold land and buildings of the subsidiary companies were revalued by the directors in 1993 and 1994 based on valuation exercises carried out by independent professional valuers on the open market value basis.

The strata titles of certain freehold and leasehold properties of the Group with a total carrying value of RM673,381 (2003: RM690,363) have not yet been issued by the relevant authorities. As of December 31, 2004, the property, plant and equipment of the Group with a net carrying amount of RM190,194 (2003: RM113,049) are acquired under hire-purchase arrangements of which instalments are still outstanding.

As of December 31, 2004, certain motor vehicles of the Group with a total carrying value of RM160,069 (2003: RM42,609) are registered in the names of directors and a third party who hold them in trust for a subsidiary company.

The title deed of a parcel of freehold land of the Company with a carrying value of RM2,800,000 is registered in the name of a subsidiary company.

The historical costs of the freehold land, leasehold land and buildings which were revalued are as follows:

	<u>The Group</u>	
	2004 RM	2003 RM
Cost:		
Freehold land	440,000	440,000
Long leasehold land	378,387	378,387
Short leasehold land	546,227	546,227
Buildings	6,129,351	6,129,351
	7,493,965	7,493,965
Accumulated depreciation:		
Long leasehold land	71,763	65,239
Short leasehold land	164,843	155,739
Buildings	1,719,218	1,596,631
	(1,955,824)	(1,817,609)
Net book value at end of year	5,538,141	5,676,356

9. INVESTMENT IN SUBSIDIARY COMPANIES

	<u>The Company</u>	
	2004 RM	2003 RM
Unquoted shares, at cost	38,146,412	34,963,472
Less: Allowance for diminution in value	(23,921,162)	(23,921,162)
	14,225,250	11,042,310



The amounts owing by/ to subsidiary companies are as follows:

	<u>The Company</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Amount owing by subsidiary companies:		
Emico Penang Sdn. Bhd.	36,776,020	-
Emico Development Sdn. Bhd.	33,293,169	33,877,323
Fuji Lift & Escalator Manufacturing Sdn. Bhd. (formerly known as Northern Elevator Manufacturing Sdn. Bhd.)	28,496,561	-
Northern Elevator Berhad	13,789,748	-
Emico Newk Sdn. Bhd.	5,134,074	-
Emico Tools Sdn. Bhd.	4,271,845	-
Emico Marketing Sdn. Bhd.	3,067,752	2,942,552
Standard Trend Apparel Industries Sdn. Bhd.	1,142,657	6,218
Emico Asia Sdn. Bhd.	1,000,000	-
Emico Creative Design Sdn. Bhd.	430,971	260,000
Emico Vietnam Co. Ltd.	100,000	-
Emico Metalizing Sdn. Bhd.	93,774	13,774
	<hr/>	<hr/>
	127,596,571	37,099,867
Less: Allowance for doubtful debts	(33,979,547)	-
	<hr/>	<hr/>
	93,617,024	37,099,867
	<hr/> <hr/>	<hr/> <hr/>
Amount owing to subsidiary companies:		
Emico Capital Sdn. Bhd.	2,789,952	2,473,494
Emico Properties Sdn. Bhd.	697,489	705,357
Emico Development (Langkawi) Sdn. Bhd.	510,519	492,477
Emico Penang Sdn. Bhd.	-	5,655,728
Northern Elevator Berhad	-	2,072,013
Emico Tools Sdn. Bhd.	-	778,096
Emico Newk Sdn. Bhd.	-	18,850
	<hr/>	<hr/>
	3,997,960	12,196,015
	<hr/> <hr/>	<hr/> <hr/>

Amount owing by subsidiary companies arose mainly from transfer of bank borrowings from subsidiary companies pursuant to the debt restructuring scheme of the Group and unsecured advances which are interest free and have no fixed term of repayment.

Amount owing to subsidiary companies arose mainly from unsecured advances which are interest free and have no fixed term of repayment.

Significant transactions between the Company and its subsidiary companies during the year were as follows:

	<u>The Company</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Management fee received and receivable:		
Northern Elevator Berhad	240,000	240,000
Transfer of bank borrowings from:		
Emico Penang Sdn. Bhd.	43,364,742	-
Fuji Lift & Escalator Manufacturing Sdn. Bhd. (formerly known as Northern Elevator Manufacturing Sdn. Bhd.)	32,814,480	-
Northern Elevator Berhad	15,576,157	-
Emico Newk Sdn. Bhd.	5,151,298	-
Emico Tools Sdn. Bhd.	5,049,941	-
Standard Trend Apparel Industries Sdn. Bhd.	1,022,028	-
	<u>                    </u>	<u>                    </u>

The Company held interests in the following subsidiary companies:

<u>Direct Holdings</u>	<u>Place/Country of incorporation/ establishment and operation</u>	<u>Effective Percentage of Ownership</u>		<u>Principal Activities</u>
		<u>2004</u>	<u>2003</u>	
Emico Penang Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of original equipment manufacturer (OEM) products, awards, trophy components, medallions, souvenir, gift items, furniture products and general trading
Emico Tools Sdn. Bhd.	Malaysia	100%	100%	Inactive
Emico Capital Sdn. Bhd.*	Malaysia	100%	100%	Property investment
Emico Marketing Sdn. Bhd.	Malaysia	100%	100%	Manufacturing and marketing of awards, trophy components, souvenir items and general trading
Emico Development Sdn. Bhd.	Malaysia	100%	100%	Investment holding and property development
Emico Newk Sdn. Bhd.*	Malaysia	100%	100%	Inactive
Emico (Vietnam) Co. Ltd.*	Vietnam	100%	100%	Manufacturing of plastic products from plastic particles, plastic and metal souvenirs and household utensils



Direct Holdings	Place/Country of incorporation/ establishment and operation	Effective Percentage of Ownership		Principal Activities
		2004	2003	
Mercu Tanah Langkawi Sdn. Bhd.*	Malaysia	71%	71%	Property development
Northern Elevator Berhad*	Malaysia	60%	60%	Investment holding company, provision of management services and rental of equipment
Emico Creative Design Sdn. Bhd.*	Malaysia	100%	100%	Manufacturing and trading of wood base products. However, the Company had ceased its manufacturing operations.
<u>Indirect Holdings</u>				
Emico Marketing (Thailand) Limited, Partnership*	Thailand	60%	60%	Trading of plastic consumable products
Emico Development (Langkawi) Sdn. Bhd.	Malaysia	100%	100%	Inactive
Emico Metalizing Sdn. Bhd.	Malaysia	100%	100%	Offering chroming services
Segera Properties Sdn. Bhd.*	Malaysia	-	85%	Property development
Emico Properties Sdn. Bhd.	Malaysia	79.8%	79.8%	Property development
Fuji Lift & Escalator Manufacturing Sdn. Bhd. (formerly known as Northern Elevator Manufacturing Sdn. Bhd.)*	Malaysia	60%	60%	Manufacturing, installing and maintaining lifts and escalators
Fuji Lift and Escalator Sdn. Bhd.*	Malaysia	60%	60%	Supplying, installing, maintaining and trading in escalators, elevators and conveyors
Pacific Elevator Sdn. Bhd.*	Malaysia	60%	60%	Dormant

Indirect Holdings	Place/Country of incorporation/ establishment and operation	Effective Percentage of Ownership		Principal Activities
		2004	2003	
Fein Blanking Sdn. Bhd.*	Malaysia	60%	60%	Property holdings and rentals
Standard Trend Apparel Industries Sdn. Bhd.	Malaysia	53.3%	53.3%	Inactive
Emico Asia Sdn. Bhd.*	Malaysia	50.2%	50.2%	Trading of houseware and furniture
Operasi Tembaga Sdn. Bhd.*	Malaysia	49.7%	49.7%	Investment holding
PKB-Operasi Tembaga Sdn. Bhd.*	Malaysia	39.8%	39.8%	Investment holding and contractor in property development
Fuji Lift Components Manufacturing Sdn. Bhd.*	Malaysia	60%	60%	Rental of machinery

\* The financial statements of these subsidiary companies are examined by other firms of auditors.

As of December 31, 2004, all the shares held by the Company in Northern Elevator Berhad and Mercu Tanah Langkawi Sdn. Bhd. are pledged as securities for the redeemable secured loan stocks and irredeemable convertible secured loan stocks.

During the financial year, the Group disposed of its entire equity interest in a subsidiary company, Segera Properties Sdn. Bhd.. The effect of this disposal on the Group's financial results during the financial year and the corresponding period are as disclosed in Note 5.

The effect of this disposal on the financial position of the Group as of the date of disposal is as follows:

	<u>The Group</u> 2004 Unaudited <u>August 23, 2004</u> RM
Net liabilities disposed as of date of disposal:	
Property development costs	6,637,949
Other payables and accrued expenses	(4,005,131)
Bank borrowings	(2,500,000)
Minority interest	(19,924)
	<hr/> 112,894
Reversal of reserve on consolidation	(647,736)
Gain realised on disposal	874,842
	<hr/> 340,000
Proceeds from disposal	340,000
Add: Cash and bank balances	-
	<hr/> 340,000
Cash flow on disposal, net of cash disposed	<hr/> <hr/> 340,000



In 2003, the Company acquired a new subsidiary company, Emico (Vietnam) Co. Ltd.

The effect of the acquisition of the new subsidiary company on the consolidated financial position as of December 31, 2003 and on the financial results of the Group for the year then ended are as follows:

	<u>The Group</u> 2003
	RM
Non-current assets	6,542,075
Current assets	2,323,475
Current liabilities	(2,828,515)
Group's share of net assets	<u>6,037,035</u>
Post acquisition results of subsidiary company acquired:	
Revenue	3,158,473
Other operating income	707
Operating expenses	(2,096,696)
Other operating expenses	(2,055,653)
Loss for the year	<u>(993,169)</u>

10. INVESTMENT IN ASSOCIATED COMPANIES

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Unquoted shares - at cost	3,037,472	2,554,609
Group's share in results of associated companies	(1,561,589)	(2,102,487)
	<u>1,475,883</u>	<u>452,122</u>

The Group's interest in the associated companies is analysed as follows:

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Share of net tangible assets	1,470,085	446,324
Premium on acquisition	5,798	5,798
	<u>1,475,883</u>	<u>452,122</u>

The amount owing by associated companies arose mainly from advances which are unsecured, interest free and with no fixed term of repayment.

The amounts owing by associated companies are as follows:

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Amount owing by associated companies:		
Quanzhou Fuji-Sino Elevators Co. Ltd.	544,020	542,392
OKA Elevators and Escalators Sdn. Bhd.	366,697	378,697
Asian Elevator (M) Sdn. Bhd.	121,668	135,668
Jiangnan Escalator (M) Sdn. Bhd.	40,549	40,445
Panashiba Industries (M) Sdn. Bhd.	4,121,424	4,121,424
	<hr/>	<hr/>
	5,194,358	5,218,626
Less: Allowance for doubtful debts	(4,121,400)	(4,121,400)
	<hr/>	<hr/>
	1,072,958	1,097,226
	<hr/> <hr/>	<hr/> <hr/>

The associated companies, all incorporated in Malaysia, unless stated otherwise, are as follows:

	Effective Percentage of Ownership		<u>Principal Activities</u>
	<u>2004</u>	<u>2003</u>	
Panashiba Industries (M) Sdn. Bhd.*	50%	50%	Investment holding
PT Panashiba Industries Indonesia* @	24.5%	24.5%	Inactive
Quanzhou Fuji-Sino Elevators Co. Ltd.*#	20.9%	20.9%	Manufacturing, installing and maintaining lifts and escalators
Asian Elevator (M) Sdn. Bhd.*	24%	24%	Dormant
Jiangnan Escalator (M) Sdn. Bhd.*	18%	18%	Manufacturing, assembling and trading in escalators and travelators
OKA Elevators and Escalators Sdn. Bhd.*	18%	18%	Sales and service of elevators and escalators

\* The financial statements of these associated companies are examined by other firms of auditors.

@ PT Panashiba Industries Indonesia is formed as a joint venture company on April 1, 1997 in Indonesia. The results of the operations of this associated company have not been equity accounted for in the consolidated financial statements as it had ceased operations and has not recommenced operations.



# Quanzhou Fuji-Sino Elevators Co. Ltd. is incorporated in The People's Republic of China.

Significant transactions between the Group and its associated companies during the year were as follows:

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Sales of finished goods:		
Quanzhou Fuji-Sino Elevators Co. Ltd.	-	12,440

The Group's share of losses in associated companies has been recognised to the extent of the carrying amount of the investment. The cumulative and current year's unrecognised share of losses in excess of carrying amount amounted to RM2,818,888 (2003: RM2,818,143) and RM745 (2003: RM538) respectively.

11. OTHER INVESTMENTS

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Quoted shares in Malaysia – at cost	1,349,293	1,349,293
Less: Allowance for diminution in value	(886,468)	(709,753)
	462,825	639,540
Unquoted shares in Malaysia – at cost	57,500	57,500
Less: Allowance for diminution in value	(44,000)	(44,000)
	13,500	13,500
	476,325	653,040
Market value of quoted shares	462,825	639,540

The investment in quoted shares in Malaysia arose from settlement of trade debt by a debtor of a subsidiary company.

12. INVESTMENT PROPERTIES

	<u>The Group</u>	
	2004	2003
	RM	RM
At cost:		
Freehold properties	2,425,990	2,827,510
Leasehold properties	239,220	239,220
Progress payment for property under construction	269,931	269,931
	2,935,141	3,336,661
Less: Impairment losses	(223,892)	(223,892)
	2,711,249	3,112,769

During the financial year, freehold land with a carrying value of RM401,520 was transferred from investment properties to property, plant and equipment.

The titles of the above properties with a total carrying value of RM2,665,210 (2003: RM3,066,730) have yet to be issued by the relevant authorities.

The directors believe that the carrying amount of the investment properties as of balance sheet date approximate their recoverable value.

13. PROPERTY DEVELOPMENT PROJECTS

	<u>The Group</u>			
	2004		2003	
	Non-current assets	Current Assets	Non-current assets	Current Assets
	RM	RM	RM	RM
At beginning of year:				
Freehold land	17,434,293	9,901,047	17,434,293	9,901,047
Development costs	11,468,924	28,424,308	6,370,018	23,068,722
	28,903,217	38,325,355	23,804,311	32,969,769
Cost incurred/ (reversed) during the year:				
Freehold land	-	(352,583)	-	-
Development costs	311,767	17,510,883	5,098,906	5,355,586
Reversal upon closure of project	-	(9,687,417)	-	-
Reversal upon disposal of investment in a subsidiary company:				
Freehold land	-	(5,796,750)	-	-
Development costs	-	(840,764)	-	-
	311,767	833,369	5,098,906	5,355,586

(FORWARD)

	<u>The Group</u>			
	2004		2003	
	Non-current assets	Current Assets	Non-current assets	Current Assets
	RM	RM	RM	RM
Costs recognised in income statements:				
At beginning of year	-	(14,110,000)	-	(10,913,000)
Recognised during the year	-	(18,151,000)	-	(3,197,000)
Reversal upon closure of projects	-	10,040,000	-	-
At end of year	-	(22,221,000)	-	(14,110,000)
Transfer (to current assets)/ from non-current assets of property development costs:				
Freehold land	(2,091,548)	2,091,548	-	-
Development costs	(2,877,493)	2,877,493	-	-
	(4,969,041)	4,969,041	-	-
At end of year	24,245,943	21,906,765	28,903,217	24,215,355

The property development costs at end of year are analysed as follows:

	<u>The Group</u>			
	2004		2003	
	Non-current assets	Current assets	Non-current assets	Current assets
	RM	RM	RM	RM
Freehold land, at cost	15,342,745	5,843,262	17,434,293	9,901,047
Development costs	8,903,198	16,063,503	11,468,924	14,314,308
	24,245,943	21,906,765	28,903,217	24,215,355

Included in cost of freehold land and development expenditures incurred during the financial year are the following charges:

	<u>The Group</u>	
	2004 RM	2003 RM
Interest on borrowings:		
Current	1,106,436	1,263,244
Overprovision in prior years	-	(583,911)
Staff costs:		
Salaries and allowances	593,052	501,212
Director's remuneration:		
Employees' provident fund contributions	-	11,520
Other emoluments	96,000	96,000
Employees' provident fund contributions	40,867	24,235
Rental of equipment	2,040	-
Rental of office	-	6,160

The freehold land of certain subsidiary companies with a total carrying value of RM17,203,721 (2003: Nil) are pledged as security for the redeemable secured loan stocks and irredeemable secured loan stocks issued during the year.

The freehold land of a subsidiary company with a total carrying value of RM15,270,762 (2003: RM24,098,810) is also pledged as security to Danaharta Managers Sdn. Bhd.

14. DEFERRED TAX ASSETS/ (LIABILITIES)

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Deferred tax assets	549,500	3,887,100
Deferred tax liabilities	(1,012,712)	(525,661)
	<u>(463,212)</u>	<u>3,361,439</u>

The movement of deferred tax assets is as follows:

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
At beginning of year	3,887,100	3,981,800
Transfer from/ (to) income statements (Note 6):		
Relating to origination and reversal of temporary differences:		
Current	(3,690,100)	34,400
Overprovision in prior years	352,500	-
Effects of opening deferred tax resulting from reduction in tax rate	-	(129,100)
At end of year	<u>549,500</u>	<u>3,887,100</u>

The deferred tax assets are in respect of the following:

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Tax effect of:		
Temporary difference arising from:		
Unused tax losses	451,800	3,489,800
Property, plant and equipment	97,700	(486,700)
Unused tax capital allowances	-	832,000
Other temporary differences	-	52,000
Net	<u>549,500</u>	<u>3,887,100</u>

As mentioned in Note 3, the tax effects of temporary differences which give rise to net deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised. As of December 31, 2004, the amount of deferred tax assets, calculated at applicable tax rate, which is not recognised in the financial statements, is as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	RM	RM	RM	RM
Tax effects of:				
Temporary differences arising from:				
Unused tax losses	12,183,000	11,442,000	120,200	265,200
Unused tax capital allowances	719,000	1,793,000	-	-
Property, plant and equipment	(559,000)	(534,000)	-	-
Allowance for inventory obsolescence	77,000	-	-	-
Allowance for doubtful debts	46,000	-	-	-
Other temporary differences	44,000	101,000	-	-
	<u>12,510,000</u>	<u>12,802,000</u>	<u>120,200</u>	<u>265,200</u>

The movement of deferred tax liabilities is as follows:

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
At beginning of year	525,661	537,610
Transfer to income statements (Note 6):		
Crystallisation of deferred tax liability on revaluation surplus	(11,949)	(11,949)
Relating to the origination of and reversal of temporary differences	499,000	-
At end of year	<u>1,012,712</u>	<u>525,661</u>

The deferred tax liabilities are in respect of temporary differences arising from property, plant and equipment and revaluation surplus arising from the revalued long leasehold land, freehold land and factory building of the Group.

A deferred tax income of RM11,949 (2003: RM11,949) was recognised by the Group by a transfer from the deferred tax liability of the Group to the income statements. This relates to the difference between the actual depreciation on the revalued properties and equivalent depreciation based on the cost of the properties of the Group.

15. INTANGIBLE ASSETS

	<u>The Group</u>	
	2004	2003
	RM	RM
At cost:		
Goodwill arising on consolidation	6,372,577	6,372,577
Less:		
Amortisation of goodwill on consolidation		
At beginning of year	2,511,158	2,285,445
Amortisation during the year	225,713	225,713
At end of year	(2,736,871)	(2,511,158)
	3,635,706	3,861,419

16. INVENTORIES

	<u>The Group</u>	
	2004	2003
	RM	RM
At cost:		
Raw materials	6,172,246	5,335,203
Work-in-progress	897,715	818,745
Finished goods	1,599,085	2,095,050
Trading goods	162,003	102,038
At net realisable value:		
Work-in-progress	2,950,028	1,517,416
	11,781,077	9,868,452

17. TRADE RECEIVABLES

	<u>The Group</u>	
	2004	2003
	RM	RM
Trade receivables	53,373,033	50,269,759
Less: Allowance for doubtful debts	(17,006,867)	(9,211,368)
	36,366,166	41,058,391

Included in trade receivables are the following balances:

	<u>The Group</u>	
	2004	2003
	RM	RM
Amount owing by Lim Teik Hian, a director of the Company	38,979	38,979
Retention sum receivable on contracts	-	439,525

Trade receivables comprise amounts receivable for the sales of goods, sale of properties and from chroming and maintenance services rendered.

The credit period granted on sale of goods and services rendered ranges from 30 to 90 days (2003: 30 to 90 days) while the credit period for purchasers of properties is 14 to 30 days (2003: 14 to 30 days).

The currency exposure profile of trade receivables are as follows:

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Ringgit Malaysia	28,241,688	31,855,185
United States Dollar	7,391,807	7,181,960
Vietnam Dong	537,412	1,069,536
Thai Baht	131,930	-
Euro	46,049	9,475
Singapore Dollar	17,280	942,235
	<u>36,366,166</u>	<u>41,058,391</u>

18. AMOUNT OWING BY A DIRECTOR

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Director of a subsidiary company:		
Lim Chong Hoe	<u>269,170</u>	<u>24,170</u>

The above amount represents housing loans given to full time working director of a subsidiary company. These amounts are unsecured and interest free.

19. OTHER RECEIVABLES AND PREPAID EXPENSES

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	RM	RM	RM	RM
Other receivables	8,294,350	7,580,248	-	1,556,600
Less: Allowance for doubtful debts	(1,856,321)	(3,320,169)	-	(1,556,600)
	<u>6,438,029</u>	<u>4,260,079</u>	<u>-</u>	<u>-</u>
Stakeholders' retention sum	67,100	809,550	-	-
Prepaid expenses	674,045	3,331,475	-	1,174,382

(FORWARD)

	<u>The Group</u>		<u>The Company</u>	
	2004 RM	2003 RM	2004 RM	2003 RM
Refundable deposits	488,631	569,076	1,000	1,350
Less: Allowance for doubtful debts	(78,000)	(78,000)	-	-
	410,631	491,076	1,000	1,350
	7,589,805	8,892,180	1,000	1,175,732

Other receivables comprise mainly payments in advance for trade purchases, and advances to and payments on behalf of certain third parties.

Stakeholders' retention sum represents monies paid by purchasers which are held by solicitors and would be released to the Group upon expiry of defective period.

The currency exposure profile of other receivables are as follows:

	<u>The Group</u>		<u>The Company</u>	
	2004 RM	2003 RM	2004 RM	2003 RM
Other receivables:				
Ringgit Malaysia	6,365,359	3,525,819	-	-
United States Dollar	59,515	728,455	-	-
Thai Baht	13,155	5,805	-	-
	6,438,029	4,260,079	-	-

## 20. DEPOSITS WITH LICENSED BANKS

Fixed deposits of the Group and of the Company which have been pledged are as follows:

	<u>The Group</u>		<u>The Company</u>	
	2004 RM	2003 RM	2004 RM	2003 RM
Pledged as security for banking facilities granted to a subsidiary company	1,078,493	1,040,000	-	-
Pledged as security for the repayment of interests on ICSLS and RSLs	2,214,650	-	2,214,650	-
	3,293,143	1,040,000	2,214,650	-

The effective annual interest rates of deposits with licensed banks range from 2.40% to 2.90% (2003: 2.51% to 3.00%) and will mature in January and March 2005.

21. CASH AND BANK BALANCES

Included in cash and bank balances of the Group is an amount of RM755,411 (2003: RM266,799) representing bank balances under Housing Development Accounts opened and maintained by a subsidiary company in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts which consist of monies received from purchasers are for the payment of property development expenditure incurred. The surplus monies, if any, will be released to the subsidiary company upon the completion of the property development projects and after all property development expenditure has been fully settled.

22. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases and construction related costs. The credit period granted to the Group ranges from 30 to 150 days (2003: payment in advance to 120 days).

The currency exposure profile of trade payables are as follows:

	<u>The Group</u>	
	2004	2003
	RM	RM
Ringgit Malaysia	9,954,107	9,176,169
United States Dollar	1,180,546	1,413,138
Thai Baht	280,098	22,112
Vietnam Dong	223,113	281,631
Singapore Dollar	151,180	146,865
Hong Kong Dollar	114,342	114,342
Swedish Krona	9,646	38,087
	11,913,032	11,192,344
	11,913,032	11,192,344

23. AMOUNT OWING TO DIRECTORS

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	RM	RM	RM	RM
Directors of the Company:				
Loh Lay Choo	846,518	784,016	-	-
Lim Teik Hian	87,540	3,023	-	-
Lim Beng Huan	3,950	323,950	3,400	3,400
Lim Poh Hoon	-	7,929	-	-
Director of subsidiary companies:				
Lim Poh Hoon	7,929	-	-	-
	945,937	1,118,918	3,400	3,400
	945,937	1,118,918	3,400	3,400

The amount owing to directors arose mainly from unsecured advances which are, interest free and have no fixed term of repayment.

24. OTHER PAYABLES AND ACCRUED EXPENSES

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	RM	RM	RM	RM
Other payables	12,264,062	11,722,556	1,352,124	1,855,802
Accrued interest expenses	6,109,425	34,958,824	4,181,749	2,825,107
Other accrued expenses	2,821,414	3,507,656	340,250	450,121
Accrued development expenditure	2,626,557	2,098,382	-	-
Construction retention claims	1,284,533	514,138	-	-
	<u>25,105,991</u>	<u>52,801,556</u>	<u>5,874,123</u>	<u>5,131,030</u>

Other payables comprise mainly amount outstanding from ongoing costs.

The currency exposure profile of other payables and accrued expenses are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	RM	RM	RM	RM
Other payables:				
Ringgit Malaysia	10,677,364	10,424,940	909,570	1,013,380
United States Dollar	1,537,960	1,294,452	442,554	842,422
Thai Baht	48,738	3,164	-	-
	12,264,062	11,722,556	1,352,124	1,855,802
Accrued interest expenses:				
Ringgit Malaysia	6,109,425	34,958,824	4,181,749	2,825,107
Other accrued expenses:				
Ringgit Malaysia	2,782,790	3,500,914	340,250	450,121
United States Dollar	33,559	3,886	-	-
Thai Baht	5,065	2,856	-	-
	2,821,414	3,507,656	340,250	450,121
Accrued development expenditure:				
Ringgit Malaysia	2,626,557	2,098,382	-	-
Construction retention claims:				
Ringgit Malaysia	1,284,533	514,138	-	-
	<u>25,105,991</u>	<u>52,801,556</u>	<u>5,874,123</u>	<u>5,131,030</u>

25. BANK BORROWINGS

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	RM	RM	RM	RM
Unsecured:				
Trust receipts and bankers' acceptances	6,535,115	52,418,846	-	-
Revolving credits	3,722,789	14,900,000	-	4,900,000
Bank overdrafts	381,595	55,963,520	-	-
Secured:				
Short-term loans	6,028,877	12,902,587	839,568	6,232,866
Bank overdrafts	-	6,275,657	-	6,239,273
Trust receipts and bankers' acceptances	-	2,030,847	-	-
	<u>16,668,376</u>	<u>144,491,457</u>	<u>839,568</u>	<u>17,372,139</u>

The currency exposure profile of secured short-term loans are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	RM	RM	RM	RM
Ringgit Malaysia	4,889,174	11,682,866	839,568	6,232,866
Vietnam Dong	1,139,703	671,784	-	-
United States Dollar	-	547,937	-	-
	<u>6,028,877</u>	<u>12,902,587</u>	<u>839,568</u>	<u>6,232,866</u>

All other bank borrowings are denominated in Ringgit Malaysia.

During the financial year, the bank borrowings of the Group and the Company were restructured as mentioned in Note 39.

The Group's borrowings bear interests at rates ranging from 1.25% to 2.5% (2003: 1% to 3.5%) per annum above the lending banks' base lending rates, 1.25% (2003: 1.5% to 2.25%) per annum above the lending bank's cost of funds and 2.5% (2003: 1% to 3.5%) per annum above Bank Negara Malaysia's funding rates. The borrowings of the Company bear interests at the rates of 1.25% (2003: 1.25% to 3%) per annum above the lending banks' base lending rates or cost of funds.

The effective interest rates per annum as of December 31, 2004 for the Group and the Company are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	%	%	%	%
Bank overdrafts	8.00	7.25 – 9.50	Not applicable	8.50
Trust receipts and bankers' acceptances	4.00 - 8.50	7.25 – 9.80	Not applicable	Not applicable
Revolving credits	8.50	6.35 – 10.30	Not applicable	6.35 - 9.00
Short-term loans	3.30 - 9.00	3.30 – 9.30	8.00	8.00

The unsecured bank borrowings of the Group are covered by corporate guarantees given by the Company, guarantees by certain directors and negative pledges on certain subsidiary companies' assets.

The secured short-term loans of the Company is secured by lien holders caveat created over the Company's and a subsidiary company's landed properties. The secured short-term loans of certain subsidiary companies are secured by proportionate redemption for RM5 million, legal charges over certain freehold land of certain subsidiary companies, and fixed and floating charges over the entire assets of certain subsidiary companies, and are jointly and severally guaranteed by certain directors.

In 2003, the secured bank overdrafts of the Group and of the Company are secured by legal charges over landed properties belonging to a subsidiary company, fixed and floating charges over the entire assets of another subsidiary company and corporate guarantees given by the Company.

In 2003, the secured trust receipts and bankers' acceptances of the Group are secured by fixed and floating charges over the entire assets of a subsidiary company and corporate guarantees given by the Company.

## 26. HIRE-PURCHASE PAYABLES

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Total outstanding	388,078	136,452
Less: Interest-in-suspense outstanding	(59,632)	(18,180)
Principal outstanding	328,446	118,272
Less: Current portion	(63,894)	(38,439)
Non-current portion	264,552	79,833

The non-current portion is repayable as follows:

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Later than 1 year and not later than 2 years	67,275	40,279
Later than 2 years and not later than 5 years	158,601	36,574
Later than 5 years	38,676	2,980
	<u>264,552</u>	<u>79,833</u>

The terms for the above hire-purchases range from 5 to 7 years. The effective borrowing rates range from 6.36% to 10.70% (2003: 7.72% to 10.68%) per annum. Interest rates are fixed at the inception of the hire-purchase arrangements.

The hire-purchase payables are secured by the financial institutions' charge over the assets under hire-purchase.

27. TERM LOANS

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	RM	RM	RM	RM
Secured:				
Amount outstanding	592,306	-	-	-
Less: Current portion	(385,023)	-	-	-
	<u>207,283</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-current portion				
Unsecured:				
Amount outstanding	-	9,412,664	-	3,166,100
Less: Current portion	-	(9,412,664)	-	(3,166,100)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-current portion				

The term loans of the Group and of the Company as of December 31, 2003 were restructured pursuant to the Debt Restructuring Scheme as mentioned in Note 39.

The term loans of the Group as of December 31, 2004 are secured by legal charges over the landed properties of a subsidiary company and a fixed and floating charge over certain assets of another subsidiary company. The non-current portion of the term loans is repayable in 2006.

The term loans of the Group and the Company bear interests at rates ranging from 2.0% to 2.5% (2003: 1.25% to 3.0%) per annum above the lending banks' base lending rates.

The effective interest rates for term loans as of December 31, 2004 range from 7.75% to 9.00% (2003: 7.25% to 9.3%) per annum for the Group and the Company.

28. SHARE CAPITAL

	<u>The Company</u>			
	2004		2003	
	No. of shares	RM	No. of shares	RM
Authorised:				
Ordinary shares of RM1 each	150,000,000	150,000,000	150,000,000	150,000,000
Issued and fully paid:				
Ordinary shares of RM1 each				
At beginning of year	44,520,000	44,520,000	22,260,000	22,260,000
Increased during the year	6,400,000	6,400,000	22,260,000	22,260,000
At end of year	50,920,000	50,920,000	44,520,000	44,520,000

During the financial year, the Company increased its issued and paid-up share capital from RM44,520,000 to RM50,920,000 by the issuance of 6,400,000 new ordinary shares of RM1 each at par to the Scheme Lenders and Restructured Facilities Lenders as partial settlement for the interest accrued in relation to the Group and the Company's Debt Restructuring Scheme which was completed on May 24, 2004. The new ordinary shares rank pari passu with the then existing ordinary shares of the Company and were granted listing on November 3, 2004.

29. IRREDEEMABLE CONVERTIBLE SECURED LOAN STOCKS ("ICSLS")

On May 24, 2004, the Company issued 451,537 units of 4% 5-year ICSLS at nominal value of RM100 per 4% ICSLS at an issue price of RM88.59 to its Scheme Lenders pursuant to the Debt Restructuring Scheme as mentioned in Note 39.

The principal terms of the ICSLS are as follows:

- i) Conversion rights - each holder of the ICSLS shall have the right to convert the ICSLS into fully paid-up new ordinary shares of RM1.00 each in the Company based on the conversion ratio at any time during the conversion period of five years commencing from the date of issue;
- ii) Conversion ratio - one new ordinary share of RM1.00 in the Company issued as fully paid-up for every theoretical value of ICSLS at the conversion price of RM1.00;
- iii) The theoretical value of the 4% ICSLS at the following anniversary date of the issue of the 4% ICSLS are tabulated below:

<u>Anniversary Date</u>	<u>Nominal Value per 4% ICSLS</u>	<u>Theoretical Value per 4% ICSLS</u>
	RM	RM
First	100.00	89.90
Second	100.00	91.30
Third	100.00	92.77
Fourth	100.00	94.34
Fifth	100.00	100.00

- iv) The ICSLS bears a fixed coupon rate of 4% per annum and is payable annually in arrears; and
- v) The new ordinary shares to be allotted and issued upon conversion of the ICSLS will rank pari passu in all aspects with the existing ordinary shares of the Company except that they will not rank for any dividends, rights, allotment or other distributions, declared, made or paid prior to the allotment of the shares.

The ICSLS and the redeemable secured loan stocks mentioned in Note 31 are secured by certain property, plant and equipment of the subsidiary companies, certain development properties of the subsidiary companies and all the shares held by the Company in Northern Elevator Berhad and Mercu Tanah Langkawi Sdn. Bhd..

The ICSLS are compound instruments and therefore the nominal value of RM40,000,000 were segregated as equity and liability components of RM32,434,317 and RM7,565,683 respectively upon issuance.

The movements of the ICSLS during the year are as follows:

	<u>The Company</u>		Total RM
	Equity Component RM	Liability Component RM	
At beginning of year	-	-	-
Issued during the year	32,434,317	7,565,683	40,000,000
Transfer from liability component to equity component due to reduction in interest obligation	581,162	(581,162)	-
Increase in ICSLS theoretical value	360,781	-	360,781
	<hr/>	<hr/>	<hr/>
At end of year	<u>33,376,260</u>	<u>6,984,521</u>	<u>40,360,781</u>

### 30. RESERVES

	<u>The Group</u>		<u>The Company</u>	
	2004 RM	2003 RM	2004 RM	2003 RM
Non-distributable as cash dividends:				
Share premium	7,736,782	7,857,465	7,736,782	7,857,465
Reserve on consolidation	374,312	1,022,048	-	-
Exchange reserve	31,051	20,130	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>8,142,145</u>	<u>8,899,643</u>	<u>7,736,782</u>	<u>7,857,465</u>

Share premium of the Group and of the Company arose from allotments of ordinary shares at premium.

Reserve on consolidation of the Group represents the excess of the fair value of the net assets acquired over the cost of investment in subsidiary companies.

Exchange reserve of the Group is used to record exchange differences arising on translation of the financial statements of foreign operations as described in the accounting policies.

31. REDEEMABLE SECURED LOAN STOCKS (“RSLs”)

On May 24, 2004, the Company issued 840,001 units of 4% 5-year RSLs at nominal value of RM100 per 4% RSLs at an issue price of RM81.31 to its Scheme Lenders pursuant to the Debt Restructuring Scheme as mentioned in Note 39.

The principal terms of the RSLs are as follows:

- (i) Convertibility – the RSLs would be fully redeemed and not convertible into new shares of the Company;
- (ii) The RSLs bear a fixed coupon rate of 4% per annum and is payable annually in arrears; and
- (iii) The RSLs may be redeemable in part or in full at the option of the Company from the date of issuance. Any RSLs not redeemed within one year from the date of issuance will be redeemed by the Company pro-rated among the holders of the RSLs as follows:

<u>Anniversary Date</u>	<u>Nominal Value</u> RM	<u>Redemption Value</u> RM	<u>Redemption Price</u> RM per 4% RSLs
First	-	-	83.81
Second	13,870,000	12,000,000	86.52
Third	22,362,000	20,000,000	89.44
Fourth	21,600,000	20,000,000	92.59
Fifth	26,168,000	26,168,000	100.00
	84,000,000	78,168,000	

The securities on the RSLs are disclosed in Note 29.

The movements of the RSLs during the year are as follows:

	<u>The Company</u> RM
At beginning of year	-
Issued during the year	68,297,832
Increase in RSLs redemption price	1,278,873
	69,576,705

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	RM	RM	RM	RM
Cash and bank balances	4,652,250	5,107,023	79,036	308,133
Deposits with licensed banks	9,486,018	18,157,734	2,384,650	8,000,000
Bank overdrafts (Note 25)	(381,595)	(62,239,177)	-	(6,239,273)
	<u>13,756,673</u>	<u>(38,974,420)</u>	<u>2,463,686</u>	<u>2,068,860</u>
Less:				
Fixed deposits held as security value (Note 20)	(1,078,493)	(1,040,000)	-	-
Fixed deposits in Sinking Fund Account (Note 20)	(2,214,650)	-	(2,214,650)	-
	<u>10,463,530</u>	<u>(40,014,420)</u>	<u>249,036</u>	<u>2,068,860</u>

33. RELATED PARTY BALANCES AND TRANSACTIONS

Included in the following accounts of the Group as of December 31, 2004 are amounts owing by/ to the following related parties:

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Trade receivables:		
Dotcal Inc. <sup>(a)</sup>	1,900,694	1,730,172
Century Plas Industries Sdn. Bhd. <sup>(b)</sup>	39,470	-
U-Can Marketing Sdn. Bhd. <sup>(c)</sup>	18,213	13,483
Esteem Mould Engineering Sdn. Bhd. <sup>(d)</sup>	7,096	-
	<u>1,965,473</u>	<u>1,743,655</u>
Trade payables:		
Century Plas Industries Sdn. Bhd. <sup>(b)</sup>	126,450	-
U-Can Marketing Sdn. Bhd. <sup>(c)</sup>	15,387	-
	<u>141,837</u>	<u>-</u>
Other payables:		
Yonda Electronic Co. (M) Sdn. Bhd. <sup>(e)</sup>	203,253	203,253
Emico Garment Industries Sdn. Bhd. <sup>(f)</sup>	195,888	336,553
Emico Garment (KK) Sdn. Bhd. <sup>(g)</sup>	6,000	6,000
Esteem Mould Engineering Sdn. Bhd. <sup>(d)</sup>	-	45,096
	<u>405,141</u>	<u>590,902</u>

- (a) A company in which a shareholder of that company, Mr. Tan Chin Hin is a person connected to certain directors of the Company, Mr. Lim Beng Huan, Madam Loh Lay Choo and Mr. Lim Teik Hian.
- (b) A company in which a director of that company, Madam Chan Lay Li is the spouse of Mr. Lim Teik Hian who is a director of the Company.
- (c) A company in which a substantial shareholder of that company, Madam Chan Lay Li is a person connected to certain directors of the Company, Mr. Lim Beng Huan, Madam Loh Lay Choo and Mr. Lim Teik Hian.
- (d) A company in which a substantial shareholder of that company, Mr. Lim Teck Chye is a person connected to certain directors of the Company, Mr. Lim Beng Huan, Madam Loh Lay Choo and Mr. Lim Teik Hian.
- (e) A company in which the substantial shareholders of that company, Mr. Lim Beng Huan and Madam Loh Lay Choo are directors of the Company.
- (f) A company in which the shareholders of that company, Mr. Lim Beng Huan and Madam Loh Lay Choo are directors of the Company.
- (g) A company in which the directors of that company, Mr. Lim Beng Huan and Madam Loh Lay Choo are directors of the Company.

The above amounts under other payables arose mainly from rental payable and unsecured advances which are interest free and with no fixed repayment term.

Significant transactions between the Group and the Company with related parties during the year were as follows:

	<u>The Group</u>		<u>The Company</u>	
	2004	2003	2004	2003
	RM	RM	RM	RM
Purchase of raw materials:				
Century Plas Industries Sdn. Bhd.	359,371	-	-	-
Rental paid and payable:				
Emico Garment Industries Sdn. Bhd.	90,000	120,000	-	-
Yonda Electronic Co. (M) Sdn. Bhd.	90,000	90,000	-	-
Mr. Tan Chin Peng, a director of a subsidiary company	21,630	17,971	-	-
Esteem Mould Engineering Sdn. Bhd.	10,000	120,000	-	-
Sales of finished goods:				
Century Plas Industries Sdn. Bhd.	64,398	-	-	-
U-Can Marketing Sdn. Bhd.	4,730	136,904	-	-
Rental of premises received:				
Century Plas Industries Sdn. Bhd.	50,000	-	-	-

The directors are of the opinion that the above transactions were entered into in the normal course of business and have been established under normal commercial terms that are no less favourable than those arranged with independent third parties.

34. DIRECTORS' BENEFITS-IN-KIND

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	RM	RM	RM	RM
Estimated cash value of benefits-in-kind provided to directors	35,050	44,521	13,325	13,325

35. CONTINGENT LIABILITIES- UNSECURED

As of December 31, 2004, the Company is contingently liable to the extent of about RM21,584,000 (2003: RM179,718,000) in respect of corporate guarantees given to local banks, finance companies and creditors for credit facilities granted to its subsidiary companies.

There is a civil lawsuit pending, in which the Customs Authority is suing a subsidiary company for a total sum of RM377,645 comprising sales tax and penalties. The directors of the subsidiary company, upon consultation with the subsidiary company's solicitors are of the opinion that the plaintiff is unlikely to succeed in its legal claim. However, in the unlikely event of the subsidiary company failing to successfully defend its position in one or more of the abovementioned case, the solicitors have estimated that the maximum quantifiable liabilities to this party are unlikely to exceed RM377,645 in total.

Another subsidiary company is the defendant in a lawsuit brought by a landlord of a premise on a claim amounting to RM254,547 together with interest alleging that the subsidiary company had breached the terms of the tenancy agreement. The subsidiary company is contesting this claim and has filed its defence. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

36. LEASE COMMITMENTS

As of the end of the financial year, lease commitments in respect of rental of land premises and machinery of the Group are as follows:

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	RM	RM
Not later than one year	130,000	299,000
Later than one year but not later than five years	376,000	380,000
Later than five years	3,130,000	3,130,000
	<u>3,636,000</u>	<u>3,809,000</u>

## 37. FINANCIAL INSTRUMENTS

### a. Financial Risk Management Objectives and Policies

The operation of the Group is subject to a variety of financial risks, including interest rate risk, credit risk, foreign currency risk, liquidity and cash flow risks. The overall financial risk management policy of the Group is to minimise the effects of such risks on its financial performance. Various risk management policies are made and approved by the Board for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

The Group is exposed to the following financial risks:

#### i. Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's bank borrowings, hire-purchase payables, term loans and deposits with licensed banks. The Group does not use derivative financial instruments to hedge its risk.

#### ii. Credit risk

The Group is exposed to credit risk mainly from trade and other receivables. These receivables are continually monitored to ensure that issues arising from non-collectibility are minimised. There were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

#### iii. Foreign currency risk

The Group has exposure to foreign currency risk as a result of transactions with its foreign subsidiary companies, and receivables and payables in foreign currencies arising from normal operating activities. The Group does not speculate in foreign currencies.

#### iv. Liquidity risk

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

#### v. Cash flow risk

The Group reviews their cash flow position regularly to manage their exposure to fluctuations in future cash flows associated with their monetary financial instruments.

b. Fair Values

i. Other investments

The fair value of investment in quoted shares are represented by its market value as disclosed in Note 11. It is not practical to estimate the fair value of the investment in unquoted shares but the directors believe that the carrying amount represents recoverable value, based on the Group's share of its net tangible asset as of balance sheet date.

ii. Hire-purchase payables, term loans and loan stocks

The carrying amounts of hire-purchase payables, term loans and loan stocks approximate fair values. The fair values of these financial liabilities are estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowings arrangements.

iii. Cash and cash equivalents, bank borrowings, trade and other receivables, amounts owing by/ to associated companies, trade and other payables and inter-company indebtedness

The carrying amounts of cash and cash equivalents, bank borrowings, trade and other receivables, amounts owing by/ to associated companies, trade and other payables approximate fair values because of the short maturity of these instruments.

The fair values of amounts owing to inter-companies have not been computed as the timing of the repayment of these balances cannot be reasonably determined.

iv. Contingent liabilities

It is not practical to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs or eventual outcome.

38. SEGMENT REPORTING

Business segments

For management purposes, the Group is organised into the following business segments :

- manufacturing and trading of consumable products
- manufacturing and maintenance services of lifts and escalators
- property development
- investment holdings

Intersegment sales are charged at normal commercial terms that are no less favourable than those arranged with independent third parties.

The Group

	Manufacturing and trading – consumable products	Manufacturing and maintenance services of lifts and escalators	Property development	Investment holdings	Elimination	Consolidated
	RM	RM	RM	RM	RM	RM
<u>2004</u>						
<u>Revenue</u>						
External sales	27,608,376	34,854,086	20,597,788	-	-	83,060,250
Inter-segment sales	4,951,540	-	-	240,000	(5,191,540)	-
Total revenue	<u>32,559,916</u>	<u>34,854,086</u>	<u>20,597,788</u>	<u>240,000</u>	<u>(5,191,540)</u>	<u>83,060,250</u>
<u>Results</u>						
(Loss)/ profit from operations	(4,441,553)	(5,807,560)	1,385,772	(4,031,382)		(12,894,723)
Waiver of interest	16,662,321	16,692,661	-	3,388,776		36,743,758
Overprovision of interest expense in prior year	4,562,324	3,612,422	-	963,641		9,138,387
Income from other investment	624	407,258	-	41,610		449,492
Gain on disposal of investment in a subsidiary company	-	-	-	874,824		874,824
Share of results of associated companies	-	595,057	-	-		595,057
Finance costs	(1,104,203)	(1,724,999)	(35,573)	(3,838,444)		(6,703,219)
Profit/ (Loss) before tax	15,679,513	13,774,839	1,350,199	(2,600,975)		28,203,576
Income tax expense	(75,731)	(3,906,427)	-	(108,168)		(4,090,326)
Profit/ (Loss) after tax	<u>15,603,782</u>	<u>9,868,412</u>	<u>1,350,199</u>	<u>(2,709,143)</u>		<u>24,113,250</u>
<u>Other information</u>						
Capital additions	2,073,450	275,906	177,768	-		2,527,124
Depreciation of property, plant and equipment	1,226,671	574,068	73,280	4,207		1,878,226
Amortisation of goodwill	5,083	186,158	-	34,472		225,713
Non-cash expenses	2,888,778	9,499,797	23,219	3,123,607		15,535,401
<u>Consolidated Balance Sheet</u>						
<u>Assets</u>						
Segment assets	33,360,915	60,251,577	59,134,589	6,903,475		159,650,556
Income tax assets	-	607,875	-	-		607,875
Investment in associated companies	1	1,475,882	-	-		1,475,883
Consolidated total assets	<u>33,360,916</u>	<u>62,335,334</u>	<u>59,134,589</u>	<u>6,903,475</u>		<u>161,734,314</u>

	Manufacturing and trading – consumable products	Manufacturing and maintenance services of lifts and escalators	Property development	Investment holdings	Elimination	Consolidated
	RM	RM	RM	RM	RM	RM
<u>2004</u>						
<u>Liabilities</u>						
Segment liabilities	19,767,129	15,659,855	14,255,248	84,589,061		134,271,293
Income tax liabilities	592,992	653,445	-	126,100		1,372,537
Consolidated total liabilities	<u>20,360,121</u>	<u>16,313,300</u>	<u>14,255,248</u>	<u>84,715,161</u>		<u>135,643,830</u>
<u>2003</u>						
<u>Revenue</u>						
External sales	39,352,179	21,768,179	4,803,241	-	-	65,923,599
Inter-segment sales	6,915,575	-	-	240,000	(7,155,575)	-
Total revenue	<u>46,267,754</u>	<u>21,768,179</u>	<u>4,803,241</u>	<u>240,000</u>	<u>(7,155,575)</u>	<u>65,923,599</u>
<u>Results</u>						
(Loss)/ profit from operations	(1,041,480)	4,038,711	(1,475,454)	(1,139,732)		382,045
Income from other investment	-	356,407	71,995	24,136		452,538
Impairment losses of investment properties	-	(67,651)	-	-		(67,651)
Share of results of associated companies	-	48,788	-	-		48,788
Finance costs	(7,482,276)	(5,314,314)	(429,116)	(1,211,523)		(14,437,229)
Loss before tax	(8,523,756)	(938,059)	(1,832,575)	(2,327,119)		(13,621,509)
Tax income/ (Income tax expense)	545,693	(140,799)	-	(4,100)		400,794
Loss after tax	<u>(7,978,063)</u>	<u>(1,078,858)</u>	<u>(1,832,575)</u>	<u>(2,331,219)</u>		<u>(13,220,715)</u>
<u>Other information</u>						
Capital additions	<u>5,361,016</u>	<u>735,139</u>	<u>31,934</u>	<u>-</u>		<u>6,128,089</u>
Depreciation of property, plant and equipment	<u>1,642,116</u>	<u>456,685</u>	<u>44,924</u>	<u>4,202</u>		<u>2,147,927</u>
Amortisation of goodwill	<u>5,083</u>	<u>186,158</u>	<u>-</u>	<u>34,472</u>		<u>225,713</u>
Non-cash expenses	<u>1,054,747</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>1,054,747</u>

	Manufacturing and trading – consumable products	Manufacturing and maintenance services of lifts and escalators	Property development	Investment holdings	Elimination	Consolidated
	RM	RM	RM	RM	RM	RM
<u>2003</u>						
<u>Consolidated Balance Sheet</u>						
<u>Assets</u>						
Segment assets	33,822,173	67,539,378	63,201,779	15,720,926		180,284,256
Income tax assets	35,100	3,856,712	-	-		3,891,812
Investment in associated companies	1	452,121	-	-		452,122
Consolidated total assets	<u>33,857,274</u>	<u>71,848,211</u>	<u>63,201,779</u>	<u>15,720,926</u>		<u>184,628,190</u>
<u>Liabilities</u>						
Segment liabilities	95,493,699	79,894,991	17,391,669	26,988,082		219,768,441
Income tax liabilities	552,361	142,782	-	18,425		713,568
Consolidated total liabilities	<u>96,046,060</u>	<u>80,037,773</u>	<u>17,391,669</u>	<u>27,006,507</u>		<u>220,482,009</u>

#### Geographical segments

The following is an analysis of the carrying amount of segment assets and capital additions by the geographical area in which the assets are located.

	<u>Carrying amount of segment assets</u>		<u>Capital additions</u>	
	2004	2003	2004	2003
	RM	RM	RM	RM
Malaysia	149,783,866	175,626,971	1,004,661	1,064,027
Other Asian countries	11,950,448	9,001,219	1,522,463	5,064,062
	<u>161,734,314</u>	<u>184,628,190</u>	<u>2,527,124</u>	<u>6,128,089</u>

The segment revenue from external customers by geographical area based on the geographical location of its customers are as follows:

	2004	2003
	RM	RM
Malaysia	50,151,104	28,615,421
Europe	16,099,434	25,885,517
Other countries	16,809,712	11,422,661
	<u>83,060,250</u>	<u>65,923,599</u>

39. SIGNIFICANT EVENTS

During the financial year, the Company announced the completion of the Debt Restructuring Scheme involving the Company, its subsidiary companies and their respective Scheme Lenders where the Scheme Borrowings of RM117,439,362 were restructured as follows:

- (i) conversion of RM9,141,530 of debts into restructured facilities;
- (ii) issuance of RM68,297,832 nominal value of 4%, 5-year redeemable secured loan stock; and
- (iii) issuance of RM40,000,000 nominal value of 4%, 5-year irredeemable convertible secured loan stocks

Pursuant to the Debt Restructuring Scheme, the Group and the Company were granted a waiver of interest on bank borrowings amounting to RM36,743,758 and RM3,388,776 respectively by the Scheme Lenders.

Two subsidiary companies, Emico Capital Sdn. Bhd. and Emico Development (Langkawi) Sdn. Bhd. entered into a shares sale agreement with a third party, Mr. Koay Chai Guan to dispose of their entire equity interests in Segera Properties Sdn. Bhd. comprising 2,000,000 and 125,000 ordinary shares of RM1 each for a total sales consideration of RM340,000. Upon completion of the disposals, the Group ceased to have any equity interest in Segera Properties Sdn. Bhd. The said disposal was completed on October 20, 2004.

40. SUBSEQUENT EVENT

On August 27, 2003, a subsidiary of the Company entered into a conditional sale and purchase agreement (“SPA”) to dispose two pieces of land to an independent third party for a total cash consideration of RM3,898,576. However, subsequent to the financial year end, the said disposal was completed after approval from the shareholders of the Company was obtained at the Extraordinary General Meeting held on February 28, 2005.

41. STAFF COSTS

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	RM	RM	RM	RM
Staff costs:				
Contribution to employees’ provident fund	802,398	534,182	-	21,600
Other staff costs	11,617,468	11,827,180	319,627	272,277
	<u>12,419,866</u>	<u>12,361,362</u>	<u>319,627</u>	<u>293,877</u>
Number of directors and employees at end of year:				
Directors	21	21	8	8
Employees	503	540	-	-

Staff costs include directors’ remuneration, salaries, bonuses, contributions to employees’ provident fund and all other staff related expenses.

The directors of EMICO HOLDINGS BERHAD state that, in their opinion, the accompanying balance sheets, and the related statements of income, changes in equity and cash flows, are drawn up in accordance with the provisions of the Companies Act, 1965 and the 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 of December 31, 2004 and of their results and cash flows for the year ended on that date.

Signed in accordance with  
a resolution of the Directors,

**LIM BENG HUAN**

**LOH LAY CHOO**

Penang,

April 19, 2005

**DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR  
THE FINANCIAL MANAGEMENT OF THE COMPANY**

I, **JIMMY ONG CHIN KENG**, the director primarily responsible for the financial management of **EMICO HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets, and the related statements of income, changes in equity and cash flows, are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )

the abovenamed **JIMMY ONG CHIN KENG** at )

**GEORGETOWN** in the State of **PENANG** )

on April 19, 2005.

Before me,

**GOVINDASAMY A/L G.MUTTUSAMY, PJM**  
COMMISSIONER FOR OATHS



# ANALYSIS OF SHAREHOLDINGS

AS AT 29 APRIL 2005

Authorised Share Capital	: RM150,000,000
Issued and Fully Paid Up Capital	: RM50,920,000
Class of Shares	: Ordinary shares of RM1 each
Voting Rights	: One vote per share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shares Held		No. of Shareholders	
	Quantity	%	Number	%
1 To 99	578	-	12	0.34
100 To 1,000	1,056,583	2.07	1,134	32.14
1,001 To 10,000	7,646,449	15.02	1,990	56.41
10,001 To 100,000	9,159,061	17.99	338	9.58
100,001 To 2,225,999(*)	29,149,829	57.25	53	1.50
2,226,000 AND ABOVE (**)	3,907,500	7.67	1	0.03
<b>Total</b>	<b>50,920,000</b>	<b>100.00</b>	<b>3,528</b>	<b>100.00</b>

REMARK: \* Less than 5% of issued shares

\*\* 5% and above of issued shares

## SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares Held			
	Direct	%	Indirect	%
1. Lim Beng Huan	583,630	1.15	12,341,350#	24.24
2. Loh Lay Choo	458,000	0.90	12,466,980#	24.48
3. Lim Poh Hoon	68,000	0.13	12,856,980#	25.25
4. Lim Teik Hian	52,000	0.10	12,872,980#	25.28
5. Lim Teck Chye	200,000	0.39	12,724,980#	24.99

Note:

# By virtue of their beneficial interest in the shares held by Mercsec Nominees (Tempatan) Sdn. Bhd., PM Nominees (Tempatan) Sdn. Bhd., JB Nominees (Tempatan) Sdn. Bhd., Alliancegroup Nominees (Tempatan) Sdn. Bhd. and Beng Choo Marketing Sdn. Bhd. for the substantial shareholders listed above. In addition it also includes the deemed interest via their family members Lim Beng Huan (husband), Loh Lay Choo (wife), Lim Teik Hian (son), Lim Poh Hoon (daughter) and Lim Teck Chye (son).

## DIRECTORS' SHAREHOLDINGS

Name	No. of Shares Held			
	Direct	%	Indirect	%
1. Lim Beng Huan	583,630	1.15	12,341,350#	24.24
2. Loh Lay Choo	458,000	0.90	12,466,980#	24.48
3. Lim Teik Hian	52,000	0.10	12,872,980#	25.28
4. Lim Teck Chye	200,000	0.39	12,724,980#	24.99
5. Wong Sew Yun	895,859	1.76	696,527	1.37

# ANALYSIS OF SHAREHOLDINGS



AS AT 29 APRIL 2005

## DISTRIBUTION OF WARRANTS

<u>Size of Holdings</u>	<u>No. of Warrants Held</u>		<u>No. of Warrantholders</u>	
	<u>Quantity</u>	<u>%</u>	<u>Number</u>	<u>%</u>
1 To 99	1,302	0.01	25	1.63
100 To 1,000	571,770	5.14	779	50.88
1,001 To 10,000	2,056,627	18.48	620	40.50
10,001 To 100,000	2,585,500	23.23	87	5.68
100,001 To 556,499(*)	3,874,695	34.81	18	1.18
556,500 AND ABOVE (**)	2,040,106	18.33	2	0.13
<b>Total</b>	<b>11,130,000</b>	<b>100.00</b>	<b>1,531</b>	<b>100.00</b>

REMARK: \* Less than 5% of issued warrants

\*\* 5% and above of issued warrants

## SUBSTANTIAL WARRANTHOLDERS

<u>Name</u>	<u>No. of Warrants Held</u>			
	<u>Direct</u>	<u>%</u>	<u>Indirect</u>	<u>%</u>
1. Lim Beng Huan	145,907	1.31	3,579,106#	32.16
2. Loh Lay Choo	114,500	1.03	3,610,513#	32.44
3. Lim Poh Hoon	17,000	0.15	3,708,013#	33.32
4. Lim Teik Hian	13,000	0.12	3,712,013#	33.35
5. Lim Teck Chye	425,750	3.83	3,299,263#	29.64

Note:

# By virtue of their beneficial interest in the warrants held by HDM Nominees (Tempatan) Sdn. Bhd., Alliancegroup Nominees (Tempatan) Sdn. Bhd., Mayban Nominees (Tempatan) Sdn. Bhd. and Beng Choo Marketing Sdn. Bhd. for the substantial shareholders listed above. In addition it also includes the deemed interest via their family members Lim Beng Huan (husband), Loh Lay Choo (wife), Lim Teik Hian (son), Lim Poh Hoon (daughter) and Lim Teck Chye (son).

## DIRECTORS' WARRANTHOLDINGS

<u>Name</u>	<u>No. of Warrants Held</u>			
	<u>Direct</u>	<u>%</u>	<u>Indirect</u>	<u>%</u>
1. Lim Beng Huan	145,907	1.31	3,579,106#	32.16
2. Loh Lay Choo	114,500	1.03	3,610,513#	32.44
3. Lim Teik Hian	13,000	0.12	3,712,013#	33.35
4. Lim Teck Chye	425,750	3.83	3,299,263#	29.64
5. Wong Sew Yun	263,488	2.37	-	-



## LIST OF TOP 30 SHAREHOLDERS

AS AT 29 APRIL 2005

(Without Aggregating Securities from Different Securities Accounts Belonging to the Same Person)

<u>Name</u>	<u>No. of Shares</u>	<u>Percentage</u>
1. PM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Teck Chye	3,907,500	7.67
2. Mercsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Beng Choo Marketing Sdn Bhd	2,531,300	4.97
3. Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Teck Chye	2,200,000	4.32
4. Mayban Nominees (Tempatan) Sdn Bhd - Mayban Investment Management Sdn Bhd for Malayan Banking Berhad	2,110,262	4.14
5. Beng Choo Marketing Sdn Bhd	1,964,212	3.86
6. Ke-zan Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Emiglow Ventures (M) Sdn Bhd	1,787,482	3.51
7. Bumiputra-Commerce Bank Berhad	1,325,675	2.60
8. JB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Loh Lay Choo	1,167,776	2.29
9. PM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for How Choon Ho	1,144,700	2.25
10. Mercsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Li Li	922,000	1.81
11. Wong Sew Yun	895,859	1.76
12. JB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Beng Huan	875,436	1.72
13. Khaw Siang Lee	847,100	1.66
14. RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Pang Khip Hon	766,900	1.51
15. Hupson (B' worth) Sdn Bhd	739,000	1.45
16. Yeo Pow Choo	618,700	1.22
17. Lim Beng Huan	583,630	1.15
18. Alliance Bank Malaysia Berhad	532,120	1.05
19. JB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Wong Sew Yun	526,977	1.03
20. Mercury Industries Berhad	510,000	1.00
21. Sim Kean Hee	508,000	1.00
22. Mercsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ooi Lee Lee	489,436	0.96
23. RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Pang Lan Yin	476,700	0.94
24. Loh Lay Choo	458,000	0.90
25. Ke-zan Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Beng Choo Marketing Sdn Bhd	437,000	0.86
26. Ang Hock Hin	307,500	0.60
27. Chan Kok Wah	280,000	0.55
28. Mercsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Li Li	237,600	0.47
29. Yap Choy Lean	226,000	0.44
30. Kenaga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ting Lian Siew @ Ting Lian Bo	224,000	0.44
<b>Total</b>	<b>29,600,865</b>	<b>58.13</b>

# LIST OF TOP 30 WARRANTHOLDERS



AS AT 29 APRIL 2005

(Without Aggregating Securities from Different Securities Accounts Belonging to the Same Person)

<u>Name</u>	<u>No. of Warrants</u>	<u>Percentage</u>
1. Beng Choo Marketing Sdn Bhd	1,482,106	13.32
2. Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Teck Chye	558,000	5.01
3. Alliancegroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Teck Chye	543,000	4.88
4. Eng Nominees (Asing) Sdn Bhd - Kim Eng Securities Pte Ltd for Ramesh s/o Pritamdas Chadiramani	490,400	4.41
5. Lim Teck Chye	425,750	3.83
6. Wong Sew Yun	263,488	2.37
7. Yeo Pow Choo	254,900	2.29
8. Lye Swee Kuai	248,600	2.23
9. Mercsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Li Li	230,500	2.07
10. Ke-zan Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Emiglow Ventures (M) Sdn Bhd	184,441	1.66
11. Lim Beng Huan	145,907	1.31
12. HDM Nominees (Asing) Sdn Bhd - Pledged Securities Account for Tan Ah Jip	138,950	1.25
13. Chew Sit See	131,000	1.18
14. Ting Lian Siew @ Ting Lian Bo	129,500	1.16
15. Chong Woon Sang	124,900	1.12
16. Mercsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ooi Lee Lee	122,359	1.10
17. Hupson (B'worth) Sdn Bhd	121,000	1.09
18. Loh Lay Choo	114,500	1.03
19. Chew Lai Hock	105,000	0.94
20. Sim Kee Eng	100,500	0.90
21. Pang Lan Yin	89,100	0.80
22. Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ting Lian Siew @ Ting Lian Bo	84,150	0.76
23. Sim Kean Hee	83,100	0.75
24. Mercsec Nominees (Tempatan) Sdn Bhd - Mercury Securities Sdn Bhd	75,600	0.68
25. Lim Jun Sung	69,900	0.63
26. Tang Mooi Kim	69,500	0.62
27. Pang Khip Hon	69,000	0.62
28. Mercsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chan Li Li	59,400	0.53
29. Yap Choy Lean	56,500	0.51
30. Kenaga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ting Lian Siew @ Ting Lian Bo	56,000	0.50
<b>Total</b>	<b>6,627,051</b>	<b>59.55</b>



# LIST OF PROPERTIES

AS AT 31 DECEMBER 2004

Location	Tenure	Description/ Existing Use	Land Area (sq ft)	Built-up Area (sq ft)	Age of Building (Years)	Net Book Value RM'000	Acquisition/ Revaluation*
Plot 17 Kawasan Perindustrian Bayan Lepas, Mukim 12 Daerah Barat Daya, Pulau Pinang	60-years Leasehold Expiring 2045	Land and factory building for industrial use	39,346	33,602	20	1,273	1994*
Plot 18 & 19 Kawasan Perindustrian Bayan Lepas, Mukim 12 Daerah Barat Daya, Pulau Pinang	60-years Leasehold Expiring 2046 and 2047 respectively	Land and factory buildings, warehouse and office for industrial use	81,350	116,847	13 to 20	5,855	1994*
Lot Nos 468, 469, 470, 471, 472, 473, 474, 475 & 479, Section 1 Jelutong Town, Daerah Timur Laut Pulau Pinang	Freehold	Vacant commercial land for future development	13,845	-	-	500	1994*
Plot 14, Kawasan Perindustrian Bayan Lepas, Phase 4 Pulau Pinang	60-years Leasehold Expiring 2051	Land and factory building for rental	51,400	40,000	12	2,271 567	Building - 1992 Land - 1993*
Lot 601 & 623, Mukim 13 Daerah Seberang Perai Tengah Pulau Pinang	Freehold	Vacant residential land for future development	349,678	-	-	1,841	1995
Unit M/0/04/02, Harbour Trade Centre, Lebuhr Macallum, Pulau Pinang	99-years Leasehold Expiring 2089	Office unit for rental	-	2,031	10	257	1992
Plot 73 (b), Lintang Bayan Lepas 3 Bayan Lepas Industrial Park Phase 4, 11900 Pulau Pinang	60-years Leasehold Expiring 2056	Vacant industrial land for future development and currently for rental	87,126	-	-	1,559	1996
Plot 73 (c), Lintang Bayan Lepas 3 Bayan Lepas Industrial Park Phase 4, 11900 Pulau Pinang	60-years Leasehold Expiring 2056	Land and factory buildings, warehouse and office for industrial use	87,126	75,000	8	6,552	1996
Lot 607 Mk 13 Daerah Seberang Perai Tengah, Pulau Pinang	Freehold	On-going mix development project	802,332	-	-	3,095	1995
Taman Batik, Sungai Petani, Daerah Kuala Muda, Kedah	Freehold	On-going mix development project	2,092,044	-	-	2,952	1996
Bandar Mutiara HS(D) 773/97, PT 49753 Mk Sungai Petani, Daerah Kuala Muda, Kedah	Freehold	On-going mix development project	9,104,040	-	-	12,319	1996
HS(D) 1/97, PT 48979 Mk Sungai Petani, Daerah Kuala Muda, Kedah	Freehold	Vacant commercial land for future development	154,118	-	-	2,800	1997

Location	Tenure	Description/ Existing Use	Land Area (sq ft)	Built-up Area (sq ft)	Age of Building (Years)	Net Book Value RM'000	Acquisition/ Revaluation*
Lot 11594 & 11595, Mk Sungai Petani Daerah Kuala Muda, Kedah	Freehold	Land and factory building for rental	177,601	26,400	8	1,017	1996
Unit No 16-2-1, Jalan 3/50 Diamond Square, Off Jalan Gombak, 53000 Kuala Lumpur	Freehold	Kuala Lumpur branch office	-	1,931	7	417	1999
Units 3-28-07, 2-28-07 & 2-28-06 N-Park Condominiums, Pulau Pinang	Freehold	Apartments for rental	-	2,100	8	450	1995
Unit B-2-8, Jalan Baru, Prai Plaza, Perai, Pulau Pinang	Freehold	Office unit for rental	-	1,132	6	150	1998
Plot 29, No 4 Lorong Asas Murni 1 Kawasan Perniagaan Asas Murni, 14000 Bukit Minyak, Pulau Pinang	Freehold	Three storey shop-office building for rental	1,400	4,000	4	220	2001
Lots 98, 101, 103, 105, 167, 183, 184, 185, 189 & 190 Taman Penaga Seberang Perai Utara Mk 4 Pulau Pinang	Freehold	Single storey semi-detached houses under construction	26,551	11,000	-	1,200	2000
B12B-013 Amandesa Condo Resort Taman Desa Petaling, Kuala Lumpur	99 years Leasehold Expiring 2085	Apartment for rental	-	1,246	7	220	2000
Unit F-11-G, Jalan 4/50 Diamond Square, Off Jalan Gombak, 53000 Kuala Lumpur	Freehold	Kuala Lumpur branch office	-	1,434	2	405	2003
PM 1-5, Plaza GM 12 Lorong Haji Taib 5 50350 Kuala Lumpur	Freehold	Office unit for rental	-	233	2	250	2003
No 33, Lorong Impian Ria 8, Taman Impian Ria, Alma 14000 Bukit Mertajam	Freehold	Single storey terrace house for rental	1,200	503	2	71	2003
Unit C-24-3, Blk C, Level 24, Parcel 3, Jalan Mata Air Dua, Off Jalan Genting Kelang, Setapak, 53200 Kuala Lumpur	Freehold	Apartment for rental	-	911	2	150	2003
Lot D-2, LOTEKO Industrial Park, Route 15A, Long Binh, Bien Hou, Dong Nai, Vietnam	44 years Leasehold Expiring 2046	Factory buildings and office for industrial use	97,204	79,591	2	855	2003
HS (M) 156-96 Mk Kuah Kelibang Kedah	99 years Leasehold Expiring 2095	On-going mix development project	1,589,940	-	-	2,205	1996



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN That the Thirteenth Annual General Meeting of the Company will be held at the Conference Room of Emico Holdings Berhad, 18 Lebuhraya Kampung Jawa, 11900 Penang on Monday, 27 June 2005 at 2.00p.m. for the following purposes:-

## AGENDA

- |   |   |   |
|---|---|---|
| 1 | To receive the Audited Financial Statements for the financial year ended 31 December 2004 together with the Reports of Directors and Auditors thereon.  | ORDINARY RESOLUTION 1   |
| 2 | To approve the payment of Directors' Fees for the year ended 31 December 2004.  | ORDINARY RESOLUTION 2   |
| 3 | To re-elect the following Directors who retire pursuant to the Company's Articles of Association and being eligible, offer themselves for re-election:<br><br>Article 80<br><br>(i) Mr Lim Beng Huan<br>(ii) Mr Jimmy Ong Chin Keng<br>(iii) Madam Loh Lay Choo | ORDINARY RESOLUTION 3<br>ORDINARY RESOLUTION 4<br>ORDINARY RESOLUTION 5 |
| 4 | To re-appoint Messrs. Deloitte KassimChan as Auditors of the Company until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration.   | ORDINARY RESOLUTION 6   |

### As Special Business:

To consider and if thought fit, to pass with or without modifications the following resolutions as Ordinary / Special Resolutions:

- |   |  |                       |
|---|--|-----------------------|
| 5 | AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES<br><br>"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government / regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being and that the Directors are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad (Formerly known as Malaysia Securities Exchange Berhad) for the listing and quotation for the additional shares to be issued."   | ORDINARY RESOLUTION 7 |
| 6 | PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE INVOLVING MR. TAN CHIN PENG AND MADAM CHAN LAY LI<br><br>"THAT, approval be given to the Company and / or its subsidiary companies to enter into recurrent transactions of a revenue or trading nature as stated in section 2.1A of the Circular to Shareholders dated 3 June 2005 ("Circular") involving Mr. Tan Chin Peng and Madam Chan Lay Li with related parties which are necessary for the day to day operations and on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in the Circular ("the Mandate").<br><br>"THAT the Directors be empowered to do all such acts and things (including executing all such documents as may be required) as they may be considered expedient or necessary to give full effect to the Mandate with full powers to assent to any conditions, modifications, revaluations, variations and / or amendments (if any) as may be imposed by the relevant authorities AND THAT such Mandate shall commence upon passing of this ordinary resolution and will expire at the conclusion of the next AGM of the Company following the passing of this ordinary resolution or the expiry of the period within which the next AGM is required by law to be held but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Act (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, whichever is earlier);<br><br>"THAT disclosure will be made in the Annual Report of the Company of the aggregate value of Recurrent Related Party Transactions conducted pursuant to the Mandate during the financial year based on the following information:-<br><br>(i) the type of Recurrent Related Party Transactions made; and<br><br>(ii) the names of the related parties involved in each type of the Recurrent Related Party Transactions made and their relationship with the Company. | ORDINARY RESOLUTION 8 |

# NOTICE OF ANNUAL GENERAL MEETING



7 PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE INVOLVING MADAM CHAN LAY LI

ORDINARY RESOLUTION 9

"THAT approval be given to the Company and / or its subsidiary companies to enter into recurrent transactions of a revenue or trading nature as stated in section 2.1B of the Circular to Shareholders dated 3 June 2005 ("Circular") involving Madam Chan Lay Li with related parties which are necessary for the day to day operations and on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in the Circular ("the Mandate").

THAT the Directors be empowered to do all such acts and things (including executing all such documents as may be required) as they may be considered expedient or necessary to give full effect to the Mandate with full powers to assent to any conditions, modifications, revaluations, variations and / or amendments (if any) as may be imposed by the relevant authorities AND THAT such Mandate shall commence upon passing of this ordinary resolution and will expire at the conclusion of the next AGM of the Company following the passing of this ordinary resolution or the expiry of the period within which the next AGM is required by law to be held but shall not extend to such extension as may be allowed pursuant to section 143(2) of the Act (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, whichever is earlier);

THAT disclosure will be made in the Annual Report of the Company of the aggregate value of Recurrent Related Party Transactions conducted pursuant to the Mandate during the financial year based on the following information:-

- (i) the type of Recurrent Related Party Transaction made; and
- (ii) the names of the related parties involved in each type of the Recurrent Related Party Transaction made and their relationship with the Company."

8 PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

SPECIAL RESOLUTION 1

"THAT, the alterations, modifications, variations or additions to the Company's Articles of Association as set out per Appendix II attached to the Circular to Shareholders dated 3 June 2005, be and are hereby approved."

9 To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board

ONG ENG CHOON (MIA 2121)

LENG PENG LOON (IS 00405)

Joint Secretaries

PENANG

03 June 2005

Notes:

- 1 A proxy may but need not be a member of the Company and the provisions of the Section 149(1) (b) of the Companies Act, 1965 shall not apply to the Company.
- 2 For a proxy to be valid, the proxy form duly completed and must be deposited at the Registered Office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.
- 3 A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
- 4 Where a member appoints more than one (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- 5 If the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney.
- 6 Explanatory Note On Special Business:-

AGENDA 5 The Ordinary Resolution 7 proposed under agenda 5, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

AGENDA 6 AND 7 The Ordinary Resolutions 8 and 9 proposed under agenda 6 and 7 respectively, if passed, will enable the Company and 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 minority shareholders of the Company, particulars of which have been disclosed in the Circular to Shareholders dated 3 June, 2005 which have been dispatched together with the Company's 2004 Annual Report.

AGENDA 8 The Special Resolution 1 proposed under agenda 8, if passed, will allow the Company's Articles of Association to be in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad (Formerly known as Malaysia Securities Exchange Berhad).



# NOTICE OF ANNUAL GENERAL MEETING

STATEMENT accompanying Notice of Thirteenth Annual General Meeting of the Company

Names of Directors who are standing for re-election at the Company's Thirteenth Annual General Meeting:-

- |      |                         |                         |
|------|-------------------------|-------------------------|
| I.   | Mr. Lim Beng Huan       | (Ordinary Resolution 3) |
| II.  | Mr. Jimmy Ong Chin Keng | (Ordinary Resolution 4) |
| III. | Madam Loh Lay Choo      | (Ordinary Resolution 5) |

Details of attendance of Directors at Board Meetings

There were four Board Meetings held during the financial year ended 31 December 2004 and all the Board Meetings were held at Emico Holdings Berhad, 18 Lebuhraya Kampung Jawa, 11900 Penang. The attendance for each Director is shown below:

	<u>Name</u>	<u>No. of Meetings Attended</u>
I.	Mr. Lim Beng Huan	4
II.	Madam Loh Lay Choo	4
III.	Mr. Lim Teik Hian	4
IV.	Mr. Jimmy Ong Chin Keng	4
V.	Mr. Wong Sew Yun	3
VI.	Encik Nik Azalan bin Nik A. Kadir	4
VII.	Mr. Ng Chee Kong	4
VIII.	Mr. Lim Teck Chye (appointed on 11 May 2004)	3

The place, date and time of the Thirteenth Annual General Meeting:-

The Conference Room of Emico Holdings Berhad, 18 Lebuhraya Kampung Jawa, 11900 Penang.  
Monday, 27 June 2005 at 2.00pm

Further details of Directors standing for re-election at the Company's Thirteenth Annual General Meeting++:

Name, age & nationality	Position	No. of ordinary shares of RM1.00 each held in the subsidiaries
Mr. Lim Beng Huan, 63 & Malaysian	Executive Chairman	N/A
Mr. Jimmy Ong Chin Keng, 42 & Malaysian	Executive Director	N/A
Madam Loh Lay Choo, 57 & Malaysian	Managing Director	N/A

++ Shareholders are requested to refer to Directors' Profile and Shareholdings on pages 3 to 5 of the Annual Report 2004 for the following details:-

- working experience, qualification & occupation;
- any other directorships of public companies;
- family relationship with any director and/or major shareholder of the Company;
- any conflict of interest that the above Directors have with the Company;
- the list of convictions for offences within the past 10 years other than traffic offences, if any; and
- Directors' Shareholdings.

# PROXY FORM



EMICO HOLDINGS BERHAD  
(Company No. 230326-D)  
(Incorporated in Malaysia)

\*I/We \_\_\_\_\_  
(Full Name In Block Letters)

of \_\_\_\_\_  
(Address)

being a \*member / members of the abovenamed Company, hereby appoint \_\_\_\_\_  
(Full Name In Block Letters)

of \_\_\_\_\_  
(Address)

or failing him, the Chairman of the Meeting as \*my / our proxy to vote for \*me / us on \*my / our behalf at the Thirteenth Annual General Meeting of the Company to be held at The Conference Room of Emico Holdings Berhad, 18 Lebuhraya Kampung Jawa, 11900 Penang on Monday, 27 June 2005 at 2.00pm and at any adjournment thereof.

RESOLUTION	Ordinary									Special
	1	2	3	4	5	6	7	8	9	1
FOR										
AGAINST										

Please indicate with an 'x' in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

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

No. of shares held:  \_\_\_\_\_  
Signature of Member(s)

### Notes:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1) (b) of the Companies' Act, 1965 shall not apply to the Company.
2. To be valid this form duly completed must be deposited at the Registered Office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

\*Strike out whichever is not desired.

