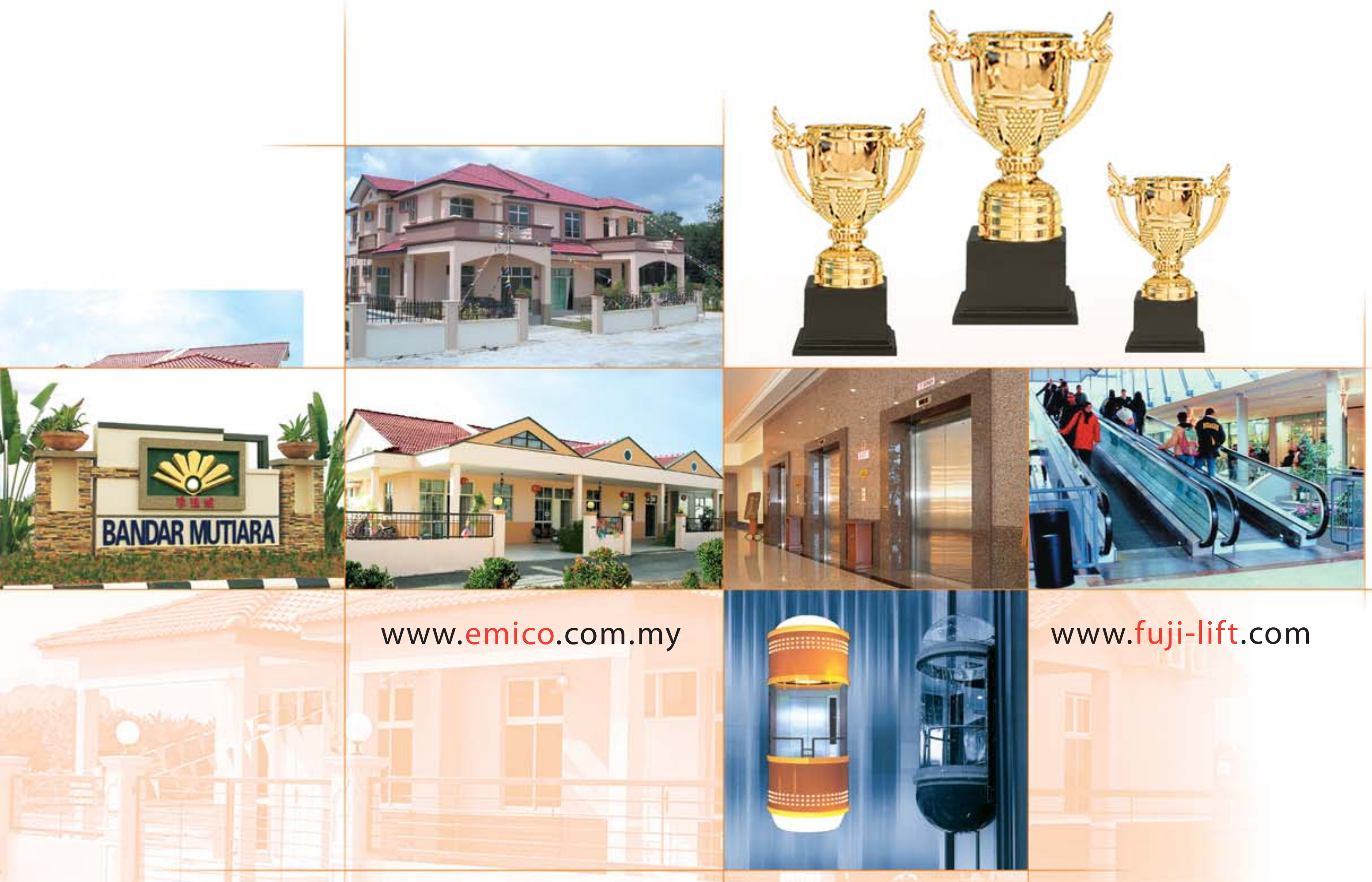
EMICO®

EMICO HOLDINGS BERHAD
(230326-D)



ANNUAL REPORT 2005

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS	Lim Beng Huan | Executive Chairman Loh Lay Choo | Managing Director Lim Teik Hian | Executive Director Jimmy Ong Chin Keng | Executive Director Lim Teck Chye | Executive Director Ng Chee Kong | Non-Executive Director Nik Azalan Bin Nik A. Kadir | Non-Executive Director Wong Sew Yun | Non-Executive Director
SECRETARIES	Lee Peng Loon Ong Eng Choon
REGISTERED OFFICE	51-21-A Menara BHL Bank Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel : 04-2276 888 Fax : 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 : 03-7725 4888, 7725 8046 Fax : 03-7722 2311
PRINCIPAL BANKERS	Alliance Bank Malaysia Berhad (88103-W) Southern Bank Berhad (5303-W) Bumiputra-Commerce Bank Berhad (13491-P) 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 64 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 Financial Statements, 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 58, 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 Financial Statements, 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 39 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 Financial Statements, he has no other conflict of interest.

Mr Lim has not been convicted of any offence in the past 10 years and has attended 4 out of 5 Board meetings held during the financial year.

JIMMY ONG CHIN KENG | Executive Director

Mr Jimmy Ong Chin Keng, a Malaysian aged 43 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. Other than as disclosed in the related party transactions in Note 33 of the Financial Statements, he has no other conflict of interest.

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.

LIM TECK CHYE | Executive Director

Mr. Lim Teck Chye, a Malaysian aged 32, 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 Financial Statements, 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.

NIK AZALAN BIN NIK A. KADIR | Independent and Non-Executive Director

Encik Nik Azalan Bin Nik A. Kadir, a Malayisan aged 57 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.

NG CHEE KONG | Independent and Non-Executive Director

Mr Ng Chee Kong, a Malaysian aged 63 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 tenure 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.

WONG SEW YUN | Independent and Non-Executive Director

Mr Wong Sew Yun, a Malaysian aged 50 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 all Board meetings held during the financial year.

CORPORATE STRUCTURE AS AT 31 DECEMBER 2005

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
- ♦ 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
- ♦ 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 2005, the Committee held meetings on 28 February, 19 April, 27 May, 29 August and 28 November 2005 respectively, making a total of 5 (five) meetings.

No.	Name	Status of directorship	Independence Status	Attendance of meetings
(i)	Nik Azalan Bin Nik Abdul Kadir (Chairman)	Non-Executive	Independent	5/5
(ii)	Ng Chee Kong (Member)	Non-Executive	Independent	5/5
(iii)	Jimmy Ong Chin Keng (Member)	Executive	Non-Independent	5/5

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 2005, 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 five Board Meetings held during the financial year ended 31 December 2005 and the attendance of the Directors were as follows:

Name of Director	Directorship	Attendance
Lim Beng Huan	Executive Chairman	5/5
Loh Lay Choo	Managing Director	5/5
Lim Teik Hian	Executive Director	4/5
Jimmy Ong Chin Keng	Executive Director	5/5
Lim Teck Chye	Executive Director	5/5
Wong Sew Yun	Independent Non-Executive Director	5/5
Nik Azalan Bin Nik A.Kadir	Independent Non-Executive Director	5/5
Ng Chee Kong	Independent Non-Executive Director	5/5

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**

  Chairman
  Mr Ng Chee Kong | Independent and Non-Executive Director

  Member
  Encik Nik Azalan Bin Nik A.Kadir | Independent and Non-Executive Director
  Mr Lim Beng Huan | Executive Chairman

- **Remuneration Committee**

  Chairman
  Encik Nik Azalan Bin Nik A.Kadir | Independent and Non-Executive Director

  Member
  Mr Ng Chee Kong | Independent and Non-Executive Director
  Madam Loh Lay Choo | Managing Director

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 2005 is as follows:

	Fee	Salaries and other emoluments	Benefits-in-kind
	RM	RM	RM
Executive Directors	130,000	1,045,645	27,967
Non- Executive Directors	30,000	14,500	-
Total	160,000	1,060,145	27,967

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	1	
150,000 - 200,000	1	
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). The directors will continue to undergo other relevant training programmes such as Continuing Education Program (CEP) and other training programs to be determined by the Board from time to time to enhance their skills and knowledge where relevant.

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 presented 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 2005 set out on pages 28 to 91, 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 is 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 2005, 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 25 April, 2006.

1. Utilisation of Proceeds

There was no capital raising exercise carried out by the Company during the financial year.

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 RM274,711 ordinary shares of RM1 each through the conversion of 3,054 units of Irredeemable Convertible Secured Loan Stocks.

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 2005 was RM2,100.

7. Variation in Results

There were no variations of 10% or more between the audited results for the financial year ended 31 December 2005 and the unaudited results annuounced on 28 February 2006.

8. Profit Guarantee

During the financial year, there was no profit guarantee given by the Company.

9. 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.

10. Revaluation Policy

The Company has not adopted a regular revaluation policy on landed properties.

11. 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.

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 2005.

REVIEW OF RESULTS

The Group recorded a higher turnover of RM94 million and loss after taxation and minority interest of RM3.2 million as compared to 2004 results of RM83 million and profit after taxation and minority interest of RM22.9 million respectively. This year the higher turnover was achieved by consumables products and lifts and escalators divisions and the losses were substantially caused by allowance for doubtful debts amounted to about RM5.0 million from lifts and escalators division.

DIVIDEND

The Board of Directors is not recommending any payment of dividend for the financial year ended 31 December 2005.

REVIEW OF OPERATIONS

The Group is organized into the following divisions:

(i) Manufacturing and trading – consumable products

(ii) Manufacturing and maintenance services of lifts and escalators

(iii) Property development

MANUFACTURING AND TRADING - CONSUMABLE PRODUCTS

Manufacturing and trading of consumable products division, posted a higher turnover of RM39.8 million as compared to RM27.6 million last year. Almost every division of the business achieved a higher turnover especially trading of household products to United Kingdom which achieved a 70% increased in its turnover as compared to last year and the rest of the divisions achieving an average of 8% to 20% growth.

The higher turnover from trading division was mainly attributable to sourcing of competitive price products from China for customers in United Kingdom. We expect this trend to continue for the next few years and the trading division will continue to expand its business and be more resourceful in its supply.

The trophy division continues to achieve higher turnover as compared to last year. The emphasis into development of new designs in the past 2 years have resulted into higher sales and better margin for the trophy division. We have also continued to expand to overseas market with the setting up of marketing offices in Cairo, Egypt and Bangkok, Thailand. We expect the trophy business in Egypt to increase gradually over the next few years as new market takes time to mature but we are positive on the future business developments in Egypt as well as the Middle East market.

The manufacturing of OEM products of our Swedish's customer has also shown improvement in turnover with more products being assembled in Emico's factory as compared to last year.

The plastic manufacturing plant in Vietnam continues to suffer losses this year although its sales have improved. The management has been directed to put more emphasis to increase its domestic trophy business which has higher product margin. Currently the Vietnam plant is running at 50% capacity and its business is still occupied by OEM products. However, recently they had secured more orders from another OEM manufacturer to produce plastic display units which will increase its turnover for the current year.

MANUFACTURING - LIFTS AND ESCALATORS

Northern Elevators Berhad ("NEB") Group achieved a turnover of RM40.5 million in 2005 as compared to RM34.9 million in 2004. The NEB Group posted a loss after taxation of RM0.3 million as compared to a profit after taxation of RM10.2 million in 2004. The loss for the year is due mainly to allowances for doubtful debts amounted to about RM5.0 million. In the previous year, the exceptional profit was contributed by the waiver of interest upon completion of the Debt Restructuring Scheme on 24th May 2004.

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 a Vietnam, Indonesia and etc.

On 6th December 2005, Emico signed an agreement with KONE Corporation, a Finland based company to dispose of all assets and liabilities related to the lifts and escalators division for a cash consideration of RM55 million. The proceeds will be used to pay coupon payment for the Loan Stocks and substantially reduce the Redeemable Secured Loan Stocks and for working capital purposes. Barring unforeseen circumstances, the proposed disposal of the lifts and escalator companies is scheduled to be completed by July 2006.

PROPERTY DEVELOPMENT

The property development project in Sungai Petani, Kedah will continue to spearhead Emico's property development division in 2006. This division achieved a lower turnover of RM14.1 million as compared to RM20.6 million last year. The lower turnover is due mainly to shifting of emphasis from middle to lower costs residential houses (single storey) to meet market demand as compared to middle to high range terrace and semi-detached residential houses (double storey) in 2004. Correspondingly the profit after taxation went down from RM1.4 million to RM0.5 million during the year.

Bandar Mutiara development project which are divided into 5 phases and with expected gross development value of RM237 million will be developed into a strategic township with 2,500 units of mixed development to cater mainly for the middle income households.

Phase 1 with 385 units and gross development value of RM40 million was completed with occupancy certificates issued in March 2006. Phase 2 & 3 with combined total 770 units continues to receive very good response from house buyers. The single storey residential houses with innovative design and offering of fully furnished sales concept has managed to attract many house buyers to Bandar Mutiara.

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 Bandar Mutiara and 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 detacted houses, 16 units of single storey terrace houses and 10 units of bungalow with total gross development value of RM35 million.

(ii) Joint venture development projects with Permodalan Kedah Berhad (PKB) to develop 36 acres of reclamation land in Kuah Town, Langkawi, and

(iii) Joint venture development project with Perbadanan Kemajuan Tanah Adat Melaka (PERTAM) to develop Phase 3 of Project Ayer Tawau, Daerah Jasin, Melaka (216 units of single and double storey residential houses) and

(iv) remaining land in Taman Batik, Sungai Petani (to be developed into 229 units of shop office and factory lots).

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

PROSPECTS

The proposed disposal of lifts and escalators division will enable Emico's management to concentrate its resources to building on its other 2 core businesses i.e Property development division as well as Manufacturing and trading - consumable products division.

(1) Property development

The above-mentioned projects (Bandar Mutiara and other projects) should keep the project development division fully occupied over the next 5 to 7 years. Although, the market prediction that the next few years will be very tough for property development, we are still very positive because our products were designed to cater mainly to middle and lower income group and concentrate mainly in sub urban area and new township. Furthermore, our management team lead by our Managing Director are very experience in coming out with innovative marketing strategy to cater for these market segments. Therefore, we believe that this division will continue to be very strong contributor to the results of the Group in the coming few years.

(2) Manufacturing and trading - consumable products division

The trophy and households products are the main products for this division. The emphasis will be increasing the export turnover. Recently, the management team has been revamped with the setting up of a trophy marketing team to penetrate more overseas market with a long term view of covering a more worldwide market. Unlike OEM products, most of the trophy products are designed and developed in-house by Emico's team of designers. We believe that with more than 30 years of experience in trophy manufacturing and have developed more than 3,000 trophies, we can declared that Emico is one of the oldest and the largest trophy manufacturer in the world. With all these credential, Emico would like to showcase its products to other part of the world such as USA, Europe, Middle East, India and China. Therefore, in the next few years, Emico's trophy products will be promoted more aggressively in other part of the world as mentioned above either through direct marketing, joint ventures or overseas agent.

During the beginning of 2006, we have set up a marketing office in Cairo, Egypt to sell trophy products in Egypt as well as Middle East market. It is expected to take about 1-2 years to educated the market on the usage of plastic as well as acrylic trophy as currently this part of the world are not exposed to our products. However, we are confident on the future direction of trophy business in this area.

Plans are also in place to penetrate China market using the manufacturing plant in Vietnam as the base. Initial marketing studies have been conducted and we shall strategies our plan next year on the huge potential as well as the risk involved in this market.

CONCLUSION

The proposed disposal of lifts and elevators assets will lessen the Group's burden on redemption of Loan Stock over the next few years whilst part of the proceeds will go towards working capital and enhancing the Group's competitiveness. Therefore, we expect to see a lower gearing and higher profit for the Group in the next few years. The Group will be more focus on property development as well as manufacturing and trading of OEM and consumable products to increase shareholders' value.

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

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, 2005.

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

	The Group	The Company
	RM	RM
Loss after tax	(3,300,132)	(1,199,298)
Minority interests	137,220	-
Net loss for the year	(3,162,912)	(1,199,298)

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.

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 RM50,920,000 to RM51,194,711 by way of issuance of 274,711 ordinary shares of RM1 each through the conversion of 3,054 units of Irredeemable Convertible Secured Loan Stocks.

The new ordinary shares rank pari passu with the then existing ordinary shares of the Company and were granted listing on July 6, 2005.

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 payable in cash for each new ordinary share of RM1 each in the Company. As of December 31, 2005, 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 was May 24, 2004 and the principal features of the Scheme are as follows:

(a) The total numbers of new ordinary shares of RM1 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 share options have been obtained.

(d) The price payable upon the exercise of the share 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 each to be issued pursuant to the exercise of the share 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 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, 2005, the Company has not granted any share 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, the Company and Northern Elevator Berhad ("NEB"), a 60% owned subsidiary company, entered into a conditional share purchase agreement with KONE Corporation, Lim Chong Hoe, Koay Teng Cheang and Lim Teck Chye for the disposal of the following subsidiary companies:

(i) 100% equity interest in Fuji Lift & Escalator Manufacturing Sdn. Bhd. comprising 1,000,000 ordinary shares of RM1.00 each;

(ii) 100% equity interest in Fuji Lift & Escalator Sdn. Bhd. comprising 250,000 ordinary shares of RM1.00 each; and

(iii) 100% equity interest in Fein Blanking Sdn. Bhd. comprising 200,000 ordinary shares of RM1.00 each

for a total cash consideration of RM55 million comprising the settlement of intercompany loan of RM31,902,000, the consideration for the sale of ordinary shares of the abovementioned subsidiary companies and the consideration for the property, plant and equipment to be transferred by NEB to Fein Blanking Sdn. Bhd.. The said disposal has not been completed as of year end.

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

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:

	No. of ordinary shares of RM1 each			
Shares in the Company	Balance as of 1.1.2005	Bought	Sold	Balance as of 31.12.2005
Direct interest:				
Lim Beng Huan	583,630	-	-	583,630
Loh Lay Choo	458,000	-	-	458,000
Lim Teik Hian	52,000	-	-	52,000
Wong Sew Yun	895,859	-	-	895,859
Lim Teck Chye	200,000	220,000	-	420,000

	No. of ordinary shares of RM1 each			
Shares in the Company	Balance as of 1.1.2005	Bought	Sold	Balance as of 31.12.2005
Indirect interest:				
Lim Beng Huan	12,341,350	2,263,874	-	14,605,224
Loh Lay Choo	12,466,980	2,263,874	-	14,730,854
Lim Teik Hian	12,872,980	2,263,874	-	15,136,854
Wong Sew Yun	696,527	-	-	696,527
Lim Teck Chye	12,724,980	2,043,874	-	14,768,854

	No. of share warrants			
Warrants in the Company	Unexercised balance as of 1.1.2005	Bought	Sold	Unexercised balance as of 31.12.2005
Direct interest:				
Lim Beng Huan	145,907	-	-	145,907
Loh Lay Choo	114,500	-	-	114,500
Lim Teik Hian	13,000	-	-	13,000
Wong Sew Yun	263,488	-	-	263,488
Lim Teck Chye	-	425,750	-	425,750
Indirect interest:				
Lim Beng Huan	3,164,356	-	(11,000)	3,153,356
Loh Lay Choo	3,195,763	-	(11,000)	3,184,763
Lim Teik Hian	3,297,263	-	(11,000)	3,286,263
Lim Teck Chye	3,310,263	-	(436,750)	2,873,513

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 Note 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 25, 2006

TO THE MEMBERS OF EMICO HOLDINGS BERHAD
(Incorporated In Malaysia)

We have audited the accompanying balance sheets as of December 31, 2005, 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 MASB 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, 2005 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.

(FORWARD)

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.

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.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

TAN BOON HOE
1836/07/07(J)
Partner

Penang,

April 25, 2006

INCOME STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	The Group 2005	The Group 2004	The Company 2005	The Company 2004
		RM	RM	RM	RM
Revenue	4	94,397,090	83,060,250	240,000	240,000
Other operating income		4,271,975	1,781,875	2,205,131	-
Property development expenditure recognised		(13,043,000)	(18,526,995)	-	-
Changes in inventories of finished goods and work-in-progress		741,818	2,316,090	-	-
Purchase of finished goods		(5,398,939)	(6,315,379)	-	-
Raw materials and consumables used		(45,984,636)	(33,043,563)	-	-
Staff costs		(12,663,657)	(12,419,866)	(233,353)	(319,627)
Depreciation of property, plant and equipment		(1,747,959)	(1,878,226)	(24)	(940)
Amortisation of goodwill on consolidation		(225,713)	(225,713)	-	-
Other operating expenses	5	(17,797,852)	(27,643,196)	(346,773)	(35,701,521)
Profit/ (loss) from operations		2,549,127	(12,894,723)	1,864,981	(35,782,088)
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	The Group 2005 RM	The Group 2004 RM	The Company 2005 RM	The Company 2004 RM
Finance costs		(6,307,768)	(6,703,219)	(5,847,715)	(3,838,444)
Income from other investments		338,452	449,492	2,783,436	41,610
Gain on disposal of investment in a subsidiary company		-	874,824	-	-
Share of results of associated companies		73,883	595,057	-	-
(Loss)/ profit before tax	5	(3,346,306)	28,203,576	(1,199,298)	(35,226,505)
Tax income/ (expense):	6				
The Company and its subsidiary companies		104,753	(4,036,167)	-	(122,000)
Share of tax of an associated company		(58,579)	(54,159)	-	-
		46, 174	(4,090,326)	-	-
(Loss)/ profit after tax		(3,300,132)	24,113,250	(1,199,298)	(35,348,505)
Minority interests		137,220	(1,218,515)	-	-
Net (loss)/ profit for the year		(3,162,912)	22,894,735	(1,199,298)	(35,348,505)
(Loss)/ earnings per ordinary share (sen):					
Basic	7	(6.19)	49.95		
Diluted	7		33.06		

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

BALANCE SHEETS

AS OF DECEMBER 31, 2005

		The Group		The Company	
	Note	2005	2004	2005	2004
		RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	8	32,892,302	35,457,124	2,800,001	2,800,026
Investment in subsidiary companies	9	-	-	17,258,378	14,225,250
Investment in associated companies	10	1,491,187	1,475,883	-	-
Other investments	11	223,875	476,325	-	-
Investment properties	12	2,872,418	2,711,249	-	-
Property development projects	13	22,103,070	24,245,943	-	-
Deferred tax assets	14	403,500	549,500	-	-
Intangible assets	15	3,409,993	3,635,706	-	-
CURRENT ASSETS					
Property development projects	13	30,329,085	21,906,765	-	-
Inventories	16	14,334,326	11,781,077	-	-
Trade receivables	17	28,930,742	36,366,166	-	-
Amount owing by subsidiary companies	9	-	-	90,176,375	93,617,024
Amount owing by associated companies	10	48,073	1,072,958	-	-
Amount owing by a director	18	215,170	269,170	-	-
Other receivables and prepaid expenses	19	7,820,615	7,589,805	1,000	1,000
Tax recoverable		341,678	58,375	-	-
Deposits with licensed banks	20	6,671,178	9,486,018	1,001,000	2,384,650
Cash and bank balances	21	9,565,267	4,652,250	8,505	79,036
Total Current Assets		98,256,134	93,182,584	91,186,880	96,081,710

(FORWARD)

	Note	The Group 2005 RM	The Group 2004 RM	The Company 2005 RM	The Company 2004 RM
CURRENT LIABILITIES					
Trade payables	22	16,770,677	11,913,032	-	-
Amount owing to subsidiary companies	9	-	-	3,988,122	3,997,960
Amount owing to an associated company	10	63,591	-	-	-
Amount owing to directors	23	1,822,329	1,003,479	672,880	3,400
Other payables and accrued expenses	24	28,270,645	25,048,449	4,703,529	5,874,123
Progress billings		1,213,466	2,155,979	-	-
Bank borrowings	25	11,991,322	16,668,376	-	839,568
Hire-purchase payables	26	67,274	63,894	-	-
Term loans – current portion	27	327,200	385,023	-	-
Tax liabilities		241,145	359,825	126,100	126,100
Total Current Liabilities		60,767,649	57,598,057	9,490,631	10,841,151
NET CURRENT ASSETS		37,488,485	35,584,527	81,696,249	85,240,559
		100,884,830	104,136,257	101,754,628	102,265,835
SHARE CAPITAL	28	51,194,711	50,920,000	51,194,711	50,920,000
IRREDEEMABLE CONVERTIBLE SECURED LOAN STOCKS	29	35,147,476	33,376,260	35,147,476	33,376,260
RESERVES	30	8,104,958	8,142,145	7,736,782	7,736,782
ACCUMULATED LOSSES		(73,650,067)	(68,350,691)	(69,664,194)	(66,328,433)
SHAREHOLDERS' EQUITY		20,797,078	24,087,714	24,414,775	25,704,609

(FORWARD)

		The Group		The Company	
	Note	2005	2004	2005	2004
		RM	RM	RM	RM
MINORITY INTERESTS		1,865,550	2,002,770	-	-
LONG-TERM AND DEFERRED LIABILITIES					
Redeemable secured loan stocks	31	71,785,036	69,576,705	71,785,036	69,576,705
Irredeemable convertible secured loan stocks	29	5,554,817	6,984,521	5,554,817	6,984,521
Hire-purchase payables	26	197,257	264,552	-	-
Term loans	27	50,879	207,283	-	-
Deferred tax liabilities	14	634,213	1,012,712	-	-
Total Long-term and Deferred Liabilities		78,222,202	78,045,773	77,339,853	76,561,226
		100,884,830	104,136,257	101,754,628	102,265,835

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

The Group

	Note	Share Capital	Irredeemable Convertible Secured Loan Stocks ("ICSLS")	Other Reserves *	Accumulated Losses	Total
		RM	RM	RM	RM	RM
Balance as of January 1, 2004		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
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 statements		-	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)

The Group

	Note	Share Capital	Irredeemable Convertible Secured Loan Stocks ("ICSLS")	Other Reserves *	Accumulated Losses	Total
		RM	RM	RM	RM	RM
Conversion of ICSLS into shares	29	274,711	(227,172)	-	-	47,539
Transfer from liability component of ICSLS	29	-	1,382,165	-	-	1,382,165
Interest on ICSLS		-	-	-	(1,520,241)	(1,520,241)
Increase in ICSLS theoretical value	29	-	616,223	-	(616,223)	-
Exchange loss on translation of net investment in a foreign subsidiary company		-	-	(37,187)	-	(37,187)
Loss not recognised in income statements		-	616,223	(37,187)	(2,136,464)	(1,557,428)
Net loss for the year		-	-	-	(3,162,912)	(3,162,912)
Balance as of December 31, 2005		51,194,711	35,147,476	8,104,958	(73,650,067)	20,797,078

(FORWARD)

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

The Group	Share Premium	Reserve on Consolidation	Exchange Reserve	Total
	RM	RM	RM	RM
Balance as of January 1, 2004	7,857,465	1,022,048	20,130	8,899,643
Issue of shares	(120,683)	-	-	(120,683)
Gain not recognised in the income statements: 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	7,736,782	374,312	31,051	8,142,145
Loss not recognised in the income statements: Exchange loss on translation of net investment in a foreign subsidiary company	-	-	(37,187)	(37,187)
Balance as of December 31, 2005	7,736,782	374,312	(6,136)	8,104,958

(FORWARD)

The Company

	Note	Share Capital	Irredeemable Convertible Secured Loan Stocks ("ICSLS")	Share Premium	Accumulated Losses	Total
		RM	RM	RM	RM	RM
Balance as of January 1, 2004		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 value	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

(FORWARD)

The Company

	Note	Share Capital	Irredeemable Convertible Secured Loan Stocks ("ICSLS")	Share Premium	Accumulated Losses	Total
		RM	RM	RM	RM	RM
Conversion of ICSLS into shares	29	274,711	(227,172)	-	-	47,539
Transfer from liability component of ICSLS	29	-	1,382,165	-	-	1,382,165
Interest on ICSLS		-	-	-	(1,520,240)	(1,520,240)
Increase in ICSLS theoretical value	29	-	616,223	-	(616,223)	-
Loss not recognised in income statement		-	616,223	-	(2,136,463)	(1,520,240)
Net loss for the year		-	-	-	(1,199,298)	(1,199,298)
Balance as of December 31, 2005		51,194,711	35,147,476	7,736,782	(69,664,194)	24,414,775

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/ profit before tax	(3,346,306)	28,203,576	(1,199,298)	(35,226,505)
Adjustments for:				
Interest expenses	6,298,072	6,703,219	5,847,715	3,838,444
Allowance for doubtful debts	5,549,250	10,895,063	-	33,979,547
Depreciation of property, plant and equipment	1,747,959	1,878,226	24	940
Deposits written off	583,586	350	-	350
Unrealised loss on foreign exchange	272,787	172,265	-	20
Property, plant and equipment written off	262,694	319,315	-	-
Allowance for diminution in value of quoted investment in Malaysia	252,450	176,715	-	-
Amortisation of goodwill on consolidation	225,713	225,713	-	-
Bad debts written off	17,072	3,881,641	-	1,174,382
Gain on disposal of property, plant and equipment	(2,189,214)	(546,943)	(99,999)	-
Interest income	(354,731)	(449,492)	(2,783,436)	(41,610)
Overprovision of other interest in prior years	(322,922)	-	(50,264)	-
Allowance for doubtful debts no longer required	(176,430)	(431,167)	-	-
Share of results of associated companies	(73,883)	(595,057)	-	-
Goodwill written off	-	90,052	-	-
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)	-	-
Allowance for slow moving inventories no longer required	-	(111,450)	-	-
Allowance for diminution in value of investment in subsidiary companies no longer required	-	-	(2,054,868)	-
Operating profit/ (loss) before working capital changes	8,746,097	3,655,057	(340,126)	(626,849)

(FORWARD)

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
(Increase)/ decrease in:				
Property development projects	(6,279,447)	1,031,893	-	-
Inventories	(2,553,249)	(1,801,175)	-	-
Trade receivables	2,085,370	(6,984,605)	-	-
Amount owing by associated companies	-	24,268	-	-
Other receivables and prepaid expenses	(1,127,021)	(1,366,332)	-	-
Accrued billings	-	368,188	-	-
Increase/ (decrease) in:				
Trade payables	4,857,645	720,689	-	-
Other payables and accrued expenses	6,566,762	6,821,796	(124,036)	(240,792)
Progress billings	(942,513)	1,522,749	-	-
Cash generated from/ (used in) operations	11,353,644	3,992,528	(464,162)	(867,641)
Income tax paid	(529,729)	(182,820)	-	-
Net cash generated from/ (used in) operating activities	10,823,915	3,809,708	(464,162)	(867,641)

(FORWARD)

	Note	The Group 2005 RM	The Group 2004 RM	The Company 2005 RM	The Company 2004 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		4,047,291	786,014	100,000	-
Net repayment of advances from associated companies		1,024,885	-	-	-
Interest received		354,731	449,492	38,724	41,610
Net repayment of advances from/ (advances to) directors		54,000	(245,000)	-	-
Purchase of property, plant and equipment*		(1,345,432)	(2,228,124)	-	-
Purchase of investment properties		(161,169)	-	-	-
Proceeds from disposal of investment in a subsidiary company	9	-	340,000	-	-
Purchase of shares in associated companies		-	(482,863)	-	-
Net advances to subsidiary companies		-	-	6,185,361	12,596,353
Purchase of shares in a subsidiary company		-	-	(978,260)	(3,182,940)
Net cash generated from/ (used in) investing activities		3,974,306	(1,380,481)	5,345,825	9,455,023

(FORWARD)

	Note	The Group 2005 RM	The Group 2004 RM	The Company 2005 RM	The Company 2004 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Fixed deposit released from/ (held as) security value/ sinking fund		1,183,462	(2,253,143)	1,213,650	(2,214,650)
Net advances from/ (repayment of advances to) directors		818,850	(172,981)	669,480	-
Net advances from an associated company		63,591	-	-	-
Interest paid		(8,631,626)	(2,972,144)	(6,155,918)	(182,474)
Decrease in bank borrowings		(4,358,323)	(54,000,107)	(839,568)	(11,296,119)
Repayment of long-term loans		(214,227)	(7,830,975)	-	-
Repayment of hire-purchase payables		(63,915)	(88,826)	-	-
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	-	-
Net repayment of advances to subsidiary companies		-	-	(9,838)	(8,312,466)
Transfer of borrowings by subsidiary companies		-	-	-	(102,978,646)
Net cash (used in)/ generated from financing activities		(11,202,188)	48,000,290	(5,122,194)	(10,407,206)

(FORWARD)

	Note	The Group 2005 RM	The Group 2004 RM	The Company 2005 RM	The Company 2004 RM
Effect of exchange rate changes on cash and cash equivalents		4,337	48,433	-	-
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		3,600,370	50,477,950	(240,531)	(1,819,824)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		10,463,530	(40,014,420)	249,036	2,068,860
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	14,063,900	10,463,530	8,505	249,036

* During the year, the Group acquired property, plant and equipment with a cost of RM1,345,432 (2004: RM2,527,124) of which Nil (2004: RM299,000) was financed by means of hire-purchase and the balance was cash payment.

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

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 25, 2006.

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 Malaysian Accounting Standards Board ("MASB") 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.

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. 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.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

Employee Benefits

Wages, salaries, bonuses and social security 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 a defined contribution plan, 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 are as follows:

	2005	2004
	RM	RM
Currencies:		
1 Euro	4.6530	4.9955
1 United States Dollar	3.7800	3.7950
1 Singapore Dollar	2.2795	2.1535
1 Hong Kong Dollar	0.4971	0.4863
1 Chinese Renminbi	0.4680	0.4590
1 Thai Baht	0.1085	0.1027
100 Vietnam Dong	0.0167	0.0243

Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Depreciation of property, plant and equipment is computed on the straight-line method in order to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Buildings	2% - 10%
Plant and machinery	10%, 16.67% & 20%
Moulds	10%
Motor vehicles	10% - 20%
Office equipment, furniture and fittings	5% - 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, 2005 amounted to RM7,913,795 (2004: RM8,105,311) 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, 2005. 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 statements over the billings to purchasers while, progress billings represent the excess of billings to purchasers over property development revenue recognised in the income statements.

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.

All other leases which do not meet such criteria are classified as operating leases. Lease payments under operating leases are recognised as an expense in the income statement on a straight line basis over the terms of the relevant lease.

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, 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 which are not pledged, bank overdraft 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, short-term deposits, 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:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Sales of goods	59,278,557	41,456,796	-	-
Revenue from property development activities	14,110,413	20,597,788	-	-
Contract work and maintenance services rendered	20,099,282	20,593,345	-	-
Chroming services rendered	908,838	412,321	-	-
Management services rendered	-	-	240,000	240,000
	94,397,090	83,060,250	240,000	240,000

5. (LOSS)/ PROFIT BEFORE TAX

(Loss)/ profit before tax is arrived at:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
After charging:				
Interest expenses	6,298,072	6,703,219	5,847,715	3,838,444
Allowance for doubtful debts	5,549,250	10,895,063	-	33,979,547
Directors’ remuneration:				
Fees:				
Directors of the Company	160,000	133,000	80,000	80,000
Directors of a subsidiary company	45,000	24,000	-	-
Employees’ provident fund contributions:				
Directors of the Company	26,640	21,600	10,800	21,600
Directors of subsidiary companies	72,720	14,880	-	-
Other emoluments:				
Directors of the Company	1,033,505	901,385	116,053	213,627
Directors of subsidiary companies	626,099	533,659	-	-
Deposits written off	583,586	350	-	350
Rental of:				
Premises	428,179	448,602	-	-
Equipment	18,399	40,958	-	-
Plant and machinery	-	10,000	-	-
Motor vehicles	-	7,097	-	-

(FORWARD)

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Loss on foreign exchange:				
Unrealised	272,787	172,265	-	20
Realised	23,320	14,505	-	-
Property, plant and equipment written off	262,694	319,315	-	-
Allowance for diminution in value of quoted investment in Malaysia	252,450	176,715	-	-
Audit fee:				
Current year	98,896	105,837	18,000	14,000
(Over)/ underprovision in prior year	(200)	(2,400)	4,000	-
Bad debts written off	17,072	3,881,641	-	1,174,382
Goodwill written off	-	90,052	-	-
And crediting:				
Net gain on disposal of property, plant and equipment	2,189,214	546,943	99,999	-
Rental income on premises	779,838	513,950	-	-
Interest income	354,731	449,492	2,783,436	41,610
Overprovision of other interest in prior years	322,922	-	50,264	-
Allowance for doubtful debts no longer required	176,430	431,167	-	-
Realised gain on foreign exchange	15,083	45,112	-	-
Allowance for slow moving inventories no longer required	-	111,450	-	-
Allowance for diminution in value of investment in subsidiary companies no longer required	-	-	2,054,868	-

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 in 2004 based on the unaudited management financial statements is as follows:

	The Group Unaudited August 23, 2004 (8 months)
	RM
Revenue	-
Administrative expenses	2,325
Finance costs	306,330
Loss before tax	308,655
Income tax expense	-
Loss after tax	308,655
Minority interest	(46,298)
Increase in Group's profit attributable to shareholders	262,357

6. TAX INCOME/ (EXPENSE)

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Current tax:				
Current year	(116,300)	(140,500)	-	-
Underprovision in prior years	(11,446)	(161,068)	-	(122,000)
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences:				
Current	360,550	(4,099,048)	-	-
(Under)/ overprovision in prior years	(140,000)	352,500	-	-
Crystallisation of deferred tax liability on revaluation surplus	11,949	11,949	-	-
Share of tax of an associated company	(58,579)	(54,159)	-	-
Tax income/ (expense)	46,174	(4,090,326)	-	(122,000)

A numerical reconciliation of income tax at the applicable income tax rate to income tax at the effective income tax rate is as follows:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Accounting (loss)/ profit	(3,346,306)	28,203,576	(1,199,298)	(35,226,505)
Tax at the applicable income tax rates of 20% and 28% (2004: 20% and 28%)	(1,036,000)	7,534,028	(336,000)	(9,863,000)
Tax effects of:				
Expenses that are not deductible in determining taxable profit	1,260,380	3,738,734	450,000	11,160,000
Income that are not taxable in determining taxable profit	(744,000)	(1,888,122)	(617,000)	(1,230,300)
Effect of different tax rates of other tax jurisdiction	(46,000)	129,100	-	-
Net deferred tax asset not recognised	503,000	315,866	503,000	-
Utilisation of deferred tax assets not previously recognised	(135,000)	(5,547,848)	-	(66,700)
	(197,620)	4,281,758	-	-
Under/ (over)provision in prior years	151,446	(191,432)	-	122,000
Tax (income)/ expense	(46,174)	4,090,326	-	122,000

The corporate income tax rate of 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. For chargeable income in excess of RM500,000 the corporate income tax rate is at 28%.

The applicable tax rate of 20% and 28% (2004: 20% and 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, 2005, 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:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Unused tax losses	43,241,000	41,828,000	3,745,000	429,000
Unused tax capital allowances	1,136,000	1,316,000	-	-

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

EMICO®

7. (LOSS)/ EARNINGS PER ORDINARY SHARE

	The Group	
	2005	2004
	RM	RM
Net (loss)/ profit attributable to ordinary shareholders	(3,162,912)	22,894,735

	2005	2004
	Units	Units
Number of ordinary shares in issue as of January 1	50,920,000	44,520,000
Effect of share issue	146,763	1,315,068
Weighted average number of ordinary shares in issue	51,066,763	45,835,068
Basic (loss)/ earnings per ordinary share (sen)	(6.19)	49.95

	2004
	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

	2004
	Units
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 diluted loss per ordinary share was not shown in 2005 as the effect of the assumed conversions of irredeemable convertible secured loan stocks and warrants to ordinary shares would be anti-dilutive.

The effect of the assumed conversions of warrants to ordinary shares in 2004 would result in anti-dilution in the earnings per share.

8. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost Unless Stated Otherwise	Beginning of year	Additions	Disposals	Transfer/ Reclassification	Currency translation differences	End of year
	RM	RM	RM	RM	RM	RM
2005:						
Freehold land						
- at 1994 valuation	500,000	-	-	-	-	500,000
- at cost	5,461,188	-	(1,841,099)	-	-	3,620,089
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	158,286	-	-	(4,076)	12,069,169
Plant and machinery	16,503,742	110,988	(530,635)	-	(34,414)	16,049,681
Moulds	7,326,550	438,737	(749,046)	(110,612)	-	6,905,629
Motor vehicles	2,632,228	3,300	(779,135)	-	(2,563)	1,853,830
Office equipment, furniture and fittings	4,345,940	187,148	(327,460)	110,612	(6,747)	4,309,493
Tools, implements and equipment	745,344	11,923	(2,954)	-	-	754,313
Electrical installation and renovation	177,324	435,050	(18,573)	-	-	593,801
	62,548,964	1,345,432	(4,248,902)	-	(47,800)	59,597,694
2004	62,261,017	2,527,124	(2,640,697)	401,520	-	62,548,964

Accumulated Depreciation	Beginning of year	Charge for the year	Disposals	Reclassification	Currency translation differences	End of year
	RM	RM	RM	RM	RM	RM
2005:						
Long leasehold land						
- at 1993 valuation	138,368	12,069	-	-	-	150,437
- at cost	469,055	52,095	-	-	-	521,150
Short leasehold land						
- at 1994 valuation	316,033	28,727	-	-	-	344,760
Buildings						
- at 1994 valuation	1,756,288	150,720	-	-	-	1,907,008
- at cost	1,969,231	322,334	-	-	(1,330)	2,290,235
Plant and machinery	10,925,014	457,063	(836,924)	-	(8,384)	10,536,769
Moulds	5,986,273	176,315	(237,008)	(51,017)	-	5,874,563
Motor vehicles	1,724,693	184,214	(774,756)	-	(1,012)	1,133,139
Office equipment, furniture and fittings	2,993,575	351,142	(270,149)	51,017	4,450	3,130,035
Tools, implements and equipment	741,131	7,054	(1,802)	-	-	746,383
Electrical installation and renovation	72,179	6,226	(7,492)	-	-	70,913
	27,091,840	1,747,959	(2,128,131)	-	(6,276)	26,705,392
2004	27,295,925	1,878,226	(2,082,311)	-	-	27,091,840

The Company

Cost	Beginning of year	Addition	Disposal	End of year
	RM	RM	RM	RM
2005:				
Freehold land	2,800,000	-	-	2,800,000
Motor vehicles	552,792	-	(382,991)	169,801
Office equipment, furniture and fittings	10,450	-	-	10,450
	3,363,242	-	(382,991)	2,980,251
2004	3,363,242	-	-	3,363,242

Accumulated Depreciation	Beginning of year	Charge for the year	Disposal	End of year
	RM	RM	RM	RM
2005:				
Motor vehicles	552,790	-	(382,990)	169,800
Office equipment, furniture and fittings	10,426	24	-	10,450
	563,216	24	(382,990)	180,250
2004	562,276	940	-	563,216

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Net Book Value:				
Freehold land				
- at 1994 valuation	500,000	500,000	-	-
- at cost	3,620,089	5,461,188	2,800,000	2,800,000
Long leasehold land				
- at 1993 valuation	549,563	561,632	-	-
- at cost	2,604,539	2,656,634	-	-
Short leasehold land				
- at 1994 valuation	1,235,240	1,263,967	-	-
Buildings				
- at 1994 valuation	5,628,992	5,779,712	-	-
- at cost	9,778,934	9,945,728	-	-
Plant and machinery	5,512,912	5,578,728	-	-
Moulds	1,031,066	1,340,277	-	-
Motor vehicles	720,691	907,535	1	2
Office equipment, furniture and fittings	1,179,458	1,352,365	-	24
Tools, implements and equipment	7,930	4,213	-	-
Electrical installation and renovation	522,888	105,145	-	-
	32,892,302	35,457,124	2,800,001	2,800,026

As of December 31, 2005, certain property, plant and equipment of the Group and of the Company with total carrying values of RM3,916,496 (2004: RM3,925,089) and RM2,800,000 (2004: RM2,800,000) respectively are pledged to local banks as securities for credit facilities as mentioned in Note 25.

As of December 31, 2005, certain property, plant and equipment of the Group with total carrying value of RM22,344,216 (2004: RM24,493,427) are pledged as securities for the redeemable secured loan stocks and irredeemable convertible secured loan stocks issued by the Company.

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 RM407,234 (2004: RM673,381) have not yet been issued by the relevant authorities.

As of December 31, 2005, the property, plant and equipment of the Group with a net carrying amount of RM254,088 (2004: RM190,194) are acquired under hire-purchase arrangements of which instalments are still outstanding.

As of December 31, 2005, certain motor vehicles of the Group with a total carrying value of RM113,548 (2004: RM160,069) 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:

	The Group	
	2005	2004
	RM	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	78,287	71,763
Short leasehold land	173,947	164,843
Buildings	1,841,805	1,719,218
	(2,094,039)	(1,955,824)
Net book value at end of year	5,399,926	5,538,141

9. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2005	2004
	RM	RM
Unquoted shares, at cost	39,124,672	38,146,412
Less: Allowance for diminution in value	(21,866,294)	(23,921,162)
	17,258,378	14,225,250

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

	The Company	
	2005	2004
	RM	RM
Amount owing by subsidiary companies:		
Emico Penang Sdn. Bhd.	36,352,409	36,776,020
Emico Development Sdn. Bhd.	31,472,465	33,293,169
Fuji Lift & Escalator Manufacturing Sdn. Bhd.	31,273,306	28,496,561
Northern Elevator Berhad	9,747,110	13,789,748
Emico Newk Sdn. Bhd.	5,134,074	5,134,074
Emico Tools Sdn. Bhd.	4,271,845	4,271,845
Emico Marketing Sdn. Bhd.	3,180,106	3,067,752
Standard Trend Apparel Industries Sdn. Bhd.	1,199,862	1,142,657
Emico Asia Sdn. Bhd.	1,000,000	1,000,000
Emico Creative Design Sdn. Bhd.	430,971	430,971
Emico Metalizing Sdn. Bhd.	93,774	93,774
Emico Vietnam Co. Ltd.	-	100,000
	124,155,922	127,596,571
Less: Allowance for doubtful debts	(33,979,547)	(33,979,547)
	90,176,375	93,617,024
Amount owing to subsidiary companies:		
Emico Capital Sdn. Bhd.	2,786,498	2,789,952
Emico Properties Sdn. Bhd.	692,764	697,489
Emico Development (Langkawi) Sdn. Bhd.	508,860	510,519
	3,988,122	3,997,960

Amount owing by subsidiary companies arose mainly from transfer of bank borrowings from subsidiary companies pursuant to the debt restructuring scheme of the Group implemented in 2004 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:

	The Company 2005 RM	The Company 2004 RM
Interest receivable:		
Fuji Lift & Escalator Manufacturing Sdn. Bhd.	2,007,165	-
Northern Elevator Berhad	737,547	-
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.	-	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

The Company held interests in the following subsidiary companies:

Direct Holdings	Place/Country of Incorporation/ Establishment and Operation	Effective Percentage of Ownership 2005	Effective Percentage of Ownership 2004	Principal Activities
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 2005	2004	Principal Activities
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
Indirect Holdings				
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
Emico Properties Sdn. Bhd.	Malaysia	79.8%	79.8%	Property development
Fuji Lift & Escalator 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
		2005	2004	
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, 2005, 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.

In 2004, 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 in 2004 is 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:

	The Group 2004
	Unaudited August 23, 2004 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)
	112,894
Reversal of reserve on consolidation	(647,736)
Gain realised on disposal	874,842
Proceeds from disposal	340,000
Add: Cash and bank balances	-
Cash flow on disposal, net of cash disposed	340,000

10. INVESTMENT IN ASSOCIATED COMPANIES

	The Group	
	2005	2004
	RM	RM
Unquoted shares - at cost	3,037,472	3,037,472
Group's share in results of associated companies	(1,546,285)	(1,561,589)
	1,491,187	1,475,883

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

	The Group	
	2005	2004
	RM	RM
Share of net tangible assets	1,485,389	1,470,085
Premium on acquisition	5,798	5,798
	1,491,187	1,475,883

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:

	The Group	
	2005	2004
	RM	RM
Amount owing by associated companies:		
Panashiba Industries (M) Sdn. Bhd.	4,121,424	4,121,424
Jiangnan Escalator (M) Sdn. Bhd.	48,049	40,549
Quanzhou Fuji-Sino Elevators Co. Ltd.	-	544,020
OKA Elevators and Escalators Sdn. Bhd.	-	366,697
Asian Elevator (M) Sdn. Bhd.	-	121,668
	4,169,473	5,194,358
Less: Allowance for doubtful debts	(4,121,400)	(4,121,400)
	48,073	1,072,958

The amount owing to an associated company, OKA Elevators and Escalators Sdn. Bhd. arose mainly from advances which are unsecured, interest free and with no fixed term of repayment.

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

	Effective Percentage of Ownership		Principal Activities
	2005	2004	
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.

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 RM2,819,708 (2004: RM2,818,888) and RM820 (2004: RM745) respectively.

11. OTHER INVESTMENTS

	The Group 2005 RM	2004 RM
Quoted shares in Malaysia – at cost	1,349,293	1,349,293
Less: Allowance for diminution in value	(1,138,918)	(886,468)
	210,375	462,825
Unquoted shares in Malaysia – at cost	57,500	57,500
Less: Allowance for diminution in value	(44,000)	(44,000)
	13,500	13,500
	223,875	476,325
Market value of quoted shares	210,375	462,825

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

12. INVESTMENT PROPERTIES

	The Group 2005 RM	2004 RM
At cost:		
Freehold properties	2,857,090	2,425,990
Leasehold properties	239,220	239,220
Progress payment for property under construction	-	269,931
	3,096,310	2,935,141
Less: Impairment losses	(223,892)	(223,892)
	2,872,418	2,711,249

In 2004, 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 RM3,096,310 (2004: RM2,665,210) 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

	The Group			
	2005		2004	
	Non-current Assets	Current Assets	Non-current Assets	Current Assets
	RM	RM	RM	RM
At beginning of year:				
Freehold land	15,342,745	5,540,261	17,434,293	9,901,047
Development costs	8,903,198	38,587,504	11,468,924	28,424,308
	24,245,943	44,127,765	28,903,217	38,325,355
Cost incurred/ (reversed) during the year:				
Freehold land	-	-	-	(352,583)
Development costs	2,941,977	16,380,470	311,767	17,510,883
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)
	2,941,977	16,380,470	311,767	833,369
Costs recognised in income statements:				
At beginning of year	-	(22,221,000)	-	(14,110,000)
Recognised during the year	-	(13,043,000)	-	(18,151,000)
Reversal upon closure of projects	-	-	-	10,040,000
At end of year	-	(35,264,000)	-	(22,221,000)
Transfer (to current assets)/ from non-current assets of property development costs:				
Freehold land	(3,679,007)	3,679,007	(2,091,548)	2,091,548
Development costs	(1,405,843)	1,405,843	(2,877,493)	2,877,493
	(5,084,850)	5,084,850	(4,969,041)	4,969,041
At end of year	22,103,070	30,329,085	24,245,943	21,906,765

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

	The Group			
	2005		2004	
	Non-current Assets	Current Assets	Non-current Assets	Current Assets
	RM	RM	RM	RM
Freehold land, at cost	11,663,738	9,219,268	15,342,745	5,843,262
Development costs	10,439,332	21,109,817	8,903,198	16,063,503
	22,103,070	30,329,085	24,245,943	21,906,765

Included in property development costs incurred during the financial year are the following charges:

	The Group	
	2005	2004
	RM	RM
Staff costs:		
Employees' provident fund contributions	49,140	40,867
Salaries and allowances	684,769	593,052
Director's other emoluments	-	96,000
Rental of equipment	2,040	2,040
Interest on borowings:		
Current	-	1,106,436
Overprovision in prior years	(431,606)	-

The freehold land of certain subsidiary companies with a total carrying value of RM15,475,393 (2004: RM17,203,721) are pledged as security for the redeemable secured loan stocks and irredeemable convertible secured loan stocks issued by the Company.

The freehold land of a subsidiary company with a total carrying value of RM15,270,762 in 2004 was pledged as security to Danaharta Managers Sdn. Bhd.. During the financial year, the said freehold land have been discharged.

14. DEFERRED TAX ASSETS/ (LIABILITIES)

	The Group	
	2005	2004
	RM	RM
Deferred tax assets	403,500	549,500
Deferred tax liabilities	(634,213)	(1,012,712)
	(230,713)	(463,212)

The movement of deferred tax assets is as follows:

	The Group	
	2005	2004
	RM	RM
At beginning of year	549,500	3,887,100
Transfer from/ (to) income statements (Note 6):		
Relating to origination and reversal of temporary differences:		
Current year	(61,000)	(3,690,100)
(Over)/ underprovision in prior years	(85,000)	352,500
At end of year	403,500	549,500

The deferred tax assets are in respect of the following:

	The Group	
	2005	2004
	RM	RM
Tax effect of temporary difference arising from property, plant and equipment	35,700	97,700
Tax effect of unused tax losses	367,800	451,800
	403,500	549,500

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 the deductible temporary differences can be utilised. As of December 31, 2005, the amount of deferred tax assets, calculated at the applicable tax rate, which is not recognised in the financial statements, is as follows:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Tax effects of:				
Temporary differences arising from:				
Property, plant and equipment	(376,000)	(559,000)	-	-
Allowance for inventory obsolescence	36,000	77,000	-	-
Allowance for doubtful debts	422,000	46,000	-	-
Others	13,000	44,000	-	-
Unused tax losses	11,672,000	12,183,000	1,049,000	120,200
Unused tax capital allowances	306,000	719,000	-	-
	12,073,000	12,510,000	1,049,000	120,200

The movement of deferred tax liabilities is as follows:

	The Group	
	2005	2004
	RM	RM
At beginning of year	1,012,712	525,661
Transfer from/ (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:		
Current year	(421,550)	499,000
Underprovision in prior years	55,000	-
At end of year	634,213	1,012,712

The deferred tax liabilities are in respect of the following:

	The Group	
	2005	2004
	RM	RM
Tax effects of :		
Temporary difference arising from:		
Property, plant and equipment	547,450	554,000
Others	(28,000)	-
Unused tax losses	(387,000)	(55,000)
Revaluation surplus of revalued properties	501,763	513,712
	634,213	1,012,712

A deferred tax income of RM11,949 (2004: 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

	The Group	
	2005	2004
	RM	RM
At cost:		
Goodwill arising on consolidation	6,372,577	6,372,577
Less :		
Amortisation of goodwill on consolidation		
At beginning of year	2,736,871	2,511,158
Amortisation during the year	225,713	225,713
At end of year	(2,962,584)	(2,736,871)
	3,409,993	3,635,706

16. INVENTORIES

	The Group 2005 RM	The Group 2004 RM
At cost:		
Raw materials	7,892,176	6,172,246
Work-in-progress	2,597,405	897,715
Finished goods	2,135,983	1,599,085
Trading goods	139,872	162,003
Goods-in-transit	113,632	-
At net realisable value:		
Work-in-progress	1,455,258	2,950,028
	14,334,326	11,781,077

17. TRADE RECEIVABLES

	The Group 2005 RM	The Group 2004 RM
Trade receivables	49,827,756	53,373,033
Less: Allowance for doubtful debts	(20,897,014)	(17,006,867)
	28,930,742	36,366,166

Trade receivables comprise amounts receivable for the sale 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 150 days (2004: 30 to 150 days) while the credit period for purchasers of properties is 14 to 30 days (2004: 14 to 30 days).

The currency exposure profile of trade receivables is as follows:

	The Group 2005 RM	The Group 2004 RM
Ringgit Malaysia	19,387,170	28,241,688
United States Dollar	8,937,903	7,391,807
Vietnam Dong	340,670	537,412
Thai Baht	249,488	131,930
Singapore Dollar	15,511	17,280
Euro	-	46,049
	28,930,742	36,366,166

18. AMOUNT OWING BY A DIRECTOR

	The Group	
	2005	2004
	RM	RM
Director of a subsidiary company:		
Lim Chong Hoe	215,170	269,170

The above amount represents housing loan given to a full time working director of a subsidiary company which is unsecured and interest free.

19. OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Other receivables	8,834,780	8,294,350	-	-
Less: Allowance for doubtful debts	(2,168,945)	(1,856,321)	-	-
	6,665,835	6,438,029	-	-
Stakeholders' retention sum	65,600	67,100	-	-
Prepaid expenses	289,866	674,045	-	-
Refundable deposits	799,314	488,631	1,000	1,000
Less: Allowance for doubtful debts	-	(78,000)	-	-
	799,314	410,631	1,000	1,000
	7,820,615	7,589,805	1,000	1,000

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 is as follows:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Other receivables:				
Ringgit Malaysia	4,858,474	6,365,359	-	-
United States Dollar	1,756,314	59,515	-	-
Thai Baht	51,047	13,155	-	-
	6,665,835	6,438,029	-	-

20. DEPOSITS WITH LICENSED BANKS

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

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Pledged as security for banking facilities granted to a subsidiary company	1,108,681	1,078,493	-	-
Sinking Fund Account for the repayment of ICSLS and RSLS	1,001,000	2,214,650	1,001,000	2,214,650
	2,109,681	3,293,143	1,001,000	2,214,650

The effective annual interest rates of deposits with licensed banks range from 2.50% to 3.70% (2004: 2.40% to 2.90%) and will mature from March 2006 to December 2006.

21. CASH AND BANK BALANCES

Included in cash and bank balances of the Group is an amount of RM776,842 (2004: RM755,411) 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 (2004: 30 to 150 days).

The currency exposure profile of trade payables is as follows:

	The Group	
	2005	2004
	RM	RM
Ringgit Malaysia	14,885,722	9,954,107
United States Dollar	960,111	1,180,546
Vietnam Dong	631,573	223,113
Singapore Dollar	137,279	151,180
Hong Kong Dollar	114,342	114,342
Thai Baht	32,004	280,098
Swedish Krona	9,646	9,646
	16,770,677	11,913,032

23. AMOUNT OWING TO DIRECTORS

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Directors of the Company:				
Loh Lay Choo	913,980	866,110	-	-
Lim Beng Huan	673,429	3,950	672,880	3,400
Lim Teik Hian	88,206	87,540	-	-
Directors of subsidiary companies:				
Chan Hwa Chong	142,445	37,950	-	-
Lim Poh Hoon	4,269	7,929	-	-
	1,822,329	1,003,479	672,880	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

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Other payables	15,844,812	12,226,112	1,175,435	1,352,124
Accrued interest expenses	3,452,949	6,109,425	3,135,191	4,181,749
Other accrued expenses	4,872,888	2,801,822	392,903	340,250
Accrued development expenditure	2,539,725	2,626,557	-	-
Construction retention claims	1,560,271	1,284,533	-	-
	28,270,645	25,048,449	4,703,529	5,874,123

Other payables comprise mainly amount outstanding from ongoing costs.

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

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Other payables:				
Ringgit Malaysia	14,787,347	10,677,364	789,336	909,570
United States Dollar	1,057,465	1,500,010	386,099	442,554
Thai Baht	-	48,738	-	-
	15,844,812	12,226,112	1,175,435	1,352,124
Accrued interest expenses:				
Ringgit Malaysia	3,452,949	6,109,425	3,135,191	4,181,749
Other accrued expenses:				
Ringgit Malaysia	4,824,447	2,763,198	392,903	340,250
United States Dollar	41,235	33,559	-	-
Thai Baht	7,206	5,065	-	-
	4,872,888	2,801,822	392,903	340,250
Accrued development expenditure:				
Ringgit Malaysia	2,539,725	2,626,557	-	-
Construction retention claims:				
Ringgit Malaysia	1,560,271	1,284,533	-	-
	28,270,645	25,048,449	4,703,529	5,874,123

25. BANK BORROWINGS

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Unsecured:				
Trust receipts and bankers' acceptances	7,545,782	5,809,197	-	-
Revolving credits	-	3,722,789	-	-
Bank overdrafts	-	349,221	-	-
Secured:				
Short-term loans	-	2,059,174	-	839,568
Trust receipts and bankers' acceptances	1,952,676	1,865,621	-	-
Bank overdrafts	62,864	32,374	-	-
Other borrowing	2,430,000	2,830,000		
	11,991,322	16,668,376	-	839,568

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

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Ringgit Malaysia	2,430,000	4,889,174	-	839,568
Vietnam Dong	-	1,139,703	-	-
	2,430,000	6,028,877	-	839,568

All other bank borrowings are denominated in Ringgit Malaysia.

In 2004, the bank borrowings of the Group and the Company were restructured pursuant to the Debt Restructuring Scheme implemented.

The secured bank borrowings of the Group are secured over a pledged of short-term deposit, charges over certain or entire assets of the subsidiary companies and are further guaranteed by the Company.

The secured short-term loan of the Company in 2004 is secured by lien holders caveat created over the Company's and a subsidiary company's landed properties. The secured short-term loan of a subsidiary company in 2004 was secured by proportionate redemption for RM5 million, legal charge over certain freehold land of the subsidiary company and fixed and floating charge over the entire assets of the subsidiary company, and was jointly and severally guaranteed by certain directors.

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 Group's bank overdrafts and trust receipts bear interests at rates ranging from 2% to 2.5% per annum above the lending banks' base lending rates. The Group's bankers' acceptances bear interest at rates ranging from 1% to 2% per annum above the lending banks' cost of funds. The Group's other borrowing represent a restructured loan to be settled by way of fixed instalments with no further interest charge.

The effective interest rates per annum as of December 31, 2005 for the Group and the Company are as follows:

	The Group		The Company	
	2005	2004	2005	2004
	%	%	%	%
Bank overdrafts	8.00	8.00	Not applicable	Not applicable
Trust receipts and bankers' acceptances	4.00 - 9.00	4.00 - 8.50	Not applicable	Not applicable
Revolving credits	Not applicable	8.50	Not applicable	Not applicable
Short-term loans	Not applicable	3.30 - 9.00	Not applicable	8.00

26. HIRE-PURCHASE PAYABLES

	The Group	
	2005	2004
	RM	RM
Total outstanding	304,041	388,078
Less: Interest-in-suspense outstanding	(39,510)	(59,632)
Principal outstanding	264,531	328,446
Less: Current portion	(67,274)	(63,894)
Non-current portion	197,257	264,552

The non-current portion is repayable as follows:

	The Group	
	2005	2004
	RM	RM
Later than 1 year and not later than 2 years	55,965	67,275
Later than 2 years and not later than 5 years	133,729	158,601
Later than 5 years	7,563	38,676
	197,257	264,552

The terms for the above hire-purchases range from 5 to 7 years. The effective borrowing rates range from 6.36% to 10.70% (2004: 6.36% to 10.70%) 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

	The Group	
	2005	2004
	RM	RM
Secured:		
Amount outstanding	378,079	592,306
Less: Current portion	(327,200)	(385,023)
Non-current portion	50,879	207,283

The term loans as of December 31, 2005 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 2007.

The term loans bear interests at rates ranging from 2.0% to 2.5% per annum above the lending banks' base lending rates.

The effective interest rates for term loans as of December 31, 2005 range from 7.75% to 9.00% (2004: 7.75% to 9.00%) per annum.

28. SHARE CAPITAL

	The Company			
	2005		2004	
	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	50,920,000	50,920,000	44,520,000	44,520,000
Increased during the year	274,711	274,711	6,400,000	6,400,000
At end of year	51,194,711	51,194,711	50,920,000	50,920,000

During the financial year, the Company increased its issued and paid up share capital from RM50,920,000 to RM51,194,711 by way of issuance of 274,711 ordinary shares of RM1 each through the conversion of 3,054 units of Irredeemable Convertible Secured Loan Stocks.

The new ordinary shares rank pari passu with the then existing ordinary shares of the Company and were granted listing on July 6, 2005.

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 payable in cash for each new ordinary share of RM1 each in the Company. As of December 31, 2005, none of the 11,130,000 warrants were exercised to subscribe for new ordinary shares.

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 implemented.

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 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 in the Company issued as fully paid-up for every theoretical value of ICSLS at the conversion price of RM1;

iii) The theoretical value of the 4% ICSLS at the following anniversary date of the issue of the 4% ICSLS are tabulated below:

Anniversary Date	Nominal Value per 4% ICSLS	Theoretical Value per 4% ICSLS
	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 have been presented as a compound instrument which comprises both an equity and a liability component. As of December 31, 2005, the carrying amount of each component is as follows:

	The Group and The Company	
	2005	2004
	RM	RM
ICSLS (Equity Component)		
At beginning of year	33,376,260	-
Issued during the year	-	32,434,317
Converted into ordinary shares during the year	(227,172)	-
Transfer from liability component to equity component due to reduction in interest obligation	1,382,165	581,162
Increase in ICSLS theoretical value	616,223	360,781
At end of year	35,147,476	33,376,260
ICSLS (Liability Component)		
At beginning of year	6,984,521	-
Issued during the year	-	7,565,683
Converted into ordinary shares during the year	(47,539)	-
Transfer from liability component to equity component due to reduction in interest obligation	(1,382,165)	(581,162)
At end of year	5,554,817	6,984,521
Total	40,702,293	40,360,781

30. RESERVES

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Non-distributable as cash dividends:				
Share premium	7,736,782	7,736,782	7,736,782	7,736,782
Reserve on consolidation	374,312	374,312	-	-
Exchange reserve	(6,136)	31,051	-	-
	8,104,958	8,142,145	7,736,782	7,736,782

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 implemented.

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:

Anniversary Date	Nominal Value	Redemption Value	Redemption Price
	RM	RM	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:

	The Group and The Company	
	2005	2004
	RM	RM
At beginning of year	69,576,705	-
Issued during the year	-	68,297,832
Increase in RSLS redemption price	2,208,331	1,278,873
At end of year	71,785,036	69,576,705

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Cash and bank balances	9,565,267	4,652,250	8,505	79,036
Deposits with licensed banks	6,671,178	9,486,018	1,001,000	2,384,650
Bank overdrafts (Note 25)	(62,864)	(381,595)	-	-
	16,173,581	13,756,673	1,009,505	2,463,686
Less:				
Deposits held as security value	(2,109,681)	(3,293,143)	(1,001,000)	(2,214,650)
	14,063,900	10,463,530	8,505	249,036

33. RELATED PARTY BALANCES AND TRANSACTIONS

Included in the following accounts of the Group as of December 31, 2005 are amounts owing by/ to the following related parties:

	The Group	
	2005	2004
	RM	RM
Trade receivables:		
Dotcal Inc. [(a)]	1,680,762	1,900,694
Century Plas Industries Sdn. Bhd. [(b)]	244,575	39,470
Amount owing by Lim Teik Hian, director of the Company	35,718	38,979
U-Can Marketing Sdn. Bhd. [(c)]	21,694	18,213
Esteem Mould Engineering Sdn. Bhd. [(d)]	-	7,096
	1,982,749	2,004,452
Trade payables:		
Century Plas Industries Sdn. Bhd. [(b)]	770,296	126,450
PH Tools Industries Sdn. Bhd. [(e)]	67,332	143,853
U-Can Marketing Sdn. Bhd. [(c)]	51,600	15,387
	889,228	285,690

	The Group	
	2005	2004
	RM	RM
Other payables:		
Emico Garment Industries Sdn. Bhd. (f)	195,888	195,888
Yonda Electronic Co. (M) Sdn. Bhd. (g)	153,253	203,253
Esteem Mould Engineering Sdn. Bhd.(d)	7,096	-
Emico Garment (KK) Sdn. Bhd. (h)	6,000	6,000
	362,237	405,141

(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 a director of that company, Mr. Henry Ong Chin Teong is the brother of Mr. Jimmy Ong Chin Keng who is a director 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 substantial shareholders of that company, Mr. Lim Beng Huan and Madam Loh Lay Choo are directors of the Company.

(h) 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:

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
With a subsidiary company:				
Interest received:				
Northern Elevator Berhad	-	-	2,744,712	-
Management fee received:				
Northern Elevator Berhad	-	-	240,000	240,000
With other related parties:				
Purchases:				
Century Plas Industries Sdn. Bhd.	2,262,463	359,371	-	-
U-Can Marketing Sdn. Bhd.	51,600	-	-	-
Sales of finished goods:				
Century Plas Industries Sdn. Bhd.	248,523	64,398	-	-
U-Can Marketing Sdn. Bhd.	3,481	4,730	-	-
Rental of premises received:				
Century Plas Industries Sdn. Bhd.	120,000	50,000	-	-
Rental paid and payable:				
Mr. Tan Chin Peng, a director of a subsidiary company	21,630	21,630	-	-
Emico Garment Industries Sdn. Bhd.	-	90,000	-	-
Yonda Electronic Co. (M) Sdn. Bhd.	-	90,000	-	-
Esteem Mould Engineering Sdn. Bhd.	-	10,000	-	-

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

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Estimated cash value of benefits-in-kind provided to directors	27,967	35,050	9,783	13,325

35. CONTINGENT LIABILITIES- UNSECURED

As of December 31, 2005, the Company is contingently liable to the extent of about RM22,084,000 (2004: RM21,584,000) in respect of corporate guarantees given to local banks 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.

A 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 and premises of the Group are as follows:

	The Group	
	2005	2004
	RM	RM
Not later than one year	450,000	130,000
Later than one year but not later than five years	575,000	376,000
Later than five years	2,966,000	3,130,000
	3,991,000	3,636,000

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 and 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 actively manages its debts maturity profiles, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. In addition, the Group strive to maintain available bank credit facilities of a reasonable level to its overall debts position. As far as possible, the Group raises committed fund from banks and prudently balance its portfolio with some short-term funding so as to achieve overall cost effectiveness.

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 intercompany indebtedness 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.

EMICO ®

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
2005						
Revenue						
External sales	39,787,197	40,499,480	14,110,413	-	-	94,397,090
Inter-segment sales	4,049,709	-	-	240,000	(4,289,709)	-
Total revenue	43,836,906	40,499,480	14,110,413	240,000	(4,289,709)	94,397,090
Results						
Profit/ (loss) from operations	128,312	2,173,518	477,208	1,840,595	(2,070,506)	2,549,127
Income from other investments	692	299,036	-	2,783,436	(2,744,712)	338,452
Share of results of associated companies	-	73,883	-	-	-	73,883
Finance costs	(376,943)	(2,938,444)	(9,378)	(5,847,715)	2,864,712	(6,307,768)
(Loss)/ profit before tax	(247,939)	(392,007)	467,830	(1,223,684)	(1,950,506)	(3,346,306)
Income tax expense	(20,051)	66,225	-	-	-	46,174
(Loss)/ profit after tax	(267,990)	(325,782)	467,830	(1,223,684)	(1,950,506)	(3,300,132)
Other information						
Capital additions	770,730	643,015	11,620	-	(79,933)	1,345,432
Depreciation of property, plant and equipment	1,493,724	580,452	77,098	3,181	(406,496)	1,747,959
Amortisation of goodwill	5,083	186,158	-	34,472	-	225,713
Non-cash expenses	821,683	6,103,224	12,932	-	-	6,937,839
Consolidated Balance Sheet						
Assets						
Segment assets	39,374,558	54,322,063	60,826,187	4,860,088	33,218	159,416,114
Income tax assets	-	745,178	-	-	-	745,178
Investment in associated companies	5,000	1,491,186	-	-	(4,999)	1,491,187
Consolidated total assets	39,379,558	56,558,427	60,826,187	4,860,088	28,219	161,652,479
Liabilities						
Segment liabilities	21,970,358	15,005,172	17,100,350	84,040,720	(2,107)	138,114,493
Income tax liabilities	533,763	215,495	-	126,100	-	875,358
Consolidated total liabilities	22,504,121	15,220,667	17,100,350	84,166,820	(2,107)	138,989,851

(FORWARD)

	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
2004						
Revenue						
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	32,559,916	34,854,086	20,597,788	240,000	(5,191,540)	83,060,250
Results						
(Loss)/ profit from operations	(5,232,338)	(5,501,402)	1,396,401	(37,761,657)	34,204,273	(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	-	-	-	(940,986)	1,815,810	874,824
Share of results of associated companies	-	595,057	-	-	-	595,057
Finance costs	(1,224,203)	(1,724,999)	(35,573)	(3,838,444)	120,000	(6,703,219)
Profit/ (loss) before tax	14,768,728	14,080,997	1,360,828	(38,147,060)	36,140,083	28,203,576
Income tax expense	(75,731)	(3,906,427)	-	(108,168)	-	(4,090,326)
Profit/ (loss) after tax	14,692,997	10,174,570	1,360,828	(38,255,228)	36,140,083	24,113,250
Other information						
Capital additions	4,400,945	275,906	177,768	-	(2,327,495)	2,527,124
Depreciation of property, plant and equipment	1,584,255	574,068	73,280	4,207	(357,584)	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

(FORWARD)

	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
Consolidated Balance Sheet						
Assets						
Segment assets	37,010,454	60,251,577	59,134,589	6,903,475	(3,649,539)	159,650,556
Income tax assets	-	607,875	-	-	-	607,875
Investment in associated companies	5,000	1,475,882	-	-	(4,999)	1,475,883
Consolidated total assets	37,015,454	62,335,334	59,134,589	6,903,475	(3,654,538)	161,734,314
Liabilities						
Segment liabilities	20,028,428	15,659,855	14,255,248	84,589,061	(261,299)	134,271,293
Income tax liabilities	592,992	653,445	-	126,100	-	1,372,537
Consolidated total liabilities	20,621,420	16,313,300	14,255,248	84,715,161	(261,299)	135,643,830

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.

	Carrying amount of segment assets		Capital additions	
	2005	2004	2005	2004
	RM	RM	RM	RM
Malaysia	147,699,512	147,700,108	1,208,006	1,004,661
Other Asian countries	11,716,602	11,950,448	137,426	1,522,463
	159,416,114	159,650,556	1,345,432	2,527,124

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

	2005	2004
	RM	RM
Malaysia	21,114,362	50,151,104
Europe	26,454,128	16,099,434
Other countries	46,828,600	16,809,712
	94,397,090	83,060,250

39. STAFF COSTS

	The Group		The Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Staff costs:				
Amount charged to income statements:				
Contributions to employees' provident fund	976,668	802,398	12,000	-
Other staff costs	11,686,989	11,617,468	221,353	319,627
	12,663,657	12,419,866	233,353	319,627
Amount charged to development cost:				
Contributions to employees' provident fund	49,140	40,867	-	-
Other staff costs	684,769	689,052	-	-
	733,909	729,919	-	-
	13,397,566	13,149,785	233,353	319,627
Number of directors and employees at end of year:				
Directors	22	21	8	8
Employees	537	503	-	-

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

40. DISCONTINUING OPERATIONS

During the financial year, the Company and Northern Elevator Berhad ("NEB") a 60% owned subsidiary company, entered into a conditional share purchase agreement with KONE Corporation, Lim Chong Hoe, Koay Teng Cheang and Lim Teck Chye for the disposal of the following subsidiary companies:

(i) 100% equity interest in Fuji Lift & Escalator Manufacturing Sdn. Bhd. comprising 1,000,000 ordinary shares of RM1.00 each;

(ii) 100% equity interest in Fuji Lift & Escalator Sdn. Bhd. comprising 250,000 ordinary shares of RM1.00 each; and

(iii) 100% equity interest in Fein Blanking Sdn. Bhd. comprising 200,000 ordinary shares of RM1.00 each

for a total cash consideration of RM55 milli on comprising the settlement of intercompany loan of RM31,902,000, the consideration for the sale of ordinary shares of the abovementioned subsidiary companies and the consideration for the property, plant and equipment to be transferred by NEB to Fein Blanking Sdn. Bhd.. The three subsidiary companies are principally involved in the manufacturing and maintenance services of lifts and escalators. The said disposal is expected to be completed by July 2006. Had the disposal been completed as of year end, there will be an estimated gain of approximately RM8.6 million to the Group and RM7.6 million to minority shareholders of NEB.

The revenue, results, cash flows and total assets and total liabilities of the three subsidiary companies are as follows:

	2005	2004
	RM	RM
Revenue	40,595,480	32,257,136
Other operating income	1,646,643	20,996,296
Other operating expenses	(41,387,405)	(37,793,394)
Finance costs	(2,938,444)	(1,711,330)
(Loss)/ profit before tax	(2,083,726)	13,748,708
Income tax income/ (expense)	183,074	(3,742,823)
	(1,900,652)	10,005,885
Cash flows from/ (used in):		
Operating activities	4,968,089	9,199,067
Investing activities	(590,141)	(6,514,775)
Financing activities	(2,695,334)	11,548,095
Total assets	59,719,365	62,235,483
Total liabilities	(57,485,465)	(58,100,931)

STATEMENT BY DIRECTORS

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 MASB 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, 2005 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 25, 2006

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 25, 2006

Before me,

GOVINDASAMY A/L G.MUTTUSAMY, PJM

COMMISSIONER FOR OATHS

Authorised Share Capital	: RM150,000,000
Issued and Fully Paid Up Capital	: RM51,194,711
Class of Shares	: Ordinary shares of RM1 each
Voting Rights	: One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shares Held Quantity	%	No. of Shareholders Number	%
1 To 99	606	-	12	0.36
100 To 1,000	1,003,247	1.96	1,079	32.36
1,001 To 10,000	7,192,334	14.05	1,879	56.36
10,001 To 100,000	8,430,221	16.47	308	9.24
100,001 To 2,559,734(*)	27,842,303	54.39	54	1.62
2,559,735 AND ABOVE (**)	6,726,000	13.14	2	0.06
Total	51,194,711	100.00	3,334	100.00

REMARK * Less than 5% of issued shares
* * 5% or more of issued shares

SUBSTANTIAL SHAREHOLDERS

	Name	No. of Shares Held Direct	%	Indirect	%
1.	Lim Beng Huan	583,630	1.14	14,605,224 #	28.53
2.	Loh Lay Choo	458,000	0.90	14,730,854 #	28.77
3.	Lim Poh Hoon	112,000	0.22	15,076,854 #	29.45
4.	Lim Teik Hian	52,000	0.10	14,136,854 #	29.57
5.	Lim Teck Chye	200,000	0.39	14,988,854 #	29.28

Note:

By virtue of their beneficial interest in the shares held by Mersec Nominees (Tempatan) Sdn. Bhd., HDM Nominees (Tempatan) Sdn. Bhd., PM Nominees (Tempatan) Sdn. Bhd., A.A.Anthony Nominees (Tempatan) Sdn. Bhd., Alliancegroup Nominees (Tempatan) Sdn. Bhd., Ke-Zan 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 (father), 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	1.14	14,605,224 #	28.53
2.	Loh Lay Choo	458,000	0.90	14,730,854 #	28.77
3.	Lim Teik Hian	52,000	0.10	14,136,854 #	29.57
4.	Lim Teck Chye	200,000	0.39	14,988,854 #	29.28
5.	Wong Sew Yun	895,859	1.75	696,527	1.36

DISTRIBUTION OF WARRANTS

Size of Holdings	No. of Warrants Held Quantity	%	No. of Warrantholders Number	%
1 To 99	1,352	0.01	26	1.73
100 To 1,000	563,170	5.06	768	50.96
1,001 To 10,000	1,993,077	17.91	605	40.15
10,001 To 100,000	2,459,900	22.10	87	5.77
100,001 To 556,499(*)	4,072,395	36.59	19	1.26
556,500 AND ABOVE (**)	2,040,106	18.33	2	0.13
Total	11,130,000	100.00	1,507	100.00

REMARK * Less than 5% of issued warrants
* * 5% or more of issued warrants

SUBSTANTIAL WARRANTSHOLDERS

	Name	No. of Warants Held Direct	%	Indirect	%
1.	Lim Beng Huan	145,907	1.31	3,153,356 #	28.33
2.	Loh Lay Choo	114,500	1.03	3,184,763 #	28.61
3.	Lim Poh Hoon	17,000	0.15	3,282,263 #	29.49
4.	Lim Teik Hian	13,000	0.12	3,286,263 #	29.52
5.	Lim Teck Chye	425,750	3.82	2,873,513 #	25.82

Note:

\# *By virtue of their beneficial interest in the shares held by Mayban 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' WARRANTHOLDINGS

	Name	No. of Shares Held Direct	%	Indirect	%
1.	Lim Beng Huan	145,907	1.31	3,153,356 #	28.33
2.	Loh Lay Choo	114,500	1.03	3,184,763 #	28.61
3.	Lim Teik Hian	13,000	0.12	3,286,263 #	29.52
4.	Lim Teck Chye	425,750	3.82	2,873,513 #	25.82
5.	Wong Sew Yun	263,488	2.37	-	-

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

	Name	No of Shares	Percentage
1.	PM Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Lim Teck Chye	4,127,500	8.06
2.	PM Nominees (Tempatan) Sdn Bhd -Pledged Securities Account How Choon Ho	2,598,500	5.08
3.	Mercsec Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Beng Choo Marketing Sdn Bhd	2,531,300	4.94
4.	Alliancegroup Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Lim Teck Chye	2,200,000	4.30
5.	PM Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Yeoh Mei Ing	2,060,400	4.02
6.	Beng Choo Marketing Sdn Bhd	1,964,212	3.84
7.	Ke-zan Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Emiglow Ventures (M) Sdn Bhd	1,827,093	3.57
8.	A.A.Anthony Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Loh Lay Choo	1,167,776	2.28
9.	Mercsec Nominees (Tempatan) Sdn Bhd -Pledged Secirities Account for Chan Li Li	922,000	1.80
10.	Wong Sew Yun	895,859	1.75
11.	A.A.Anthony Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Lim Beng Huan	875,436	1.71
12.	RHB Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Pang Khip Hon	849,900	1.66
13.	Hupson (B'worth) Sdn Bhd	791,000	1.54
14.	HDM Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Sim Kean Hee	615,200	1.20
15.	Yeo Pow Choo	599,300	1.17
16.	Lim Beng Huan	583,630	1.14
17.	Sim Kean Hee	570,500	1.11
18.	Tan Teck Chong	567,100	1.11
19.	A.A.Anthony Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Wong Sew Yun	526,977	1.03
20.	Mercury Industries Berhad	510,000	1.00
21.	Mercsec Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Ooi Lee Lee	489,436	0.96
22.	HDM Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Lim Teck Chye	480,000	0.94
23.	Loh Lay Choo	458,000	0.90
24.	Ke-zan Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Beng Choo Marketing Sdn Bhd	437,000	0.85
25.	RHB Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Pang Lan Yin	428,000	0.84
26.	Alliance Bank Malaysia Berhad	334,320	0.65
27.	Ang Hock Hin	307,500	0.60
28.	Chew Sit See	281,100	0.55
29.	Chan Kok Wah	280,000	0.55
30.	HDM Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Hupson (B'worth) Sdn Bhd	244,800	0.48
	Total	30,523,839	59.63

LIST OF TOP 30 WARRANTHOLDERS AS AT 28 APRIL 2006

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

	Name	No of Warrants	Percentage
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.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd -Kim Eng Securities Pte Ltd for Ramesh s/o Pritamdas Chandiramani	490,400	4.41
5.	Lim Teck Chye	425,750	3.82
6.	Wong Sew Yun	263,488	2.37
7.	Yeo Pow Choo	253,300	2.28
8.	Lye Swee Kuai	248,600	2.23
9.	Mercsec Nominees (Tempatan) Sdn Bhd -Pledge Securities Account for Chan Li Li	230,500	2.07
10.	Ke-zan Nominees (Tempatan) Sdn Bhd -Pledge Securities Account for Emiglow Ventures (M) Sdn Bhd	184,441	1.66
11.	RHB Nominees (Tempatan) Sdn Bhd -Pledge Securities Account for Pang Khip Hon	169,000	1.52
12.	Ting Lian Siew @ Ting Lian Bo	159,800	1.44
13.	Lim Beng Huan	145,907	1.31
14.	HDM Nominees (Asing) Sdn Bhd -Phillip Securities Pte Ltd for Tan Ah Jip	138,950	1.25
15.	Chew Sit See	131,000	1.18
16.	Chong Woon Sang	124,900	1.12
17.	Mercsec Nominees (Tempatan) Sdn Bhd -Phillip Securities Account for Ooi Lee Lee	122,359	1.10
18.	Hupson (B'worth) Sdn Bhd	121,000	1.09
19.	Loh Lay Choo	114,500	1.03
20.	Chew Lai Hock	105,000	0.94
21.	Sim Kee Eng	100,500	0.90
22.	Public Nominees (Tempatan) Sdn Bhd -Phillip 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.	Mercsec Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Chan Li Li	59,400	0.53
27.	Yap Choy Lean	56,500	0.51
28.	Kenanga Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Ting Lian Siew @ Ting Lian Bo	56,000	0.50
29.	Lim Chee Keong	56,000	0.50
30.	RHB Nominees (Tempatan) Sdn Bhd -Pledged Securities Account for Pang Lan Yin	54,900	0.49
	Total	6,708,051	60.28

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	21	1,241	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	14 to 21	5,705	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	13	2,357 555	Building - 1992 Land - 1993*
Unit M/0/04/02, Harbour Trade Centre, Lebuh Macallum, Pulau Pinang	99-years Leasehold Expiring 2089	Office unit for rental	-	2,031	11	250	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	-	-	1,529	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	9	6,403	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, Sungai Petani, Daerah Kuala Muda, Kedah	Freehold	On-going mix development project	7,826,772	-	-	10,591	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
Lot 11594 & 11595, Mk Sungai Petani Daerah Kuala Muda, Kedah	Freehold	Land and factory building for rental	177,601	26,400	9	1,017	1996

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*
Unit No 16-2-1, Jalan 3/50 Diamond Square, Off Jalan Gombak, 53000 Kuala Lumpur	Freehold	Kuala Lumpur branch office	-	1,931	8	407	1999
Units 3-28-07, 2-28-07 & 2-28-06 N-Park Condominiums, Pulau Pinang	Freehold	Apartments for rental	-	2,100	9	450	1995
Unit B-2-8, Jalan Baru, Prai Plaza, Perai, Pulau Pinang	Freehold	Office unit for rental	-	1,132	7	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	5	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 for rental	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	8	220	2000
Unit F-11-G, Jalan 4/50 Diamond Square, Off Jalan Gombak, 53000 Kuala Lumpur	Freehold	Kuala Lumpur branch office	-	1,434	3	397	2003
PM 1-5, Plaza GM 12 Lorong Haji Taib 5 50350 Kuala Lumpur	Freehold	Office unit for rental	-	233	3	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	3	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	3	150	2003
Lot D-2, LOTECO 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	3	770	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
PM 4-31 Plaza GM 12 Lorong Haji Taib 5 50350 Kuala Lumpur	Freehold	Office unit for rental	-	285	3	161	2005

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company will be held at The Conference Room of Emico Holdings Berhad, 18 Lebuhraya Kampung Jawa, 11900 Penang on Tuesday, 27 June 2006 at 11.00 a.m. for the following purposes:-

AGENDA

As Ordinary Business:

1 To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the Reports of Directors and Auditors thereon.

2 To approve the payment of Directors' Fees for the financial year ended 31 December 2005. **ORDINARY RESOLUTION 1**

3 To re-elect the following Directors who retire pursuant to Article 80 of the Company's Articles of Association and who being eligible, offer themselves for re-election:

(i) Mr Lim Teik Hian **ORDINARY RESOLUTION 2**

(ii) Mr Wong Sew Yun **ORDINARY RESOLUTION 3**

(iii) Encik Nik Azalan bin Nik A. Kadir **ORDINARY RESOLUTION 4**

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 5**

As Special Business:

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

5 **AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES** **ORDINARY RESOLUTION 6**

"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 for the listing and quotation for the additional shares to be issued."

6 **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **ORDINARY RESOLUTION 7**

"THAT, subject always to the provisions of the Companies Act, 1965, the Memorandum & Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiary companies to enter into related parties recurrent transactions of a revenue or trading nature ("RRPT") as stated in section 2.1 of the Circular to Shareholders dated 5 June 2006 ("Circular") 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.

THAT such Mandate shall commence upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting ("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 Companies Act, 1965 unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, whichever is earlier.

AND THAT disclosure will be made in the Annual Report of the Company based on the following information:-

i) the aggregate value of RRPT conducted pursuant to the Mandate during the financial year where :-

(a) the consideration, value of assets, capital outlay or cost of the aggregated transactions is equal to or exceeds RM 1 million; or

(b) any one of the percentage ratios of such aggregated transactions is equal or exceeds 1%; whichever is lower.

ii) the type of RRPT made; and

iii) the names of the RRPT involved in each type of the RRPT made and their relationship with the Company."

7 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)
LEE PENG LOON (MACS 01258)

Joint Secretaries

PENANG

5 June 2006

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 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 Notes On Special Business:-

AGENDA 5

The Ordinary Resolution 6 proposed, 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

The Ordinary Resolution 7 proposed, 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 5 June, 2006 which have been dispatched together with the Company's 2005 Annual Report.

2005 ANNUAL REPORT

The Company's 2005 Annual Report is in CD-ROM format. Printed copy of the Annual Report shall be provided to the shareholder upon request within 4 market days from the date of receipt of the verbal or written request.

Shareholders who wish to receive the printed Annual Report and who require assistance in viewing the CD-ROM, kindly contact Ms Lucy Sim at telephone no. 03-7725 4888 or email your request to gpsim@pfa.com.my

STATEMENT accompanying Notice of Fourteenth Annual General Meeting of the Company

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

I.	Mr. Lim Teik Hian	(Ordinary Resolution 2)
II.	Mr. Wong Sew Yun	(Ordinary Resolution 3)
III.	Encik Nik Azalan bin Nik A. Kadir	(Ordinary Resolution 4)

Details of attendance of Directors at Board Meetings:-

There were 5 Board Meetings held during the financial year ended 31 December 2005 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:

	Name	No. of Meetings Attended
I.	Mr. Lim Beng Huan	5
II.	Madam Loh Lay Choo	5
III.	Mr. Lim Teik Hian	4
IV.	Mr. Jimmy Ong Chin Keng	5
V.	Mr. Wong Sew Yun	5
VI.	Encik Nik Azalan bin Nik A. Kadir	5
VII.	Mr. Ng Chee Kong	5
VIII.	Mr. Lim Teck Chye	5

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

The Conference Room of Emico Holdings Berhad, 18 Lebuhraya Kampung Jawa, 11900 Penang.
Tuesday, 27 June 2006 at 11.00 a.m.

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

Name, age & nationality	Position	No. of ordinary shares of RM1.00 each held in the subsidiaries
Mr. Lim Teik Hian, 39 & Malaysian	Executive Director	N/A
Mr. Wong Sew Yun, 50 & Malaysian	Independent & Non-Executive Director	N/A
Encik Nik Azalan bin Nik A. Kadir, 57 & Malaysian	Independent & Non-Executive Director	N/A

++ Shareholders are requested to refer to Board of Directors' Profile and Analysis Shareholdings on pages 3 to 5 of the Company's Annual Report 2005 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 Fourteenth Annual General Meeting of the Company to be held at The Conference Room of Emico Holdings Berhad, 18 Lebuhraya Kampung Jawa, 11900 Penang on Tuesday, 27 June 2006 at 11.00 a.m. and at any adjournment thereof.

	Ordinary Resolution						
	1	2	3	4	5	6	7
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 or abstain from voting at his/her discretion.

Signed this .... day of ....,2006

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.

EMICO HOLDINGS BERHAD (230326-D)

18 Lebuhraya Kampung Jawa, 11900 Bayan Lepas, Penang, Malaysia. | Tel: (604) 644 3843 | Fax: (604) 643 8360