# PERAK CORPORATION BERHAD (210915-U)

(Incorporated in Malaysia)

# DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

## 31 December 2004

# Directors' Report

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

## PRINCIPAL ACTIVITIES

The principal activities of the Company consist of property and investment holding, real property development and provision of management services.

The principal activities of the subsidiaries are described in Note 5 to the financial statements.

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

## RESULTS

| | Group RM | Company RM |
|---|---|---|
| Profit after taxation | 3,916,491 | 1,124,284 |
| Minority interests | (1,848,278) | - |
| Net profit attributable to shareholders | 2,068,213 | 1,124,284 |

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDEND

The amount of dividend paid by the Company since 31 December 2003 was as follows:

| | RM |
|---|---|
| In respect of the financial year ended 31 December 2003: | |
| Ordinary final dividend of 2% less 28% taxation paid on 21 July 2004 | 1,440,000 |

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2004 of 2% on 100,000,000 ordinary shares less 28% taxation amounting to a total dividend of RM1,440,000 (1.44 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2005.

## DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Ir Haji Harun bin Ahmad Saruji DPMP, AMP
Dr. Nawawi bin Mat Awin
Dato' Azian bin Osman DPMP, AMP
Noor Asmah bt. Mohd Nawawi
Datuk Haji Faisal bin Haji Siraj DMSM
Tuan Haji Megat Dziauddin bin Megat Mahmud

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 30 to the financial statements or the fixed salary of a full time employee of the Company or its related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

| | Number of Ordinary Shares of RM1 Each | | | |
|---|---|---|---|---|
| **The Company** | **1 January 2004** | **Bought** | **Sold** | **31 December 2004** |
| Dato' Ir. Haji Harun bin Ahmad Saruji DPMP, AMP | 11,250 | 12,500 | - | 23,750 |

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

## OTHER STATUTORY INFORMATION

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

   (i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

   (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

   (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

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

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

## OTHER STATUTORY INFORMATION (CONT'D)

(f) In the opinion of the directors:

(i) 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 will or may affect the ability of the Group and of the Company to meet their obligations when they fall due; and

(ii) 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 the operations of the Group or of the Company for the financial year in which this report is made.

## SIGNIFICANT EVENTS

The significant events during the financial year are as disclosed in Note 39 to the financial statements.

## SUBSEQUENT EVENT

The subsequent event is as disclosed in Note 40 to the financial statements.

## AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

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

DATO' IR. HAJI HARUN BIN AHMAD SARUJI DPMP, AMP

DATO' AZIAN BIN OSMAN DPMP, AMP

Ipoh, Perak Darul Ridzuan, Malaysia
Date: 31 March 2005

# Statement by Directors
# Statutory Declaration

## STATEMENT BY DIRECTORS
## PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, DATO' IR HAJI HARUN BIN AHMAD SARUJI DPMP, AMP and DATO' AZIAN BIN OSMAN DPMP, AMP, being two of the directors of PERAK CORPORATION BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 44 to 113 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

DATO' IR. HAJI HARUN BIN AHMAD SARUJI DPMP, AMP

DATO' AZIAN BIN OSMAN DPMP, AMP

Ipoh, Perak Darul Ridzuan, Malaysia
Date: 31 March 2005

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

I, HARBHAJAN SINGH A/L UJAGAR SINGH AMP, PPT, the officer primarily responsible for the financial management of PERAK CORPORATION BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 44 to 113 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 HARBHAJAN SINGH A/L
UJAGAR SINGH AMP, PPT, at Ipoh in the
State of Perak Darul Ridzuan
on 31 March 2005

HARBHAJAN SINGH A/L UJAGAR SINGH AMP, PPT

Before me,

ABD. RAHIM BIN HAJI MAT TAIB AMN, AMP
No: A010
Commissioner for oath
Ipoh, Perak Darul Ridzuan,
Malaysia.

# Report Of The Auditors

**REPORT OF THE AUDITORS TO THE MEMBERS OF**
**PERAK CORPORATION BERHAD**
(Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 44 to 113. 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 the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We have conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

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

   (i) the financial positions of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended; and

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

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

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 5 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries 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 explanations required by us for those purposes.

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

**ERNST & YOUNG**
**AF: 0039**
**Chartered Accountants**

**LEONG KENG YUEN**
**No. 1851/09/05 (J)**
**Partner**

Ipoh, Perak Darul Ridzuan, Malaysia
Date: 31 March 2005

# Consolidated Balance Sheet as at 31 December 2004

| | Note | 2004 RM | 2003 RM |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 3 | 90,588,450 | 91,631,176 |
| Land and development expenditure | 4 | 113,265,439 | 124,074,877 |
| Investments in associates | 6 | 23,755,943 | 23,044,295 |
| Other investments | 7 | 4,622,500 | 4,622,500 |
| Net goodwill arising on consolidation | 8 | 25,557,742 | 27,650,494 |
| Sinking fund account | 9 | - | 1,713,527 |
| Deferred tax assets | 26 | 2,190,000 | 2,119,000 |
| | | 259,980,074 | 274,855,869 |
| **CURRENT ASSETS** | | | |
| Property development costs | 4 | 133,871,499 | 133,767,314 |
| Inventories | 11 | 2,971,293 | 477,515 |
| Trade receivables | 12 | 100,330,435 | 78,812,954 |
| Other receivables | 13 | 106,855,505 | 126,471,914 |
| Tax recoverable | | 684,949 | 107,536 |
| Cash and bank balances | 14 | 26,886,578 | 33,861,277 |
| | | 371,600,259 | 373,498,510 |
| **CURRENT LIABILITIES** | | | |
| Borrowings | 15 | 88,247,699 | 92,361,232 |
| Trade payables | 18 | 6,490,933 | 5,857,371 |
| Other payables | 19 | 52,409,429 | 56,377,754 |
| Tax payable | | 6,177,846 | 8,079,139 |
| Provision for liabilities | 20 | 4,830,772 | 4,610,221 |
| | | 158,156,679 | 167,285,717 |
| **NET CURRENT ASSETS** | | 213,443,580 | 206,212,793 |
| | | 473,423,654 | 481,068,662 |
| **FINANCED BY:** | | | |
| Share capital | 21 | 100,000,000 | 100,000,000 |
| Share premium | | 172,770,440 | 172,770,440 |
| Retained profits | | 65,021,103 | 64,392,890 |
| Shareholders' equity | | 337,791,543 | 337,163,330 |
| Minority interests | | 66,721,858 | 63,088,040 |
| | | 404,513,401 | 400,251,370 |
| Redeemable preference shares | 23 | - | 73,390,000 |
| Borrowings | 15 | 64,306,570 | 2,993,142 |
| Retirement benefits | 25 | 499,729 | 342,150 |
| Deferred tax liabilities | 26 | 4,103,954 | 4,092,000 |
| Non-current liabilities | | 68,910,253 | 80,817,292 |
| | | 473,423,654 | 481,068,662 |

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

# Consolidated Income Statement

for the year ended 31 December 2004

| | Note | 2004<br>RM | 2003<br>RM |
|---|---|---|---|
| Revenue | | | |
| - continuing operations | | 126,157,187 | 97,045,362 |
| - discontinuing operations | 27 | - | 7,665,265 |
| | 28 | 126,157,187 | 104,710,627 |
| Cost of sales | 29 | (73,960,712) | (53,937,729) |
| Gross profit | | 52,196,475 | 50,772,898 |
| Other operating income | | 2,528,435 | 3,474,814 |
| Distribution costs | | (233,313) | (3,912,581) |
| Administrative expenses | | (18,843,163) | (17,998,878) |
| Other operating expenses | | (10,802,016) | (10,477,830) |
| Gain on disposal of a subsidiary | | - | 3,773,740 |
| Compensation for surrender of option | | - | (4,599,076) |
| Profit from operations | | | |
| - continuing operations | | 24,846,418 | 22,006,986 |
| - discontinuing operations | 27 | - | (973,899) |
| | 30 | 24,846,418 | 21,033,087 |
| Finance costs | 31 | (13,829,840) | (12,552,537) |
| Share of results of associates | | 1,132,523 | 646,968 |
| Profit before taxation | | 12,149,101 | 9,127,518 |
| Taxation | 32 | (8,232,610) | (7,987,002) |
| Profit after taxation | | 3,916,491 | 1,140,516 |
| Minority interests | | (1,848,278) | 430,710 |
| Net profit attributable to shareholders | | 2,068,213 | 1,571,226 |
| Earnings per share (sen) | | | |
| Basic | 33 | 2.07 | 1.72 |

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

# Consolidated Statement Of Changes In Equity

for the year ended 31 December 2004

| | Note | Share capital RM | Non distributable Share premium RM | Distributable Retained profits RM | Total RM |
|---|---|---|---|---|---|
| At 1 January 2003 | | | | | |
| (As previously stated) | | 70,000,000 | 190,497,543 | 63,954,664 | 324,452,207 |
| Prior year adjustments | 34 | - | - | (125,000) | (125,000) |
| At 1 January 2003 (as restated) | | 70,000,000 | 190,497,543 | 63,829,664 | 324,327,207 |
| Issue of new ordinary shares | | | | | |
| arising from private placement | | 10,000,000 | 2,700,000 | - | 12,700,000 |
| Defrayment of expenses | | - | (427,103) | - | (427,103) |
| Bonus issue from share premium | | | | | |
| account | | 20,000,000 | (20,000,000) | - | - |
| Net profit for the year | | - | - | 1,571,226 | 1,571,226 |
| Dividends | 35 | - | - | (1,008,000) | (1,008,000) |
| At 31 December 2003 | | 100,000,000 | 172,770,440 | 64,392,890 | 337,163,330 |
| At 1 January 2004 | | | | | |
| (As previously stated) | | 100,000,000 | 172,770,440 | 65,052,837 | 337,823,277 |
| Prior year adjustments | 34 | - | - | (659,947) | (659,947) |
| At 1 January 2004 (as restated) | | 100,000,000 | 172,770,440 | 64,392,890 | 337,163,330 |
| Net profit for the year | | - | - | 2,068,213 | 2,068,213 |
| Dividends | 35 | - | - | (1,440,000) | (1,440,000) |
| At 31 December 2004 | | 100,000,000 | 172,770,440 | 65,021,103 | 337,791,543 |

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

# Consolidated Cash Flow Statement

for the year ended 31 December 2004

| | 2004 RM | 2003 RM |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | 12,149,101 | 9,127,518 |
| Adjustments for: | | |
| Allowance for diminution in value of investment | - | 25,000 |
| Allowance for doubtful debts | 335,466 | 384,250 |
| Allowance for doubtful debts written back | - | (808) |
| Amortisation of goodwill arising on consolidation | 2,164,637 | 2,164,637 |
| Amortisation of reserve arising on consolidation | (71,885) | (71,885) |
| Bad debts written off | - | 85,943 |
| Depreciation | 4,160,786 | 3,498,907 |
| Development expenditure written off | 1,700,886 | - |
| Dividend income | (445,313) | (73,960) |
| Gain on disposal of a subsidiary | - | (3,773,740) |
| Interest expenses | 2,900,657 | 1,684,475 |
| Interest income | (2,368,218) | (2,629,736) |
| Loss on disposal of property, plant and equipment | - | 926 |
| Project expenditure written back | (334,182) | - |
| Provision for liquidated damages | 2,581,929 | 3,552,498 |
| Provision for retirement benefits | 150,502 | 182,408 |
| Redeemable preference shares dividends | 12,041,536 | 10,858,062 |
| Share of results of associates | (1,132,523) | (646,968) |
| Operating profit before working capital changes | 33,833,379 | 24,367,527 |
| Working capital changes: | | |
| Property development costs | 7,723,965 | (5,466,264) |
| Inventories | (2,493,779) | (332,367) |
| Payables | 2,572,562 | 17,207,760 |
| Receivables | (7,667,228) | (21,890,551) |
| Cash generated from operations | 33,968,899 | 13,886,105 |
| Liquidated damages paid | (2,361,378) | - |
| Retirement benefits paid | (36,829) | (63,428) |
| Taxes paid | (10,224,800) | (6,649,322) |
| Net cash generated from operating activities | 21,345,892 | 7,173,355 |

| | 2004 RM | 2003 RM |
|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Dividends received | 320,626 | 53,251 |
| Interest received | 2,368,218 | 2,629,736 |
| Proceeds from disposal of property, plant and equipment | - | 9,993 |
| Net proceeds from disposal of a subsidiary | - | 27,394,349 |
| Purchase of port facilities | (395,689) | (2,290,477) |
| Purchase of property, plant and equipment | (1,118,108) | (941,978) |
| Net cash generated from investing activities | 1,175,047 | 26,854,874 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Dividend paid | (1,440,000) | (1,008,000) |
| Drawdown of term loan | 1,455,147 | - |
| Interest paid | (1,537,524) | (1,684,475) |
| Net decrease in short term borrowings | (7,900,000) | (13,017,462) |
| Placement of bank balances pledged | (3,251,011) | - |
| (Placement)/uplift of deposits pledged | (1,414,925) | 3,775,177 |
| Proceeds from issuance of ordinary shares | - | 12,272,897 |
| Proceeds from issuance of BaIDS | 60,000,000 | - |
| Redemption of redeemable preference shares | (85,431,536) | - |
| Repayment of advances to minority shareholders | - | (4,033,227) |
| Repayment of hire purchase and lease financing | (152,553) | (693,446) |
| Repayment of term loan | (2,000,000) | (5,106,992) |
| Withdrawal from sinking fund | 1,713,527 | 55,073 |
| Net cash used in financing activities | (39,958,875) | (9,440,455) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT** | (17,437,936) | 24,587,774 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 31,598,977 | 7,011,203 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 14,161,041 | 31,598,977 |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 5,071,069 | 3,323,715 |
| Deposits with licensed banks | 21,815,509 | 30,537,562 |
| Bank overdrafts | (7,441,997) | (1,644,696) |
| | 19,444,581 | 32,216,581 |
| Deposits pledged for guarantees and other banking facilities granted to certain subsidiaries | (2,032,529) | (617,604) |
| Bank balances pledged (Note 17) | (3,251,011) | - |
| | 14,161,041 | 31,598,977 |

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

# Balance Sheet as at 31 December 2004

| | Note | 2004 RM | 2003 RM |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 3 | 10,854,809 | 11,020,868 |
| Land and development expenditure | 4 | - | 9,184,854 |
| Investments in subsidiaries | 5 | 6,702,509 | 6,702,509 |
| Investments in associates | 6 | 23,992,793 | 23,992,793 |
| Other investments | 7 | 4,622,500 | 4,622,500 |
| Due from subsidiaries | 10 | 220,567,454 | 211,756,424 |
| | | 266,740,065 | 267,279,948 |
| **CURRENT ASSETS** | | | |
| Property development costs | 4 | 41,325,935 | 23,064,360 |
| Other receivables | 13 | 92,504,737 | 114,461,016 |
| Cash and bank balances | 14 | 9,732,716 | 10,851,189 |
| Tax recoverable | | 172,809 | 90,806 |
| | | 143,736,197 | 148,467,371 |
| **CURRENT LIABILITIES** | | | |
| Borrowings | 15 | 80,613,489 | 88,512,159 |
| Other payables | 19 | 14,049,604 | 11,094,595 |
| | | 94,663,093 | 99,606,754 |
| **NET CURRENT ASSETS** | | 49,073,104 | 48,860,617 |
| | | 315,813,169 | 316,140,565 |
| **FINANCED BY:** | | | |
| Share capital | 21 | 100,000,000 | 100,000,000 |
| Share premium | | 172,770,440 | 172,770,440 |
| Retained profits | 22 | 41,818,023 | 42,133,739 |
| Shareholders' equity | | 314,588,463 | 314,904,179 |
| Due to a subsidiary | 24 | 1,218,235 | 1,219,585 |
| Borrowings | 15 | 6,471 | 16,801 |
| Non-current liabilities | | 1,224,706 | 1,236,386 |
| | | 315,813,169 | 316,140,565 |

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

# Income Statement for the year ended 31 December 2004

| | Note | 2004<br>RM | 2003<br>RM |
|---|---|---|---|
| Revenue | 28 | 2,600,863 | 2,097,509 |
| Cost of sales | 29 | - | - |
| Gross profit | | 2,600,863 | 2,097,509 |
| Other operating income | | 2,092,876 | 2,487,698 |
| Administrative expenses | | (953,617) | (973,078) |
| Other operating expenses | | (1,068,808) | (1,458,613) |
| Gain on disposal of a subsidiary | | - | 38,647,676 |
| Compensation for surrender of option | | - | (4,599,076) |
| Profit from operations | 30 | 2,671,314 | 36,202,116 |
| Finance costs | 31 | (760,579) | (701,761) |
| Profit before taxation | | 1,910,735 | 35,500,355 |
| Taxation | 32 | (786,451) | (730,402) |
| Net profit for the year | | 1,124,284 | 34,769,953 |

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

# Statement Of Changes In Equity
for the year ended 31 December 2004

| | Note | Share capital RM | Non distributable Share premium RM | Distributable Retained profits RM | Total RM |
|---|---|---|---|---|---|
| At 1 January 2003 | | 70,000,000 | 190,497,543 | 8,371,786 | 268,869,329 |
| Issue of new ordinary shares arising from private placement | | 10,000,000 | 2,700,000 | - | 12,700,000 |
| Defrayment of expenses | | - | (427,103) | - | (427,103) |
| Bonus issue from share premium account | | 20,000,000 | (20,000,000) | - | - |
| Net profit for the year | | - | - | 34,769,953 | 34,769,953 |
| Dividends | 35 | - | - | (1,008,000) | (1,008,000) |
| At 31 December 2003 | | 100,000,000 | 172,770,440 | 42,133,739 | 314,904,179 |
| Net profit for the year | | - | - | 1,124,284 | 1,124,284 |
| Dividends | 35 | - | - | (1,440,000) | (1,440,000) |
| At 31 December 2004 | | 100,000,000 | 172,770,440 | 41,818,023 | 314,588,463 |

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

# Cash Flow Statement for the year ended 31 December 2004

| | 2004<br>RM | 2003<br>RM |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | 1,910,735 | 35,500,355 |
| Adjustments for: | | |
| Allowance for diminution in value of investment | - | 25,000 |
| Allowance for doubtful debts written back | (334,182) | - |
| Depreciation | 174,209 | 172,031 |
| Dividend income | (445,313) | (73,960) |
| Gain on disposal of a subsidiary | - | (38,647,676) |
| Interest expenses | 1,146,126 | 701,761 |
| Interest income | (2,061,147) | (2,450,696) |
| Operating profit/(loss) before working capital changes | 390,428 | (4,773,185) |
| Working capital changes: | | |
| Property development costs | (9,076,721) | (2,799,467) |
| Receivables | 15,949,775 | (14,663,992) |
| Payables | 1,804,374 | 13,941,697 |
| Cash generated from/(used in) operations | 9,067,856 | (8,294,947) |
| Taxes paid | (743,767) | (1,447,106) |
| Net cash generated from/(used in) operating activities | 8,324,089 | (9,742,053) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Development expenditure for land held for future development | - | (9,184,854) |
| Dividends received | 320,626 | 53,251 |
| Interest received | 354,541 | 626,415 |
| Net proceeds from disposal of a subsidiary | - | 30,000,000 |
| Purchase of property, plant and equipment | (8,150) | (5,604) |
| Net cash generated from investing activities | 667,017 | 21,489,208 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Dividend paid | (1,440,000) | (1,008,000) |
| Interest paid | (760,579) | (701,761) |
| Net decrease in short term borrowings | (7,900,000) | (11,731,462) |
| Proceeds from issuance of ordinary shares | - | 12,272,897 |
| Repayment of hire purchase and lease financing | (9,000) | (9,685) |
| Net cash used in financing activities | (10,109,579) | (1,178,011) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT** | (1,118,473) | 10,569,144 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 10,851,189 | 282,045 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 9,732,716 | 10,851,189 |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 32,716 | 351,189 |
| Deposits with licensed banks | 9,700,000 | 10,500,000 |
| | 9,732,716 | 10,851,189 |

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

## 1. CORPORATE INFORMATION

The principal activities of the Company consist of property and investment holding, real property development and provision of management services. The principal activities of the subsidiaries are described in Note 5.

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at 7th Floor, Wisma Wan Mohamed, Jalan Panglima Bukit Gantang Wahab, 30000 Ipoh, Perak Darul Ridzuan.

The immediate and ultimate holding corporation of the Company is Perbadanan Kemajuan Negeri Perak, a body corporate established under Perak Enactment No. 3 of 1967.

The number of employees in the Group and in the Company at the end of the financial year were 436 (2003 : 466) and 8 (2003 : 8) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 31 March 2005.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

During the financial year ended 31 December 2004, the Group and the Company adopted Financial Reporting Standard FRS 201 : Property Development Activities for the first time.

The effects of adopting FRS 201 are summarised in the Statements of Changes in Equity and further information is disclosed in Note 34.

### (b) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the financial results and financial position of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the balance sheet as goodwill or reserve arising on consolidation.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Basis of Consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

Intragroup 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.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill or reserve which were not previously recognised in the consolidated income statement.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquirees' equity since then.

(ii) Associates

Associates are those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the management financial statements of the associates. Under the equity method of accounting, the Group's share of post-acquisition profits less losses of the associates during the year is included in the consolidated income statement. The Group's interest in the associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

### (c) Goodwill/Reserve Arising on Consolidation

Goodwill/reserve arising on consolidation represents the difference between the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiaries or associates at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

Goodwill/reserve arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill/reserve arising on the acquisition of the associates is included within the carrying amount of investments in the associates.

Goodwill/reserve arising on consolidation is amortised or credited to the income statement on a straight line basis over a period of not more than 20 years.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (d) Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

On disposal of an investment, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

### (e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

Freehold land is not depreciated. Long term leasehold land are depreciated over the period of the respective leases which range from 51 to 99 years.

Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

| | |
|---|---|
| Buildings | 2% - 5% |
| Plant and machinery | 10% - 20% |
| Other assets | |
| Equipment, furniture and fittings | 5% - 25% |
| Linen and tableware | 20% - 25% |
| Motor vehicles | 10% - 25% |
| Refurbishment and renovations | 10 years |

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement.

### (f) Land Held for Property Development and Property Development Costs

(i) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(n).

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) Land Held for Property Development and Property Development Costs (Cont'd)

(ii) Development of port facilities

Land is stated at the lower of cost and net realisable value. Development expenditure comprises cost of land and all direct expenses relating to the development of port facilities.

The principal annual rates of depreciation are:

| | |
|---|---|
| Leasehold portland | over 99 years |
| Port structure | over 50 years |
| Port equipment | over 10 – 20 years |

All expenditure incurred, associated with development of port facilities inclusive of interest cost, are capitalised in accordance with Note 2(o)(iv) and amortised over the estimated useful life.

Amortisation of the port structure is based on the revenue method where the cost is amortised based on the total actual revenue in the year over total expected revenue to be generated from the port operations during the period of its estimated useful life.

(iii) Development of tourism projects

Development expenditure represents tourism projects related expenditure undertaken by a subsidiary and is stated at cost. Ultimate recovery of such expenditure is dependent on the successful implementation of the projects. Should the directors consider the implementation to be no longer successful, the accumulated expenditure applicable will be charged to income statement.

(iv) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

When the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) Land Held for Property Development and Property Development Costs (Cont'd)

(iv) Property development costs (Cont'd)

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

### (g) Inventories

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

Cost is determined on the weighted average basis except that in certain subsidiaries, it is determined on a first-in, first-out basis. Cost of raw materials, sundry supplies and food and beverage comprise the purchase price and cost of bringing the inventories to location. The impact of adopting different accounting policies as stated above does not have a material impact on the Group's results.

Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution, where relevant.

### (h) Income Tax

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (i) Hire Purchase

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements. The corresponding outstanding obligations due under the hire purchase after deducting finance expenses are included as liabilities in the financial statements. The finance expenses are charged to the income statement over the period of the respective agreements.

A hire purchase gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for hire purchase assets is consistent with that for depreciable property, plant and equipment as described in Note 2(e).

### (j) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits with licensed financial institutions, but do not include deposits with licensed financial institutions which have been pledged for guarantee and other bank facilities granted to the Group and the Company as collaterals, and net of outstanding bank overdrafts.

### (k) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### (l) Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plans

As required by law, the Group make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (l) Employee Benefits (Cont'd)

(iii) Defined benefit plans

A subsidiary operates an unfunded defined benefit scheme ("The Scheme") under a Collective Agreement with the National Union of Hotel, Bar and Restaurant Workers, Peninsular Malaysia. The Group's obligation under the scheme, calculated using Projected Benefit Valuation Method, is determined by an actuarial valuation carried out every three years by a qualified actuary, through which the amount of benefit that employees have earned in return for their service in the current and prior years is estimated. That benefit is discounted in order to determine its present value. Actuarial gains and losses are recognised as income or expense over the expected average remaining working lives of the participating employees when the net cumulative unrecognised actuarial gains or losses for the Scheme exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Past service costs are recognised immediately to the extent that the benefits are already vested, and otherwise are amortised on a straight line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service costs, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the plan.

The last valuation of the Scheme was carried out in December 2002.

### (m) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Dividend income

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

(ii) Development properties

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2(f)(iv).

(iii) Hotel related operations

Revenue from hotel related operations comprising rental of hotel rooms, sale of food and beverage and other related income are recognised when the services are provided.

(iv) Management fees

Management fees in respect of the management services provided by the Company are recognised when the services are provided.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (m) Revenue Recognition (Cont'd)

(v) Mobilisation fees

Mobilisation fees are recognised on receivable basis.

(vi) Port services

Revenue from port services and provision of container services are measured at the fair value of the consideration receivable and are recognised in the income statement on rendered basis.

Revenue from Lekir Bulk Terminal Operation & Maintenance Agreement ("LBT O&M") is recognised in the income statement on an accrual basis.

(vii) Proceeds from bus fare collection and provision of charter services.

Proceeds received from bus fare collections and provision of charter services are recognised when services are rendered.

(viii) Rental income

Rental income is recognised over the term of the tenancy.

(ix) Sale of goods

Revenue relating to sale of goods is recognised net of discounts and rebates when transfer of risks and rewards have been completed.

(x) Sale of land

Revenue relating to sale of port development land is recognised on a percentage of completion basis.

Revenue relating to sale of vacant land represents the proportionate sales value of land sold attributable to the percentage of sales value received during the financial year. With regard to the sale of land where the subsidiary has transferred the risks and rewards of ownership upon finalisation of the sales and purchase agreements, revenue is recognised in full.

### (n) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories, financial assets and deferred tax assets, to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (o) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

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

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less allowance for any permanent diminution in value. Such allowance is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iv) Interest-Bearing Borrowings

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

Borrowings are reported at their face values. Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalised as part of the cost of those assets, until:

(i) port construction is completed and ready for use; or

(ii) properties under development are brought to their saleable position.

All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (o) Financial Instruments (Cont'd)

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Preference shares are classified as equity when the shares are non-redeemable and dividends are discretionary at the option of the issuer. Preference shares are classified as liability if the shares are redeemable on a specific date or at the option of the shareholders and dividends thereon are recognised in the income statement as interest expense.

(vi) Bai Bithaman Ajil Islamic Debt Securities ("BaIDS")

The BaIDS are bonds issued in accordance with the Islamic finance concept of Bai Bithaman Ajil and accordingly excluded from the disclosure and presentation requirements of FRS 132 – Financial Instruments: Disclosure and Presentation. In accordance with such concept, the subsidiary sold certain assets to a trustee, and will repurchase them back at a pre-agreed price inclusive of profit margin. The payment of the purchase price is deferred in accordance with the maturities of the BaIDS, whilst the profit element is paid half yearly.

BaIDS are initially recognised at cost, being the fair value of the consideration received. After initial recognition, the profit element attributable to the BaIDS in each period are recognised in the income statement as finance cost, at a constant rate to the maturity of each series respectively.

### (p) Segmental Information

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

### (q) Intersegment Transfers

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

## 3. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings* RM | Plant and machinery RM | Other assets** RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost** | | | | |
| At 1 January 2004 | 100,453,435 | 2,468,283 | 9,022,481 | 111,944,199 |
| Additions | 102,720 | 109,119 | 906,269 | 1,118,108 |
| Disposals | - | (500) | (2,911) | (3,411) |
| Adjustment | - | (24,124) | 71,780 | 47,656 |
| At 31 December 2004 | 100,556,155 | 2,552,778 | 9,997,619 | 113,106,552 |
| **Accumulated Depreciation** | | | | |
| At 1 January 2004 | 11,224,331 | 2,019,775 | 7,068,917 | 20,313,023 |
| Charge for the year | 1,296,653 | 60,844 | 793,016 | 2,150,513 |
| Disposals | - | (500) | (2,911) | (3,411) |
| Adjustment | - | - | 57,977 | 57,977 |
| At 31 December 2004 | 12,520,984 | 2,080,119 | 7,916,999 | 22,518,102 |
| **Net Book Value** | | | | |
| At 31 December 2004 | 88,035,171 | 472,659 | 2,080,620 | 90,588,450 |
| At 31 December 2003 | 89,229,104 | 448,508 | 1,953,564 | 91,631,176 |
| Depreciation charge for 2003 | 1,295,166 | 131,412 | 673,729 | 2,100,307 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

***Land and buildings**

| | Freehold land RM | Long term leasehold land RM | Short term leasehold land and building RM | Buildings RM | Total RM |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Cost** | | | | | |
| At 1 January 2004 | 24,922,500 | 27,276,741 | - | 48,254,194 | 100,453,435 |
| Additions | - | - | - | 102,720 | 102,720 |
| At 31 December 2004 | 24,922,500 | 27,276,741 | - | 48,356,914 | 100,556,155 |
| **Accumulated Depreciation** | | | | | |
| At 1 January 2004 | - | 2,602,568 | - | 8,621,763 | 11,224,331 |
| Charge for the year | - | 329,515 | - | 967,138 | 1,296,653 |
| At 31 December 2004 | - | 2,932,083 | - | 9,588,901 | 12,520,984 |
| **Net Book Value** | | | | | |
| At 31 December 2004 | 24,922,500 | 24,344,658 | - | 38,768,013 | 88,035,171 |
| At 31 December 2003 | 24,922,500 | 24,674,173 | - | 39,632,431 | 89,229,104 |
| Depreciation charge for 2003 | - | 329,516 | 566 | 965,084 | 1,295,166 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

****Other assets**

| | Equipment, furniture and fittings RM | Motor vehicles RM | Refurbishment and renovation RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost** | | | | |
| At 1 January 2004 | 6,860,167 | 1,730,529 | 431,785 | 9,022,481 |
| Additions | 906,269 | - | - | 906,269 |
| Disposals | - | (2,911) | - | (2,911) |
| Adjustment | 50,699 | 21,081 | - | 71,780 |
| At 31 December 2004 | 7,817,135 | 1,748,699 | 431,785 | 9,997,619 |
| **Accumulated Depreciation** | | | | |
| At 1 January 2004 | 5,626,059 | 1,263,071 | 179,787 | 7,068,917 |
| Charge for the year | 514,185 | 228,579 | 50,252 | 793,016 |
| Disposals | - | (2,911) | - | (2,911) |
| Adjustment | 57,977 | - | - | 57,977 |
| At 31 December 2004 | 6,198,221 | 1,488,739 | 230,039 | 7,916,999 |
| **Net Book Value** | | | | |
| At 31 December 2004 | 1,618,914 | 259,960 | 201,746 | 2,080,620 |
| At 31 December 2003 | 1,234,108 | 467,458 | 251,998 | 1,953,564 |
| Depreciation charge for 2003 | 406,972 | 216,505 | 50,252 | 673,729 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Long term leasehold land and building RM | Equipment, furniture and fittings RM | Motor vehicles RM | Total RM |
|---|---|---|---|---|
| **Company** | | | | |
| **Cost** | | | | |
| At 1 January 2004 | 11,934,000 | 56,741 | 231,841 | 12,222,582 |
| Additions | - | 8,150 | - | 8,150 |
| At 31 December 2004 | 11,934,000 | 64,891 | 231,841 | 12,230,732 |
| **Accumulated Depreciation** | | | | |
| At 1 January 2004 | 994,503 | 42,823 | 164,388 | 1,201,714 |
| Charge for the year | 142,071 | 6,970 | 25,168 | 174,209 |
| At 31 December 2004 | 1,136,574 | 49,793 | 189,556 | 1,375,923 |
| **Net Book Value** | | | | |
| At 31 December 2004 | 10,797,426 | 15,098 | 42,285 | 10,854,809 |
| At 31 December 2003 | 10,939,497 | 13,918 | 67,453 | 11,020,868 |
| Depreciation charge for 2003 | 142,072 | 4,791 | 25,168 | 172,031 |

(a) Net book values of property, plant and equipment held under hire purchase are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Plant and machinery | - | 74,900 | - | - |
| Other assets: | | | | |
| Equipment, furniture and fittings | - | 76,500 | - | - |
| Motor vehicles | 157,459 | 293,663 | 13,083 | 23,653 |
| | 157,459 | 445,063 | 13,083 | 23,653 |

## 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) During the year, the property, plant and equipment of the Group and of the Company were acquired by means of:

| | Group | | Company | |
|---|---|---|---|---|
| | **2004** | **2003** | **2004** | **2003** |
| | **RM** | **RM** | **RM** | **RM** |
| Cash payments | 1,118,108 | 941,978 | 8,150 | 5,604 |
| Hire purchase | - | 119,200 | - | - |
| | 1,118,108 | 1,061,178 | 8,150 | 5,604 |

(c) Included in the property, plant and equipment of the Group and of the Company are the following costs of fully depreciated assets which are still in use:

| | Group | | Company | |
|---|---|---|---|---|
| | **2004** | **2003** | **2004** | **2003** |
| | **RM** | **RM** | **RM** | **RM** |
| Plant and machinery | 1,386,617 | 1,353,032 | - | - |
| Other assets: | | | | |
| Equipment, furniture and fittings | 4,571,224 | 4,505,906 | 34,078 | 34,078 |
| Motor vehicles | 720,029 | 585,063 | 106,000 | 106,000 |
| | 6,677,870 | 6,444,001 | 140,078 | 140,078 |

## 4. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

### (a) Land Held for Property Development

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| At 1 January: | | | | |
| Freehold land | 46,301,140 | 37,116,286 | 9,184,854 | - |
| Port facilities * | 77,773,737 | 76,881,860 | - | - |
| | 124,074,877 | 113,998,146 | 9,184,854 | - |
| Cost incurred during the year: | | | | |
| Freehold land | - | 9,184,854 | - | 9,184,854 |
| Port facilities * | 385,689 | 2,290,477 | - | - |
| | 385,689 | 11,475,331 | - | 9,184,854 |
| Costs recognised as an expense in income statement: | | | | |
| Administrative expenses | (2,010,273) | (1,398,600) | - | - |
| Transfer: | | | | |
| To property development cost | (9,184,854) | - | (9,184,854) | - |
| At 31 December: | | | | |
| Freehold land | 37,116,286 | 46,301,140 | - | 9,184,854 |
| Port facilities * | 76,149,153 | 77,773,737 | - | - |
| | 113,265,439 | 124,074,877 | - | 9,184,854 |

## 4. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D)

### (a) Land Held for Property Development (Cont'd)

*The development of port facilities comprises the following:

| | Long term leasehold portland RM | Port structure RM | Port equipment RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost** | | | | |
| At 1 January 2004 | 14,525,291 | 64,202,306 | 8,358,645 | 87,086,242 |
| Additions | 127,477 | 219,874 | 48,338 | 395,689 |
| Written off | - | (10,000) | - | (10,000) |
| At 31 December 2004 | 14,652,768 | 64,412,180 | 8,406,983 | 87,471,931 |
| **Accumulated Depreciation** | | | | |
| At 1 January 2004 | 1,106,472 | 2,877,032 | 5,329,001 | 9,312,505 |
| Charge for the year | 146,935 | 1,010,000 | 853,338 | 2,010,273 |
| At 31 December 2004 | 1,253,407 | 3,887,032 | 6,182,339 | 11,322,778 |
| **Net Book Value** | | | | |
| At 31 December 2004 | 13,399,361 | 60,525,148 | 2,224,644 | 76,149,153 |
| At 31 December 2003 | 13,418,819 | 61,325,274 | 3,029,644 | 77,773,737 |
| Depreciation charge for 2003 | 145,983 | 504,411 | 748,206 | 1,398,600 |

(a) The long term leasehold portland of the Group was charged to banks in the prior year as part security for the redeemable preference shares issued by a sub-subsidiary to the syndicated lenders. During the year, the subsidiary redeemed the Redeemable Preference Shares and released all charges over the titles to the long term leasehold portland which subsequent to financial year end, are in the custody of the subsidiary [Note 38(b)].

(b) In accordance with financing procedure under Bai Bithaman Ajil, the Company has agreed to enter into asset purchase agreement dated 22 November 2004 with a bank to sell the port structure at RM60,000,000. Subsequent to the execution of this agreement, the Company entered into an asset sale agreement dated 22 November 2004 with the bank to repurchase the port structure at RM99,937,500 [Note 17].

(c) Included in port facilities of the Group are motor vehicles held under hire purchase arrangements at net book value of RM568,237 (2003 : RM572,217).

## 4. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D)

### (b) Property Development Costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Property development costs at 1 January: | | | | |
| Freehold land | 40,125,532 | 46,161,262 | 23,064,360 | 20,264,893 |
| Leasehold land | 51,424,763 | 48,125,296 | - | - |
| Development costs | 169,761,926 | 138,180,008 | - | - |
| | 261,312,221 | 232,466,566 | 23,064,360 | 20,264,893 |
| Cost incurred/(reversed) during the year: | | | | |
| Freehold land | 4,690,569 | (3,236,263) | 2,445,882 | 2,799,467 |
| Leasehold land | - | 500,000 | - | - |
| Development costs | 38,190,435 | 31,581,918 | 6,630,839 | - |
| | 42,881,004 | 28,845,655 | 9,076,721 | 2,799,467 |
| Costs recognised as an expense in income statement: | | | | |
| At 1 January | (127,544,907) | (96,827,075) | - | - |
| Cost of sales (Note 29) | (50,260,787) | (30,717,832) | - | - |
| Development expenditure written off | (1,700,886) | - | - | |
| At 31 December | (179,506,580) | (127,544,907) | - | - |
| Transfer: | | | | |
| From land held for property development | 9,184,854 | - | 9,184,854 | - |
| Property development costs at 31 December | 133,871,499 | 133,767,314 | 41,325,935 | 23,064,360 |
| Included in property development costs are the following expenses incurred during the financial year: | | | | |
| Interest on overdraft (Note 31) | 116,754 | - | - | - |

## 4. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D)

Titles of certain land costing RM13,006,944 (2003 : RM17,697,953) have yet to be issued to certain subsidiaries.

Included in freehold land of the Group is land amounting to RM2,556,944 (2003: RM6,356,944) being pledged to a bank for banking facilities granted to a subsidiary as referred to in Note 15.

## 5. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2004 RM | 2003 RM |
| Unquoted shares, at cost | | |
| Ordinary shares | 1,602,509 | 1,602,509 |
| Preference shares | 5,100,000 | 5,100,000 |
| | 6,702,509 | 6,702,509 |

Details of the subsidiaries are as follows:

| Name of Subsidiaries | Country of Incorporation | Equity Interest Held (%) 2004 | Equity Interest Held (%) 2003 | Principal Activities |
|---|---|---|---|---|
| Magni D'Corp Sdn. Bhd. | Malaysia | 100 | 100 | Property investment |
| PCB Development Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding and real property development |
| Premium Meridian Sdn. Bhd. | Malaysia | 100 | 100 | Property development and project management |
| Taipan Merit Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |
| Trans Bid Sdn. Bhd. | Malaysia | 51 | 51 | Distribution, operation and management of water supply services |
| Held by **PCB Development Sdn. Bhd.** | | | | |
| PCB Trading & Manufacturing Sdn. Bhd. | Malaysia | 100 | 100 | Trading and manufacture of building materials |
| PCB Transportation Travel & Tours Sdn. Bhd. | Malaysia | 100 | 100 | Provision of transport and travel services |

## 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Name of Subsidiaries | Country of Incorporation | Equity Interest Held (%) 2004 | 2003 | Principal Activities |
|---|---|---|---|---|
| Held by **Taipan Merit Sdn. Bhd.** | | | | |
| Lumut Maritime Terminal Sdn. Bhd.* [Note 39(e)] | Malaysia | 50 plus 1 share | 50 plus 1 share | Development of an integrated privatised project encompassing ownership and operations of multipurpose port facilities, operation and maintenance of a bulk terminal, sales and rental of port related land and other ancillary activities |
| Cash Hotel Sdn. Bhd. | Malaysia | 61.16 | 61.16 | Hotelier, restaurateur and property developer |
| Held by **Lumut Maritime Terminal Sdn. Bhd.** | | | | |
| LMT Capital Sdn. Bhd.* | Malaysia | 100 | 100 | Issuance and redemption of Redeemable Preference Shares in accordance with the debts restructuring scheme [Note 38(b)] |
| Held by **Cash Hotel Sdn. Bhd.** | | | | |
| Silveritage Corporation Sdn. Bhd. | Malaysia | 100 | 100 | Development of tourism projects |
| Held by **Silveritage Corporation Sdn. Bhd.** | | | | |
| Cash Complex Sdn. Bhd. | Malaysia | 50.48 | 50.48 | Investment holding |

*Audited by firms of auditors other than Ernst & Young

The directors are of the opinion that the fair values of the subsidiaries are not less than their carrying values as at 31 December 2004. The Company and its ultimate holding corporation will continue to assist in the development of the projects undertaken by the respective subsidiaries as and when required.

## 6. INVESTMENTS IN ASSOCIATES

| | Group 2004 RM | Group 2003 RM | Company 2004 RM | Company 2003 RM |
|---|---|---|---|---|
| At cost: | | | | |
| Quoted shares in Malaysia | 20,000,000 | 20,000,000 | 20,000,000 | 20,000,000 |
| Unquoted shares in Malaysia | 3,992,793 | 3,992,793 | 3,992,793 | 3,992,793 |
| | 23,992,793 | 23,992,793 | 23,992,793 | 23,992,793 |
| Share of post acquisition losses | (236,850) | (948,498) | - | - |
| | 23,755,943 | 23,044,295 | 23,992,793 | 23,992,793 |
| Represented by: | | | | |
| Share of net tangible assets | 23,755,943 | 23,044,295 | | |
| Market value of quoted shares | 16,333,334 | 20,766,667 | 16,333,334 | 20,766,667 |

Details of the associates are as follows:

| Name of Subsidiaries | Country of Incorporation | Equity Interest Held (%) 2004 | Equity Interest Held (%) 2003 | Principal Activities |
|---|---|---|---|---|
| Audrey International (M) Bhd | Malaysia | 22.06 | 22.12 | Investment holding and provision of management services |
| Konsortium LPB Sdn. Bhd. | Malaysia | 20 | 20 | To construct, operate and manage the operation of the privatised project West Coast Highway for a 30-year concession period |

The directors are of the opinion that the investment in an associate whose shares are quoted shall be held for long term with no intention of disposal below cost. Allowance for diminution shall only be provided for any permanent diminution in value.

## 7. OTHER INVESTMENTS

| | Group and Company | |
|---|---|---|
| | 2004 | 2003 |
| | RM | RM |
| At cost: | | |
| Unquoted shares in Malaysia | 25,000 | 25,000 |
| Less: Allowance for diminution in value of investment | (25,000) | (25,000) |
| | - | - |
| Quoted shares in Malaysia | 4,622,500 | 4,622,500 |
| | 4,622,500 | 4,622,500 |
| Market value of quoted shares | 2,976,890 | 3,124,810 |

The directors are of the opinion that the investment in quoted shares shall be held for long term with no intention of disposal below cost. Allowance for diminution shall only be provided for any permanent diminution in value.

## 8. NET GOODWILL ARISING ON CONSOLIDATION

| | Group and Company | |
|---|---|---|
| | 2004 | 2003 |
| | RM | RM |
| **Cost** | | |
| At 1 January | | |
| Goodwill arising on consolidation | 42,891,029 | 43,292,735 |
| Reserve arising on consolidation | (1,167,059) | (1,167,059) |
| Disposal of subsidiaries | - | (401,706) |
| At 31 December | 41,723,970 | 41,723,970 |
| **Amortisation** | | |
| At 1 January | | |
| Cumulative amortisation of goodwill | 14,437,126 | 12,184,409 |
| Cumulative recognition of reserve | (363,650) | (291,765) |
| | 14,073,476 | 11,892,644 |
| Amortisation charge for the year | 2,164,637 | 2,164,637 |
| Recognition of reserve | (71,885) | (71,885) |
| Disposal of subsidiaries | - | 88,080 |
| At 31 December | 16,166,228 | 14,073,476 |
| **Net book value** | 25,557,742 | 27,650,494 |

## 9. SINKING FUND ACCOUNT

The sinking fund account of a subsidiary has been restructured in accordance with the Settlement Agreement dated 24 December 1999. Thereafter, funds shall be deposited by the subsidiary which shall be utilised progressively for the redemption of the Redeemable Preference Shares ("RPS") issued by the sub-subsidiary to the syndicated lenders and the payment of the Final Settlement Sum over the tenure of the RPS according to the terms and conditions of the agreement.

During the year, the subsidiary has utilised all of its receipts to redeem the RPS issued by the sub-subsidiary plus the cumulative dividends arising thereon [Note 38(b)].

## 10. DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest free and not repayable or due within the next twelve months except for an amount due from a subsidiary totalling RM3,475,000 which bear an interest rate of 7.2% per annum.

## 11. INVENTORIES

| | Group | |
|---|---|---|
| | 2004 | 2003 |
| | RM | RM |
| At cost: | | |
| Finished goods | - | 14,655 |
| Tools and spares | 2,762,352 | 273,927 |
| Sundry supplies | 82,679 | 59,806 |
| Food and beverage | 126,262 | 129,127 |
| | 2,971,293 | 477,515 |

The cost of inventories of the Group recognised as an expense during the financial year amounted to RM2,511,890 (2003 : RM6,370,421).

## 12. TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | 2004 | 2003 |
| | RM | RM |
| Trade receivables | 92,961,240 | 78,844,010 |
| Accrued billings in respect of property development costs | 7,428,054 | - |
| | 100,389,294 | 78,844,010 |
| Less: Allowance for doubtful debts | (58,859) | (31,056) |
| | 100,330,435 | 78,812,954 |

## 12. TRADE RECEIVABLES (CONT'D)

| | Group | |
|---|---|---|
| | 2004 | 2003 |
| | RM | RM |
| Included in trade receivables are: | | |
| Due from ultimate holding corporation | 727,500 | 727,500 |
| Due from fellow subsidiaries | 18,984,990 | 18,984,990 |
| Due from companies in which certain directors of certain subsidiaries have or deemed to have substantial interests | 3,395,655 | 853,022 |
| Due from a former corporate shareholder of a subsidiary | - | 88,793 |
| Due from a corporate shareholder of a subsidiary | - | 7,325 |
| Due from a related party | 7,023,188 | 6,730,529 |

The amounts are unsecured, interest free and have no fixed terms of repayment.

Included in trade receivables of a subsidiary in prior year were amounts of RM1,792,241 payable by means of contra for works performed as negotiated by the subsidiary.

The Group's normal trade credit term ranges from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

## 13. OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| Due from ultimate holding corporation | | | | |
| - non-trade | 1,022,303 | 77,448,467 | - | 77,448,467 |
| Due from subsidiaries | | | | |
| - non-trade | - | - | 536,388 | 368,486 |
| Due from fellow subsidiaries | | | | |
| - non-trade | 90,352,902 | 20,125,361 | 90,352,902 | 20,125,361 |
| Earnest deposits | - | 662,598 | - | - |
| Deposits | 124,822 | 14,698,930 | - | 14,604,709 |
| Project expenditure | - | 293,299 | - | - |
| Prepayments | 248,126 | 5,935,638 | 6,776 | 6,775 |
| Share application monies | - | 350,000 | - | - |
| Sundry receivables | 15,583,368 | 7,652,920 | 1,608,671 | 2,241,400 |
| | 107,331,521 | 127,167,213 | 92,504,737 | 114,795,198 |
| Less: Impairment loss on project expenditure | - | (293,299) | - | - |
| Allowance for doubtful debts | (476,016) | (402,000) | - | (334,182) |
| | 106,855,505 | 126,471,914 | 92,504,737 | 114,461,016 |

The amounts due from ultimate holding corporation of the Group and of the Company are unsecured, interest free and have no fixed terms of repayment.

Included in the amounts due from fellow subsidiaries of the Group and of the Company are advances together with accrued interest amounting to RM90,060,981 (2003 : RM19,833,440) which are unsecured, bear interest rates of between 7.15% to 7.20% (2003 : 7.15% to 7.20%) per annum, and have no fixed term of repayment.

The earnest deposits of the Group in prior year was paid by a subsidiary for the purchase of a piece of land where the beneficial interest is in the process of being transferred to the said subsidiary by the ultimate holding corporation.

Included in the prepayments of the Group in prior year was an amount of RM5,615,026 being interest prepaid to syndicated lenders in connection with the restructuring scheme as disclosed in Note 38(b) which shall be utilised for the redemption of the RPS.

## 13. OTHER RECEIVABLES (CONT'D)

Included in sundry receivables of the Group is an amount of RM8,591,123 representing the balance of amount received from Lekir Bulk Terminal Sdn. Bhd. ("LBT") by a subsidiary for the expenses and sole purposes of procuring parts/tools and equipment as stipulated under Clause 6.7 of the Operations and Maintenance Agreement dated 30 June 2000 between the subsidiary and LBT. The balance as at 31 December 2003 amounting to RM8,779,731 was previously included under fixed deposits with licensed banks.

Included in sundry receivables is an amount owing from Tabung Keusahawanan Bumiputera of RM2,138,522 (2003 : RM2,100,000). The amounts are unsecured, interest free and have no fixed terms of repayment.

The amounts due from subsidiaries of the Company are unsecured, interest free and have no fixed terms of repayment.

The Group has no other significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

## 14. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2004<br>RM | 2003<br>RM | 2004<br>RM | 2003<br>RM |
| Cash in hand and at bank | 5,071,069 | 3,323,715 | 32,716 | 351,189 |
| Deposits with licensed banks | 21,815,509 | 30,537,562 | 9,700,000 | 10,500,000 |
| | 26,886,578 | 33,861,277 | 9,732,716 | 10,851,189 |

Included in the deposits with licensed banks of the Group are amounts of RM2,032,529 (2003 : RM617,504) pledged for guarantees and other bank facilities granted to certain subsidiaries as referred to in Note 15.

The average interest rates of the deposits with licensed banks during the financial year range between 2.00% to 3.70% (2003 : 2.2% to 3.1%) and the maturities of the deposits as at 31 December 2004 were between 1 day to 365 days (2003 : 2 days to 365 days).

Cash deposited in the designated disbursement account of a subsidiary amounting to RM3,251,011 (2003 : RM Nil) are not available for use by the Group as these amounts are reserved for the redemption of Bai Bithaman Ajil Islamic Debt Securities ("BaIDS") as disclosed in Note 17.

## 15. BORROWINGS

| | Group 2004 RM | Group 2003 RM | Company 2004 RM | Company 2003 RM |
|---|---|---|---|---|
| **Short Term Borrowings** | | | | |
| Secured: | | | | |
| Bank overdrafts | 7,441,997 | 1,644,696 | - | - |
| Term loans | - | 2,000,000 | - | - |
| Hire purchase payables (Note 16) | 202,938 | 213,772 | 10,725 | 9,395 |
| | 7,644,935 | 3,858,468 | 10,725 | 9,395 |
| Unsecured: | | | | |
| Revolving credits | 80,602,764 | 88,502,764 | 80,602,764 | 88,502,764 |
| | 88,247,699 | 92,361,232 | 80,613,489 | 88,512,159 |
| **Long Term Borrowings** | | | | |
| Secured: | | | | |
| Term loans | 4,040,155 | 2,585,008 | - | - |
| Hire purchase payables (Note 16) | 266,415 | 408,134 | 6,471 | 16,801 |
| Bai Bithaman Ajil Islamic Debt Securities (Note 17) | 60,000,000 | - | - | - |
| | 64,306,570 | 2,993,142 | 6,471 | 16,801 |
| **Total Borrowings** | | | | |
| Bank overdrafts | 7,441,997 | 1,644,696 | - | - |
| Revolving credits | 80,602,764 | 88,502,764 | 80,602,764 | 88,502,764 |
| Term loans | | | | |
| - term loan* | 4,040,155 | 2,585,008 | - | - |
| - repayable by 11 half yearly instalments commencing May 2000 | - | 2,000,000 | - | - |
| | 92,084,916 | 94,732,468 | 80,602,764 | 88,502,764 |
| Hire purchase payables (Note 16) | 469,353 | 621,906 | 17,196 | 26,196 |
| Bai Bithaman Ajil Islamic Debt Securities (Note 17) | 60,000,000 | - | - | - |
| | 152,554,269 | 95,354,374 | 80,619,960 | 88,528,960 |

## 15. BORROWINGS (CONT'D)

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| Maturity of borrowings (excluding hire purchase and BaIDS): | | | | |
| Within one year | 88,044,761 | 92,147,460 | 80,602,764 | 88,502,764 |
| Between one and two years | 2,585,008 | - | - | - |
| Between two and five years | 1,455,147 | 2,585,008 | - | - |
| | 92,084,916 | 94,732,468 | 80,602,764 | 88,502,764 |

* The term loan of the Group is expected to be repaid over two to five years by way of redemption proceeds from disposal of development properties of a subsidiary.

The applicable interest rates during the financial year for borrowings, excluding hire purchase and Bai Bithaman Ajil Islamic Debt Securities, were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | % | % | % | % |
| Bank overdrafts | 7.75 - 8.40 | 7.75 - 8.40 | - | - |
| Revolving credits | 5.20 - 5.65 | 5.00 - 5.50 | 5.20 - 5.65 | 5.00 - 5.50 |
| Term loans | 6.40 - 8.40 | 6.40 - 8.40 | - | - |

The bank overdrafts and term loans of the Group are secured by the following:

(a) freehold land of a subsidiary as referred to in Note 4;

(b) deposits with licensed banks of certain subsidiaries as referred to in Note 14; and

(c) corporate guarantees from the Company.

## 16. HIRE PURCHASE PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| Minimum hire purchase payments: | | | | |
| Not later than 1 year | 253,339 | 270,238 | 10,997 | 11,408 |
| Later than 1 year and not later than 2 years | 319,883 | 495,685 | 6,655 | 18,051 |
| | 573,222 | 765,923 | 17,652 | 29,459 |
| Less: Finance charges | (103,869) | (144,017) | (456) | (3,263) |
| | 469,353 | 621,906 | 17,196 | 26,196 |
| Representing hire purchase payables: | | | | |
| Due within 12 months (Note 15) | 202,938 | 213,772 | 10,725 | 9,395 |
| Due after 12 months (Note 15) | 266,415 | 408,134 | 6,471 | 16,801 |
| | 469,353 | 621,906 | 17,196 | 26,196 |

The hire purchase payables of the Group and of the Company bore interest at the balance sheet date of between 3.75% to 6.75% (2003 : 5.9% to 10.0%) per annum.

## 17. BAI BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BaIDS")

| | Group | |
|---|---|---|
| | 2004 | 2003 |
| | RM | RM |
| Primary bonds (Note 15) | 60,000,000 | - |
| Secondary bonds | 39,937,500 | - |
| | 99,937,500 | - |
| Less: Secondary bonds | (39,937,500) | - |
| | 60,000,000 | - |

| | 2004 | | 2003 | |
|---|---|---|---|---|
| | Primary Bonds | Secondary Bonds | Primary Bonds | Secondary Bonds |
| | RM | RM | RM | RM |
| Maturity of BaIDS: | | | | |
| Not later than 1 year | - | 4,500,000 | - | - |
| Later than 1 year and not later than 5 years | 10,000,000 | 17,250,000 | - | - |
| Later than 5 years | 50,000,000 | 18,187,500 | - | - |
| | 60,000,000 | 39,937,500 | - | - |

## 17. BAI BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BaIDS") (CONT'D)

Pursuant to the financing procedure under the Syariah principle of Bai Bithaman Ajil, a subsidiary has entered into an asset sale and re-purchase agreement on 22 November 2004 under which a bank has agreed to grant the subsidiary Bai Bithaman Ajil Debt Securities ("BaIDS") facility with an aggregate face value of RM60 million. The BaIDS are constituted by a Trust Deed dated 22 November 2004 between the subsidiary and the Trustee for the holders of the BaIDS.

The BaIDS are of negotiable value, non-interest bearing secured Primary Bonds together with non-detachable Secondary Bonds. The Primary Bonds were issued in 10 series, with maturities between 2007 to 2017.

Each series of BaIDS comprise Primary BaIDS with a face value of between RM5 million and RM10 million each, to which shall be attached an appropriate number of Secondary Bonds, the face value of which represents the semi-annual profit of the bonds. The Secondary Bonds are redeemable every 6 months commencing from the issue date and the last of which shall be payable on the maturity date. The face value of the Secondary Bonds are computed based on the profit rates of 7.5% per annum.

The BaIDS are secured by way of:

(i) assignment of the subsidiary's rights under the operations and maintenance agreements ("OMA") with Lekir Bulk Terminal Sdn Bhd ("LBT");

(ii) charge over a Designated Account of the subsidiary into which only the Fixed Project Consideration received from LBT under the OMA will be paid; and

(iii) Power of Attorney from the subsidiary for the appointment by the security trustee for the BaIDS, of a competent port operator as a sub-contractor of the subsidiary to fulfill in the event of non-performance by the subsidiary under the OMA.

The major covenants of the BaIDS are as follows:

**Positive Covenants**

The subsidiary shall:

(i) maintain a debt to equity ratio of not exceeding 70:30;

(ii) maintain all insurance necessary for its business as required under the OMA;

(iii) cause and ensure that the current shareholders remain unchanged unless with the prior consent of the Trustee; and

(iv) perform and carry out all and any of its obligations under the OMA.

## 17. BAI BITHAMAN AJIL ISLAMIC DEBT SECURITIES ("BaIDS") (CONT'D)

**Negative Covenants**

The subsidiary shall not without the prior written consent of the Trustee:

(i) reduce its authorised and/or issued ordinary shares save and except for redemption of preference share capital and any decrease in its issued capital resulting from purchases of its own shares;

(ii) incur, assume, guarantee or permit to exist any debt that will in aggregate exceed its Debt to Equity Ratio of 70:30;

(iii) save for the Leasehold Industrial Land, dispose of any such assets which will materially and adversely affect its business operations;

(iv) amend the OMA so as to affect the Fixed Project Consideration; and

(v) declare, pay dividends or make any distribution to equity investors or payment on any subordinated debt if an event default has occurred or the proceeds accounts is at any time less than the profit and principal payment due within the next six months.

## 18. TRADE PAYABLES

| | Group | |
|---|---|---|
| | **2004** | **2003** |
| | **RM** | **RM** |
| Trade payables | 6,490,933 | 4,732,688 |
| Progress billings in respect of property development costs | - | 1,124,683 |
| | 6,490,933 | 5,857,371 |

The normal trade credit term granted to the Group ranges from 7 to 90 days.

## 19. OTHER PAYABLES

| | Group 2004 RM | Group 2003 RM | Company 2004 RM | Company 2003 RM |
|---|---|---|---|---|
| Due to ultimate holding corporation | 2,157,261 | 694,086 | 763,738 | - |
| Due to fellow subsidiaries | 1,779,367 | 2,841,536 | 402,357 | 402,356 |
| Deposits received | 1,179,684 | 1,330,184 | 1,179,684 | 429,684 |
| Dividend payable in relation to redeemable preference shares of a sub-subsidiary | - | 4,200,942 | - | - |
| Advances from purchasers | 3,501,180 | 4,729,984 | - | - |
| Advances received on contracts for tender | 1,348,812 | 168,996 | - | - |
| Accruals | 3,822,285 | 3,320,560 | 172,045 | 273,474 |
| Retirement benefits (Note 25) | 13,494 | 57,400 | - | - |
| Amount payable for the purchase of land | 14,465,479 | 8,266,369 | 11,097,797 | 8,266,369 |
| Funds for Operations and Maintenance (O&M) | 8,591,123 | 8,994,204 | - | - |
| Sundry payables | 15,550,744 | 21,773,493 | 433,983 | 1,722,712 |
| | 52,409,429 | 56,377,754 | 14,049,604 | 11,094,595 |
| Included in sundry payables are: | | | | |
| Due to a former corporate shareholder of a subsidiary | 3,253,492 | 3,255,992 | 432,442 | 372,441 |
| Due to companies in which certain directors of certain subsidiaries have substantial interests | - | 28,428 | - | - |
| Amount due arising from the acquisition of certain properties by a subsidiary | 1,011,161 | 1,011,161 | - | - |

* The amount will be classified as Class B preference shares of the subsidiary when approval from the relevant authorities is obtained.

## 20. PROVISION FOR LIABILITIES

| | Group 2004 RM | Group 2003 RM |
|---|---|---|
| At 1 January | 4,610,221 | 1,057,723 |
| Additional provision | 2,581,929 | 3,552,498 |
| Payments made | (2,361,378) | - |
| At 31 December | 4,830,772 | 4,610,221 |

Provision is with regard to liquidated damages in respect of projects undertaken by a subsidiary. The provision is recognised for expected liquidated damages claim based on the terms of the applicable sale and purchase agreements.

## 21. SHARE CAPITAL

| | Number of Ordinary Shares of RM1 Each | | Amount | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 RM | 2003 RM |
| Authorised | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |
| Issued and fully paid | | | | |
| At 1 January | 100,000,000 | 70,000,000 | 100,000,000 | 70,000,000 |
| Issued during the year | | | | |
| - private placement | - | 10,000,000 | - | 10,000,000 |
| - bonus issue | - | 20,000,000 | - | 20,000,000 |
| At 31 December | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |

## 22. RETAINED PROFITS

As at 31 December 2004, the Company have sufficient tax credit under Section 108 of the Income Tax Act 1967 to frank the payment of dividends amounting to approximately RM15,470,000 (2003 : RM15,300,000) out of its retained profits. If the balance of the retained profits were to be distributed as dividends, the Company would have a Section 108 shortfall of approximately RM10,247,000 (2003 : RM10,432,000).

## 23. REDEEMABLE PREFERENCE SHARES

| | Group 2004 RM | Group 2003 RM |
|---|---|---|
| Redeemable preference share capital of RM1 each | - | 7,339 |
| Share premium account | - | 73,382,661 |
| | - | 73,390,000 |

The Redeemable Preference Shares ("RPS") consists of 7,339 RPS of RM1 each issued at a premium of RM9,999 each by a sub-subsidiary to the syndicated lenders in connection with the debt restructuring scheme [Note 38(b)].

During the year, the subsidiary fully redeemed the RPS issued by its sub-subsidiary and all accumulated dividends arising thereon. The redemption was fully settled by payment in cash except for 690 RPS held by Integrax Berhad in which the subsidiary had allotted 6,900,000 new ordinary shares of RM1 each at par to Pelabuhan Lumut Sdn. Bhd., a wholly owned subsidiary of Integrax Berhad as full and final settlement. Upon redemption of the RPS, the settlement sum was set off against amounts due by the subsidiary to its sub-subsidiary.

## 24. DUE TO A SUBSIDIARY

The amount due to a subsidiary is non-trade in nature, unsecured, interest free and not repayable or due within the next twelve months.

## 25. RETIREMENT BENEFITS

The amounts recognised in the balance sheet are determined as follows:

| | Group 2004 RM | Group 2003 RM |
|---|---|---|
| Present value of unfunded defined benefits obligations | 804,064 | 756,062 |
| Unrecognised actuarial losses | (290,841) | (356,512) |
| Net liability | 513,223 | 399,550 |
| Analysed as: | | |
| Current | 13,494 | 57,400 |
| Non-current | 499,729 | 342,150 |
| | 513,223 | 399,550 |

## 25. RETIREMENT BENEFITS (CONT'D)

| | Group 2004 RM | Group 2003 RM |
|---|---|---|
| The amounts recognised in the income statements are as follows: | | |
| Current service cost | 56,496 | 56,496 |
| Interest cost | 45,766 | 45,766 |
| Transition obligation recognised | 48,240 | 80,146 |
| Expense recognised in income statement | 150,502 | 182,408 |
| Movements in the net liability in the current year were as follows: | | |
| At 1 January | 399,550 | 280,570 |
| Amounts recognised in the income statement | 150,502 | 182,408 |
| Contributions paid | (36,829) | (63,428) |
| At 31 December | 513,223 | 399,550 |

Principal actuarial assumption used:

| | 2004 RM | 2003 RM |
|---|---|---|
| Discount rate | 7.0 | 7.0 |
| Expected return on plan assets | - | - |
| Expected rate of salary increases | 5.0 | 5.0 |
| Future pension increases | - | - |

## 26. DEFERRED TAX

| | Group 2004 RM | Group 2003 RM |
|---|---|---|
| At 1 January | 1,973,000 | 1,724,388 |
| Disposal of a subsidiary | - | (499,800) |
| Recognised in the income statement (Note 32) | (59,046) | 748,412 |
| At 31 December | 1,913,954 | 1,973,000 |
| Presented after appropriate offsetting as follows: | | |
| Deferred tax assets | (2,190,000) | (2,119,000) |
| Deferred tax liabilities | 4,103,954 | 4,092,000 |
| | 1,913,954 | 1,973,000 |

## 26. DEFERRED TAX (CONT'D)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

**Deferred Tax Assets of the Group:**

| | Property, plant and equipment RM | Provision for liquidated damages RM | Retirement benefits RM | Unabsorbed capital allowances RM | Total RM |
|---|---|---|---|---|---|
| At 1 January 2004 | 2,097,376 | (1,290,941) | (95,802) | (2,829,633) | (2,119,000) |
| Recognised in the income statement | (839,502) | (62,327) | (47,900) | 878,729 | (71,000) |
| At 31 December 2004 | 1,257,874 | (1,353,268) | (143,702) | (1,950,904) | (2,190,000) |
| At 1 January 2003 | 1,779,936 | (296,692) | (78,560) | (3,397,096) | (1,992,412) |
| Recognised in the income statement | 317,440 | (994,249) | (17,242) | 567,463 | (126,588) |
| At 31 December 2003 | 2,097,376 | (1,290,941) | (95,802) | (2,829,633) | (2,119,000) |

**Deferred Tax Liabilities of the Group:**

| | Property, plant and equipment RM |
|---|---|
| At 1 January 2004 | 4,092,000 |
| Recognised in the income statement | 11,954 |
| At 31 December 2004 | 4,103,954 |
| At 1 January 2003 | 3,716,800 |
| Disposal of a subsidiary | (499,800) |
| Recognised in the income statement | 875,000 |
| At 31 December 2003 | 4,092,000 |

## 26. DEFERRED TAX (CONT'D)

Deferred tax assets have not been recognised in respect of the following items:

| | Group 2004 RM | Group 2003 RM | Company 2004 RM | Company 2003 RM |
|---|---|---|---|---|
| Unused tax losses | 4,676,186 | 4,678,022 | - | - |
| Unabsorbed capital allowances | 4,111,804 | 7,005,650 | - | 139,791 |

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the Company and its subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as there is no assurance that future taxable income will be sufficient to allow the benefit to be realised.

## 27. DISCONTINUING OPERATIONS

On 11 February 2003, the disposal of Anakku Holdings Sdn. Bhd. ("AHSB") and its subsidiaries was completed and AHSB ceased to be a wholly owned subsidiary of the Company. The subsidiary was an investment holding company with subsidiaries operating in the manufacturing and trading of children's wear and related products.

The revenue, results and cash flows of the subsidiary were as follows:

| | Financial period ended 11.2.2003 RM |
|---|---|
| Revenue | 7,665,265 |
| Cost of sales | (3,953,750) |
| Gross profit | 3,711,515 |
| Other operating income | 3,529 |
| Distribution costs | (3,661,855) |
| Other operating expenses | (120,697) |
| Administrative expenses | (906,391) |
| Loss from operations | (973,899) |
| Finance cost, net | (50,038) |
| Loss before taxation | (1,023,937) |
| Taxation | - |
| Loss attributable to shareholders | (1,023,937) |

## 27. DISCONTINUING OPERATIONS (CONT'D)

| | Financial period ended 11.2.2003 RM |
|---|---|
| Cash flows from operating activities | (3,791,092) |
| Cash flows from investing activities | (17,108) |
| Cash flows from financing activities | 410,784 |
| Total cash flows | (3,397,416) |

The net assets of the subsidiary were as follows:

| | 11.2.2003 RM |
|---|---|
| Net assets disposed: | |
| Property, plant and equipment | 9,204,685 |
| Inventories | 23,129,282 |
| Intangible assets | 26,475 |
| Trade and other receivables | 32,565,483 |
| Cash and bank balances | 3,198,614 |
| Trade and other payables | (17,760,584) |
| Short term borrowings | (2,505,675) |
| Taxation | 96,002 |
| Long term borrowings | (914,596) |
| Deferred taxation | (499,800) |
| | 46,539,886 |
| Reserve on consolidation | (313,626) |
| Gain on disposal to the Group | 3,773,740 |
| Total consideration | 50,000,000 |
| Satisfied by: | |
| Cash | 30,000,000 |
| Issuance of shares in Audrey International (M) Bhd. | 20,000,000 |
| | 50,000,000 |
| Net cash inflow arising on disposal: | |
| Cash consideration | 30,000,000 |
| Cash and cash equivalents of subsidiary disposed | (2,605,651) |
| | 27,394,349 |

There was no tax charge arising from the gain on disposal.

## 27. DISCONTINUING OPERATIONS (CONT'D)

The effect of the disposal of subsidiary on the results of the Company for the year were as follows:

| | 2003 RM |
|---|---|
| Total consideration | 50,000,000 |
| Less: Cost of investments in subsidiaries | (11,352,324) |
| Gain on disposal of subsidiary | 38,647,676 |

## 28. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Dividend income (gross) | | | | |
| Quoted shares in Malaysia | 445,313 | 73,960 | 445,313 | 73,960 |
| Development properties | | | | |
| Sale of development properties | 45,650,437 | 17,025,325 | - | - |
| Profit from joint development project | 1,060,101 | 3,566,863 | - | - |
| Hotel related operations | 13,956,753 | 12,611,142 | - | - |
| Management fees | - | - | 132,000 | - |
| Port services | 45,112,869 | 38,823,807 | - | - |
| Proceeds received from bus fare collections and provision of charter services | 24,945 | 34,559 | - | - |
| Project management fees | 400,600 | 184,650 | - | - |
| Rental income | 2,322,217 | 2,328,576 | 2,023,550 | 2,023,549 |
| Sale of goods | 619,048 | 8,033,515 | - | - |
| Sale of land | 16,564,904 | 22,028,230 | - | - |
| | 126,157,187 | 104,710,627 | 2,600,863 | 2,097,509 |

## 29. COST OF SALES

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| Cost of development properties | 40,850,298 | 16,835,390 | - | - |
| Cost of land sold | 9,410,489 | 13,882,442 | - | - |
| | 50,260,787 | 30,717,832 | - | - |
| Cost of goods sold | 5,790,501 | 9,131,122 | - | - |
| Cost of services | 17,909,424 | 14,088,775 | - | - |
| | 73,960,712 | 53,937,729 | - | - |

## 30. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| Allowance for diminution in value of investment | - | 25,000 | - | 25,000 |
| Allowance for doubtful debts | 335,466 | 384,250 | - | - |
| Allowance for doubtful debts written back | - | (808) | (334,182) | - |
| Amortisation of goodwill arising on consolidation | 2,164,637 | 2,164,637 | - | - |
| Auditors' remuneration | | | | |
| Statutory audits | 65,700 | 64,400 | 15,000 | 15,000 |
| Other services | 5,000 | 5,000 | 5,000 | 5,000 |
| Bad debts written off | - | 85,943 | - | - |
| Directors' remuneration* | | | | |
| Directors of the Company: | | | | |
| Fees | 118,000 | 135,112 | 114,000 | 130,112 |
| Other emoluments | 167,922 | 167,880 | 16,250 | 20,100 |
| Other directors: | | | | |
| Fees | 24,000 | 24,000 | - | - |
| Employees Provident Fund | 19,320 | 16,800 | - | - |
| Other emoluments | 311,988 | 172,200 | - | - |

## 30. PROFIT FROM OPERATIONS (CONT'D)

Profit from operations is stated after charging/(crediting) [Cont'd.]:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Depreciation** | 4,160,786 | 3,498,907 | 174,209 | 172,031 |
| Development expenditure written off | 1,700,886 | - | - | - |
| Interest on late payment | 1,005,599 | - | 385,547 | - |
| Project expenditure written back | (334,182) | - | - | - |
| Provision for liquidated damages | 2,581,929 | 3,552,498 | - | - |
| Provision for retirement benefits | 150,502 | 182,408 | - | - |
| Rental of port equipment | 4,077,470 | 4,999,890 | - | - |
| Rental of premises | 343,160 | 343,160 | 325,160 | 325,160 |
| Staff costs*** | 10,133,930 | 10,545,703 | 606,134 | 629,306 |
| Loss on disposal of property, plant and equipment | - | 926 | - | - |
| Amortisation of reserve arising on consolidation | (71,885) | (71,885) | - | - |
| Interest income | (2,368,218) | (2,629,736) | (2,061,147) | (2,450,696) |
| Rental income | (2,074,105) | (2,218,105) | (2,023,549) | (2,023,549) |

* The estimated monetary value of other benefits not included in the above received by the directors of the Group and the Company are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| Directors of the Company | 7,300 | 6,700 | - | - |
| Directors of subsidiaries | - | 4,200 | - | 4,200 |
| | 7,300 | 10,900 | - | 4,200 |

** A portion of these expenses is charged to land and development expenditure whereby profits attributable to the percentage of completion of each individual project have been recognised in the income statement (Note 4).

## 30. PROFIT FROM OPERATIONS (CONT'D)

*** Staff costs (excluding directors' remuneration) comprised:

| | Group 2004 RM | Group 2003 RM | Company 2004 RM | Company 2003 RM |
|---|---|---|---|---|
| Salaries and wages | 9,447,519 | 9,695,848 | 572,874 | 595,853 |
| Employees Provident Fund contribution | 635,570 | 812,156 | 32,814 | 33,048 |
| Social Security Fund contribution | 20,383 | 20,530 | 446 | 405 |
| Other staff related expenses | 30,458 | 17,169 | - | - |
| | 10,133,930 | 10,545,703 | 606,134 | 629,306 |

## 31. FINANCE COSTS

| | Group 2004 RM | Group 2003 RM | Company 2004 RM | Company 2003 RM |
|---|---|---|---|---|
| BaIDS financing cost | 357,534 | - | - | - |
| Redeemable preference shares dividends | 12,041,536 | 10,858,062 | - | - |
| Interest on overdraft | 215,002 | 367,094 | - | - |
| Interest on term loan | 393,784 | 462,712 | - | - |
| Interest on hire purchase | 58,333 | 71,141 | 2,412 | 3,577 |
| Interest on revolving credit | 758,167 | 661,150 | 758,167 | 661,150 |
| Others | 112,238 | 122,378 | - | 37,034 |
| Agency fee | 10,000 | 10,000 | - | - |
| | 13,946,594 | 12,552,537 | 760,579 | 701,761 |
| Less: Amount capitalised in property development costs (Note 4) | (116,754) | - | - | - |
| | 13,829,840 | 12,552,537 | 760,579 | 701,761 |

## 32. TAXATION

| | Group 2004 RM | Group 2003 RM | Company 2004 RM | Company 2003 RM |
|---|---|---|---|---|
| Current tax: | | | | |
| Tax expense for the year | 7,958,072 | 7,175,760 | 846,041 | 791,534 |
| Overprovision in prior years | (87,291) | (126,105) | (59,590) | (61,132) |
| | 7,870,781 | 7,049,655 | 786,451 | 730,402 |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences (Note 26) | (59,046) | 748,412 | - | - |
| Share of taxation of associates | 420,875 | 188,935 | - | - |
| | 8,232,610 | 7,987,002 | 786,451 | 730,402 |

With effect from year of assessment 2004, for companies with paid up capital of RM2.5 million and below, corporate tax at the rate of 20% is payable on chargeable income of up to RM500,000 (2003 : RM100,000). For chargeable income in excess of RM500,000 (2003 : RM100,000) corporate tax at the rate of 28% is applicable.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to the income tax expense at the effective income tax rate of the Group and of the Company are as follows:

| | 2004 RM | 2003 RM |
|---|---|---|
| **Group** | | |
| Profit before taxation | 12,149,101 | 9,127,518 |
| Taxation at applicable tax rate | 3,397,593 | 2,555,705 |
| Expenses not deductible for tax purposes | 5,608,867 | 6,137,124 |
| Income not subject to tax | (888,177) | (1,056,647) |
| Other items | 557,114 | 478,427 |
| Tax savings recognised arising from unutilised tax losses brought forward | - | (1,502) |
| Utilisation of previously unrecognised unabsorbed capital allowances | (355,496) | - |
| Overprovision in prior years | (87,291) | (126,105) |
| Tax expense for the year | 8,232,610 | 7,987,002 |

## 32. TAXATION

| | 2004 RM | 2003 RM |
|---|---|---|
| **Company** | | |
| Profit before taxation | 1,910,735 | 35,500,355 |
| Taxation at applicable tax rate | 535,006 | 9,940,099 |
| Income not subject to tax | (93,571) | (10,821,349) |
| Expenses not deductible for tax purposes | 404,606 | 1,672,784 |
| Overprovision in prior years | (59,590) | (61,132) |
| Tax expense for the year | 786,451 | 730,402 |

## 33. EARNINGS PER SHARE

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

| | Group 2004 | 2003 |
|---|---|---|
| Net profit attributable to shareholders (RM) | 2,068,213 | 1,571,226 |
| Weighted average number of ordinary shares: | | |
| Issued ordinary shares at the beginning of the year | 100,000,000 | 70,000,000 |
| Effect of private placement | - | 1,616,438 |
| Effect of the bonus issue | - | 20,000,000 |
| Weighted average number of ordinary shares | 100,000,000 | 91,616,438 |
| Basic earnings per share (sen) | 2.07 | 1.72 |

The comparative basic earnings per share has been restated to take into account the effects of the changes in accounting policy (Note 2(a) and Note 34) on net profit for the year.

## 34. CHANGES IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENTS

### (a) Changes in Accounting Policy

During the financial year, the Group adopted FRS 201: Property Development Activities for the first time and accordingly modified the accounting policies. The changes in accounting policy which resulted in prior year adjustments are discussed below:

In the previous year, liquidated damages payable to purchasers has been capitalised as a component cost of property development costs whereby this has been included in the computation of the stage of completion of the respective property development projects.

Upon adoption of FRS 201, liquidated damages payable to purchasers are not capitalised but are recognised as an expense in the income statement. The computation of the stage of completion of the property development activities is similar to that in the previous year except that the liquidated damages payable are excluded in the said computation.

### (b) Prior Year Adjustments

The changes in accounting policy has been applied retrospectively and comparatives have been restated. The effect of change in accounting policy is as follows:

| | Group | |
|---|---|---|
| | **2004** | **2003** |
| Effects on retained profits: | | |
| At 1 January, as previously stated | 65,052,837 | 63,954,664 |
| Effects of change in accounting policy | (659,947) | (125,000) |
| At 1 January, as restated | 64,392,890 | 63,829,664 |
| Effects on net profit for the year: | | |
| Net profit before change in accounting policy | 2,369,507 | 2,106,173 |
| Effects of change in accounting policy | (301,294) | (534,947) |
| Net profit for the year | 2,068,213 | 1,571,226 |

## 34. CHANGES IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENTS (CONT'D)

### (b) Prior Year Adjustments (Cont'd)

Comparative amounts as at 31 December 2003 have been restated as follows:

| | Previously stated RM | Adjustments RM | Restated RM |
|---|---|---|---|
| Balance sheet: | | | |
| Deferred tax assets | 840,000 | 1,279,000 | 2,119,000 |
| Property development costs | 114,215,135 | 19,552,179 | 133,767,314 |
| Trade payables | (4,732,688) | (1,124,683) | (5,857,371) |
| Provision for liquidated damages | - | (4,610,221) | (4,610,221) |
| Tax payable | (7,049,140) | (1,029,999) | (8,079,139) |
| Deferred tax liabilities | (4,115,000) | 23,000 | (4,092,000) |
| Income statement: | | | |
| Revenue | 106,919,761 | (2,209,134) | 104,710,627 |
| Cost of sales | (58,882,138) | 4,944,409 | (53,937,729) |
| Administrative expenses | (14,446,380) | (3,552,498) | (17,998,878) |
| Profit before taxation | 9,869,465 | (741,947) | 9,127,518 |
| Cash flow statement: | | | |
| Profit before taxation | 9,869,465 | (741,947) | 9,127,518 |
| Adjustments: | | | |
| Attributable loss on development projects | (2,170,247) | 2,170,247 | - |
| Provision for liquidated damages | - | 3,552,498 | 3,552,498 |
| Changes in working capital | | | |
| Payables | 14,201,304 | 3,006,456 | 17,207,760 |
| Development properties | 11,916,452 | (17,382,716) | (5,466,264) |
| Investing activities | | | |
| Land and development expenditure | (14,660,524) | 14,660,524 | - |

## 35. DIVIDEND

| | Amount 2004 RM | Amount 2003 RM | Dividend per share 2004 sen | Dividend per share 2003 sen |
|---|---|---|---|---|
| (a) Final ordinary dividend of 2% less 28% taxation | 1,440,000 | 1,008,000 | 1.44 | 1.44 |

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 December 2004 of 2% on 100,000,000 ordinary shares less 28% taxation amounting to a total dividend of RM1,440,000 (1.44 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2005.

(b) During the year, a sub-subsidiary, LMT Capital Sdn. Bhd. ("LMTC") paid a total dividend of RM5,834,642 less 28% taxation amounting to RM4,200,942 on 7,339 Redeemable Preference Shares ("RPS") of RM1 each for the financial year ended 31 December 2003 to its RPS holders as approved by LMTC's shareholder at the fourth Annual General Meeting of LMTC. The net dividend of RM4,200,942 has been paid on 3 December 2004.

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions of the Group and the Company for the year are as follows:

| | Group 2004 RM | Group 2003 RM | Company 2004 RM | Company 2003 RM |
|---|---|---|---|---|
| **Transactions with the ultimate holding corporation** | | | | |
| *Perbadanan Kemajuan Negeri Perak* | | | | |
| Advances paid | 81,068,804 | 2,424,317 | 80,009,419 | 2,424,317 |
| Disbursements | 82,165 | 83,739 | 80,768 | 83,739 |
| Management fee expense | 176,000 | 176,000 | 176,000 | 176,000 |
| Project expenditure | 2,098,000 | 1,424,000 | 1,424,000 | 1,424,000 |
| Rental payable | 325,160 | 325,160 | 325,160 | 325,160 |
| Project management income | (72,539) | (68,745) | - | - |
| Rental income | (2,023,549) | (2,023,549) | (2,023,549) | (2,023,549) |
| Repayment of advances | (2,412,687) | (1,885,329) | (1,779,593) | (1,776,329) |

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| **Transactions with subsidiaries** | | | | |
| *Anakku Holdings Sdn. Bhd.* | | | | |
| Repayment of advances | - | - | 360,000 | 360,000 |
| *Magni D'Corp Sdn. Bhd.* | | | | |
| Repayment of advances | - | - | 1,350 | 63,774 |
| *Premium Meridian Sdn. Bhd.* | | | | |
| Repayment of advances | - | - | 60,000 | 60,000 |
| *Cash Hotel Sdn. Bhd.* | | | | |
| Advances paid | - | - | (500,000) | - |
| *PCB Development Sdn. Bhd.* | | | | |
| Accounting fees | - | - | (18,000) | (18,000) |
| Advances paid | - | - | (1,557,714) | (1,580,356) |
| Interest income | - | - | (258,105) | (236,870) |
| Management fee income | - | - | (132,000) | - |
| Repayment of advances | - | - | - | 163,131 |
| *Trans Bid Sdn. Bhd.* | | | | |
| Advances paid | - | - | (2,084) | - |
| *Taipan Merit Sdn. Bhd.* | | | | |
| Advances paid | - | - | (6,905,210) | (3,468) |
| Repayment of advances | - | - | - | 50,000 |

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| **Transactions with fellow subsidiaries (subsidiaries of the ultimate holding corporation)** | | | | |
| *Cherry Blossom Sdn. Bhd.* | | | | |
| Interest income | (707,033) | (617,719) | (707,033) | (617,719) |
| Repayment of advances | 7,306,173 | - | 7,306,173 | - |
| *Kuda Sejati Sdn Bhd* | | | | |
| Interest income | (815,626) | (1,306,953) | (797,173) | (1,306,953) |
| Advances paid | (79,138,712) | (179,320) | (78,058,092) | (179,320) |
| Advances received | - | 2,205,190 | - | - |
| Repayment of advances | 2,028,583 | 5,265,052 | 2,028,583 | 5,265,052 |

**Transactions with related parties**

A corporate shareholder of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., and a company in which certain directors of the subsidiary, Amin bin Halim Rasip and Harun bin Halim Rasip, have substantial interests:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| *Integrax Bhd.* | | | | |
| Management fee expense | 600,000 | 600,000 | - | - |

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

### Transactions with related parties (Cont'd)

A former corporate shareholder of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., and a company in which certain directors of the subsidiary, Amin bin Halim Rasip and Harun bin Halim Rasip, have substantial interests:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| *Halim Rasip Holdings Sdn. Bhd.* | | | | |
| Advances paid | (60,000) | (60,000) | - | - |

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| *Perak Freight Services Sdn. Bhd.* | | | | |
| Port revenue | (1,422,876) | (2,451,945) | - | - |
| *Perak Haulage Sdn. Bhd.* | | | | |
| Port services payable | 635,176 | 637,178 | - | - |
| *Lekir Bulk Terminal Sdn. Bhd.* | | | | |
| Port services receivable | (19,776,713) | (15,697,013) | - | - |

Companies in which certain directors, Amin bin Halim Rasip and Harun bin Halim Rasip, of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., have substantial interests:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| *Radikal Rancak Sdn. Bhd.* | | | | |
| Port services receivable | (6,593,892) | (6,779,405) | - | - |

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

### Transactions with related parties (Cont'd)

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

Account balances with significant related parties of the Group and of the Company at year end are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 RM | 2003 RM | 2004 RM | 2003 RM |
| **Account balances with the ultimate holding corporation** | | | | |
| *Perbadanan Kemajuan Negeri Perak* | | | | |
| Receivables | 1,749,803 | 78,175,967 | - | 77,448,467 |
| Payables | (2,157,261) | (694,086) | (763,738) | - |
| **Account balances with subsidiaries** | | | | |
| **Receivables:** | | | | |
| Cash Hotel Sdn. Bhd. | - | - | 500,000 | - |
| PCB Development Sdn. Bhd. | - | - | 110,019,502 | 108,053,683 |
| Premium Meridian Sdn. Bhd. | - | - | 9,368,528 | 9,428,527 |
| Taipan Merit Sdn. Bhd. | - | - | 101,179,424 | 94,274,214 |
| Trans Bid Sdn. Bhd. | - | - | 24,871 | 22,787 |
| Silveritage Corporation Sdn. Bhd. | - | - | 11,517 | 11,517 |
| **Payables:** | | | | |
| Magni D' Corp Sdn. Bhd. | - | - | (1,218,235) | (1,219,585) |

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| **Account balances with fellow subsidiaries (subsidiaries of ultimate holding corporation)** | | | | |
| **Receivables:** | | | | |
| Brand Equity Sdn. Bhd. | 2,360,955 | 2,360,955 | - | - |
| Cherry Blossom Sdn. Bhd. | 2,233,295 | 8,832,435 | 2,233,295 | 8,832,435 |
| Kuda Sejati Sdn. Bhd. | 87,827,686 | 11,001,005 | 87,827,686 | 11,001,005 |
| Perak Industrial Resources Sdn. Bhd. | 16,915,956 | 16,915,956 | 291,921 | 291,921 |
| **Payables:** | | | | |
| Cherry Blossom Sdn. Bhd. | (233,990) | (233,990) | - | - |
| Kuda Sejati Sdn. Bhd. | (1,143,020) | (2,205,190) | - | - |
| Teliti Permai Sdn. Bhd. | (402,357) | (402,356) | (402,357) | (402,356) |

**Account balances with related parties**

A corporate shareholder of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., and a company in which certain directors of the subsidiary, Amin bin Halim Rasip and Harun bin Halim Rasip, have substantial interests:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| **Receivables:** | | | | |
| Integrax Bhd. | - | 7,325 | - | - |

A former corporate shareholder of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., and a company in which certain directors of the subsidiary, Amin bin Halim Rasip and Harun bin Halim Rasip, have substantial interests:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| **Halim Rasip Holdings Sdn. Bhd.** | | | | |
| Receivables | - | 88,793 | - | - |
| Payables | (3,253,492) | (3,255,992) | (432,442) | (372,441) |

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

### Account balances with related parties (Cont'd)

Companies in which certain directors, Amin bin Halim Rasip and Harun bin Halim Rasip, of a subsidiary, Lumut Maritime Terminal Sdn. Bhd., have substantial interests:

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| **Perak Freight Services Sdn. Bhd.** | | | | |
| Receivables | 3,395,655 | 853,022 | - | - |
| Payables | - | (28,428) | - | - |
| **Lekir Bulk Terminal Sdn. Bhd.** | | | | |
| Receivables | 7,023,188 | 6,730,529 | - | - |

## 37. CAPITAL COMMITMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | RM | RM | RM | RM |
| Approved and contracted for: | | | | |
| Property, plant and equipment | - | 58,390 | - | - |
| Authorised but not contracted for: | | | | |
| Land and buildings | 1,788,000 | 1,244,000 | - | - |
| Property, plant and equipment | 1,667,000 | 3,605,000 | 90,000 | 400,000 |
| | 3,455,000 | 4,849,000 | 90,000 | 400,000 |
| | 3,455,000 | 4,907,390 | 90,000 | 400,000 |

## 38. CONTINGENT LIABILITIES

| | Company 2004 RM | Company 2003 RM |
|---|---|---|
| **(a) Unsecured:** | | |
| Guarantees given to banks in respect of facilities granted to a subsidiary | 8,279,000 | 3,567,000 |

**(b)** In accordance to the Settlement Agreement dated 24 December 1999 between Lumut Maritime Terminal Sdn. Bhd. ("LMT"), a subsidiary incorporated in Malaysia and the financial institutional creditors ("the lenders") to restructure its syndicated loan, in the event that the Redeemable Preference Shares ("RPS") issued to the lenders are not fully redeemed by LMT Capital Sdn. Bhd. ("LMTC") within six years or there occurs a default by LMTC, the RPS holders have a put option to redeem the RPS from LMT ("Put Option I") and thereafter by a put option on the Company as one of the shareholders of LMT on a several and proportionate basis ("Put Option II').

During the financial year, LMT fully redeemed the LMTC RPS and all accumulated dividends arising thereon (Note 23). Accordingly, Put Option I and II is no longer applicable.

## 39. SIGNIFICANT AND RECURRING EVENTS

(a) On 15 January 1996, Cash Hotel Sdn. Bhd. ("CHSB"), a 61.16% subsidiary incorporated in Malaysia, entered into an agreement with Keris Properties Sdn. Bhd. ("KP") to jointly develop the land held by the CHSB by way of mixed development of condominiums and offices blocks. Due to economic circumstances, thereafter, the proposed development project has been deferred. Subsequently, CHSB has agreed to vary certain terms and conditions pertaining to the agreement in 2000. As at todate, the variations have yet to be finalised.

(b) On 4 October 2002, Konsortium LPB Sdn. Bhd. ("KLPB"), an associate, was informed by the Economic Planning Unit of the Prime Minister's Department of its decision for KLPB to proceed with the construction of the West Coast Expressway based on the following:

(i) The Selangor stretch will be privatised on a "Build-Operate-Transfer" basis with the land acquisition cost of up to RM250 million to be borne by the Government of Malaysia ("Government"); and

(ii) For the Perak stretch, the project cost shall be borne by the Government on a deferred payment basis subject to the finalisation of the actual cost between the Government and KLPB.

On 8 October 2002, the Company and the other shareholders of KLPB signed a Supplemental Agreement cum Deed of Adherence to the Shareholders Agreement to effect amendments to certain clauses in the said Shareholders Agreement. As at todate, the necessary approval from the relevant authority has yet to be received.

## 39. SIGNIFICANT EVENTS (CONT'D)

(c) On 4 February 2004, the Company entered into a Sale and Purchase Agreement ("SPA") with Golden Hope Development Sdn. Bhd. to acquire a portion of land known as Ladang Strathisla held under Geran 7555 Lot 11674 and Geran 9359 Lot 15436, both in the Mukim of Hulu Kinta, District of Kinta, State of Perak Darul Ridzuan measuring approximately 240 acres ("the Land') for a consideration of RM20,400,000. The land located in the vicinity of Bandar Meru Raya, a township being developed by PCB Development Sdn. Bhd. ("PCBD"), the Company's wholly owned subsidiary, has been acquired for mixed development purposes.

(d) On 9 February 2004, PCBD entered into a Development Agreement with Rainbow World Leisure Sdn. Bhd. ("RWLSB") to design, construct and develop a water theme park and family entertainment centre on part of the Company's land measuring 25 acres situated in Bandar Meru Raya. RWLSB will carry out the project at its own expense and the Company shall agree to lease the land and rights to the operation of the project for a duration of 15 years at a total rental of RM4.5 million commencing from the date of approval of the layout plans for the land. The construction is to be completed within 5 years from date of the Agreement. On 8 September 2004, PCBD informed RWLSB that the above agreement has ceased to have any effect since RWLSB had not fulfilled any of the stipulated conditions precedent.

(e) On 23 November 2004, Taipan Merit Sdn. Bhd. ("TMSB"), a wholly owned subsidiary, subscribed for additional 6,900,000 ordinary shares of RM1.00 each in the capital of Lumut Maritime Terminal Sdn. Bhd. ("LMT"), for a total cash consideration of RM6,900,000.

(f) On 3 December 2004, Lumut Maritime Terminal Sdn. Bhd. ("LMT") completed the issuance of RM60 million Bai Bithaman Ajil Islamic Debt Securities ("BaIDS"). The BaIDS are structured in ten (10) tranches with maturities ranging from 3.0 years to 12.5 years. The proceeds from the issuance of BaIDS together with the internal funds of LMT have been utilised to facilitate the full redemption of the Redeemable Preference Shares ("RPS") issued by LMT Capital Sdn Bhd ("LMTC"), a wholly owned subsidiary of LMT, and to fully settle the outstanding cumulative dividends under the RPS [Note 23 and 38(b)].

## 40. SUBSEQUENT EVENT

On 28 January 2005, the Company acquired 100% equity interest in Amsit Corporation Sdn. Bhd. ("AMSIT"), a company incorporated in Malaysia, comprising 2 ordinary shares of RM1 each for a cash consideration of RM2. AMSIT is presently dormant and its intended principal activities are investment holding, construction and development.

## 41. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business segments. No geographical segment analysis is prepared as the Group's business activities are predominantly located in Malaysia.

The Group is organised into four major business segments:

**(i) Hotel and Tourism**

Hospitality services in respect of the operation of hotels and development of tourism projects;

**(ii) Infrastructure**

Maritime services in respect of the development of an integrated privatised project and encompassing operations of multipurpose port facilities, operation and maintenance of a bulk terminal, sales and rental of port related land and other ancillary activities;

**(iii) Township Development**

The township development of real property and ancillary services; and

**(iv) Management services and others**

Provision of management services and other business segments which include property investment and distribution, none of which are of a sufficient size to be reported separately.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on negotiated terms.

## 41. SEGMENTAL INFORMATION (CONT'D)

| Group | Hotel and tourism RM | Infra-structure RM | Township develop-ment RM | Management services and others RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **2004** | | | | | | |
| **REVENUE AND EXPENSES** | | | | | | |
| **Revenue** | | | | | | |
| External revenue | 15,995,039 | 51,981,062 | 55,712,224 | 8,850,862 | (6,382,000) | 126,157,187 |
| Inter-segment revenue | - | - | - | - | - | - |
| Total revenue | 15,995,039 | 51,981,062 | 55,712,224 | 8,850,862 | (6,382,000) | 126,157,187 |
| **Result** | | | | | | |
| Segment results | 693,850 | 21,824,539 | 2,014,618 | 8,990,344 | (8,676,933) | 24,846,418 |
| Unallocated corporate expenses | | | | | | - |
| Profit from operations | | | | | | 24,846,418 |
| Finance costs | (133,748) | (12,493,439) | (700,179) | (760,579) | 258,105 | (13,829,840) |
| Share of results of associates | | | | | | 1,132,523 |
| Taxation | 76,046 | (6,147,428) | (953,505) | (1,922,388) | 714,665 | (8,232,610) |
| Profit after taxation | | | | | | 3,916,491 |

| Group | Manufacturing and consumer products RM | Hotel and tourism RM | Infra-structure RM | Township develop-ment RM | Management services and others RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|---|
| **2003** | | | | | | | |
| **REVENUE AND EXPENSES** | | | | | | | |
| **Revenue** | | | | | | | |
| External revenue | 7,665,265 | 24,059,821 | 45,160,452 | 25,727,580 | 2,097,509 | - | 104,710,627 |
| Inter-segment revenue | - | - | - | - | - | - | - |
| Total revenue | 7,665,265 | 24,059,821 | 45,160,452 | 25,727,580 | 2,097,509 | - | 104,710,627 |
| **Result** | | | | | | | |
| Segment results | (973,899) | 2,655,390 | 17,752,035 | 2,637,798 | 35,953,739 | (36,991,976) | 21,033,087 |
| Unallocated corporate expenses | | | | | | | - |
| Profit from operations | | | | | | | 21,033,087 |
| Finance costs | (50,038) | (309,135) | (10,899,003) | (829,471) | (701,761) | 236,871 | (12,552,537) |
| Share of results of associates | | | | | | | 646,968 |
| Taxation | - | (867,412) | (5,466,212) | (714,035) | (750,408) | (188,935) | (7,987,002) |
| Profit after taxation | | | | | | | 1,140,516 |

## 41. SEGMENTAL INFORMATION (CONT'D)

| Group | Hotel and tourism RM | Infra-structure RM | Township develop-ment RM | Management services and others RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **2004** | | | | | | |
| **ASSETS AND LIABILITIE S** | | | | | | |
| Segment assets | 63,845,281 | 180,848,013 | 178,066,061 | 494,195,476 | (309,130,441) | 607,824,390 |
| Investment in associates | | | | 23,992,793 | (236,850) | 23,755,943 |
| Unallocated corporate assets | | | | | | - |
| Consolidated total assets | | | | | | 631,580,333 |
| Segment liabilities | (9,426,536) | (84,298,531) | (155,283,467) | (197,101,658) | 293,856,918 | (152,253,274) |
| Unallocated corporate liabilities | | | | | | (74,813,658) |
| Consolidated total liabilities | | | | | | (227,066,932) |
| **OTHER INFORMATION** | | | | | | |
| Capital expenditure | 920,715 | 84,205 | 105,038 | 8,150 | - | 1,118,108 |
| Depreciation | 1,663,829 | 2,135,141 | 187,607 | 174,209 | - | 4,160,786 |
| Amortisation | 25,289 | - | - | - | 2,118,041 | 2,092,752 |
| Non-cash expenses other than depreciation and amortisation | | | | | | |
| - others | 1,892,690 | - | 2,847,945 | - | - | 4,740,635 |

| Group | Hotel and tourism RM | Infra-structure RM | Township develop-ment RM | Management services and others RM | Eliminations RM | Consolidated RM |
|---|---|---|---|---|---|---|
| **2003** | | | | | | |
| **ASSETS AND LIABILITIE S** | | | | | | |
| Segment assets | 67,267,628 | 191,667,748 | 165,708,554 | 487,453,808 | (286,787,654) | 625,310,084 |
| Investment in associates | - | - | - | 23,992,793 | (948,498) | 23,044,295 |
| Unallocated corporate assets | | | | | | - |
| Consolidated total assets | | | | | | 648,354,379 |
| Segment liabilities | (13,434,274) | (101,304,296) | (78,610,738) | (195,485,727) | 214,144,495 | (174,690,540) |
| Unallocated corporate liabilities | | | | | | (73,412,469) |
| Consolidated total liabilities | | | | | | (248,103,009) |
| **OTHER INFORMATION** | | | | | | |
| Capital expenditure | 746,807 | 102,499 | 178,240 | 5,604 | - | 1,033,150 |
| Depreciation | 1,492,000 | 1,494,617 | 177,278 | 172,031 | - | 3,335,926 |
| Amortisation | (25,289) | - | - | - | 2,118,041 | 2,092,752 |
| Non-cash expenses other than depreciation and amortisation | | | | | | |
| - others | 179,665 | 85,943 | 3,934,498 | - | - | 4,200,106 |

## 42. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been adjusted as a result of changes in accounting policies as disclosed in Notes 2(a) and 34.

## 43. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Objectives and Policies

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

### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest-bearing assets as at 31 December 2004. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and interest rates of financial assets and liabilities are disclosed in their respective notes.

### (c) Foreign Exchange Risk

The Group's sales transactions are mainly in Malaysian Ringgit and are thus not exposed to foreign exchange risk.

## 43. FINANCIAL INSTRUMENTS (CONT'D)

### (d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

### (e) Credit Risk

The Group's credit policy and guidelines assess, evaluate and monitor credit risk of trade receivables. Credit risk is controlled via credit worthiness checking, credit limits, credit term setting and approval and credit risk exception reporting. Trade receivables are monitored on an ongoing basis as well as case by case basis, especially for the land customers.

The Group does not have any significant credit risk exposure to any individual customer or groups of customers. The maximum exposures to credit risk are represented by the carrying amounts of the financial assets and liabilities in the balance sheets.

### (f) Fair Values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Group and the Company are represented as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | Carrying amount RM | Fair value RM | Carrying amount RM | Fair value RM |
| Financial Assets | | | | |
| Unquoted investment | 3,992,793 | * | 3,992,793 | * |
| Quoted investments | 24,622,500 | ** | 24,622,500 | ** |
| Due from related corporations and other related parties | 121,506,538 | *** | 90,889,290 | *** |
| | 150,121,831 | | 119,504,583 | |

## 43. FINANCIAL INSTRUMENTS (CONT'D)

### (f) Fair Values (Cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | Carrying amount RM | Fair value RM | Carrying amount RM | Fair value RM |
| Financial Liabilities | | | | |
| Due to related corporations and other related parties | 8,201,281 | *** | 1,598,537 | *** |
| Bai Bithaman Ajil Islamic Debt Securities ("BaIDS") | 60,000,000 | # | - | - |
| Long term borrowings | 4,306,570 | @ | 6,471 | @ |
| | 72,507,851 | | 1,605,008 | |

* it is not practical to estimate the fair value of the unquoted investment because of the lack of quoted market price and the inability to estimate the fair value without incurring excessive costs. However, the Group and the Company believe that the carrying amount represents the recoverable value.

** the fair value of the quoted shares are disclosed in Note 6 and Note 7, which is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

*** it is not practical to estimate the fair values of amounts due from/to related corporations, associates and other related parties due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

# it is not practical to estimate the fair value of this financial liability representing the nominal amount of BaIDS issued by the subsidiary. The liability is carried at its original cost of RM60,000,000 (2003 : RM Nil) in the balance sheet.

The main covenants of the BaIDS is disclosed in Note 17.

@ it is not practical to estimate the fair values of long term borrowings due to the inability to reliably estimate the discount rates without incurring excessive costs and lack of fixed repayment term in certain borrowings. However, the Group and the Company believe that the carrying amount approximates the fair values intrinsically.

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

# FORM OF PROXY

**PERAK CORPORATION BERHAD**
*(Incorporated in Malaysia)* *(210915-U)*

I/We ______________________________________________
(FULL NAME IN BLOCK CAPITALS)

of ______________________________________________
(FULL ADDRESS)

being a member/members of **PERAK CORPORATION BERHAD**, hereby appoint ____________________________

______________________________________________
(FULL NAME IN BLOCK CAPITALS)

of ______________________________________________
(FULL ADDRESS)

or failing him/her, ______________________________________________

of ______________________________________________

as my/our proxy to vote for me/us and on my/our behalf, at the **FOURTEENTH ANNUAL GENERAL MEETING** of the Company to be held at Dewan Persidangan, Tingkat 4, Wisma Wan Mohamed, Jalan Panglima Bukit Gantang Wahab, 30000 Ipoh, Perak Darul Ridzuan on Thursday, 26 May 2005 at 12.00 noon or at any adjournment thereof in the manner indicated below:-

| NO. | RESOLUTIONS | For | Against |
|---|---|---|---|
| 1. | To receive, consider and adopt the Audited Financial Statements for the year ended 31 December 2004 together with the Report of the Directors and Auditors thereon. *(Resolution 1)* | | |
| 2. | To approve the payment of a first and final dividend of 2 sen per share less income tax for the year ended 31 December 2004. *(Resolution 2)* | | |
| 3. | To approve the payment of Directors' fees for the year ended 31 December 2004. *(Resolution 3)* | | |
| 4. | To re-elect the following Directors who retire in accordance with Article 80 of the Company's Articles of Association :<br>a) Dato' Azian bin Osman *(Resolution 4)*<br>b) Puan Noor Asmah bt. Mohd Nawawi *(Resolution 5)* | | |
| 5. | To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. *(Resolution 6)* | | |
| 6. | As special Business: Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature. *(Resolution 7)* | | |

(Please indicate with an "X" in the appropriate box above how you wish to cast your vote. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he/she thinks fit.)

Dated this _____ day of __________ in the year ______.

| Number of ordinary shares held |
|---|
| |

______________________________
Signature/Seal

**Notes:**

1. *A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy/proxies who may but need not be a member/members of the Company to attend and vote in his/her stead and Section 149 (1)(b) of the Companies Act, 1965 shall not apply.*
2. *When a member appoints more than one proxy the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding to be represented by each proxy.*
3. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.*
5. *The instrument appointing a proxy must be deposited at the Share Registrar's Office at Room 305, 3rd Floor, Asia Life Building, 45 Jalan Tun Sambanthan, 30000 Ipoh, Perak Darul Ridzuan at least forty-eight (48) hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.*
6. *The registration for the above Meeting will commence on Thursday, 26 May 2005 at 11.30 a.m.*

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THE SECRETARY

**PERAK CORPORATION BERHAD** Co. No. 210915-U

Room 305, 3rd Floor, Asia Life Building,

45 Jalan Tun Sambanthan,

30000 Ipoh,

Perak Darul Ridzuan,

Malaysia.

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