KAI PENG BERHAD (32395-P)
2nd Floor Bangunan Palm Grove
No. 14 Jalan Glenmarie (Persiaran Kerjaya), Section U1
40150 Shah Alam, Selangor Darul Ehsan.

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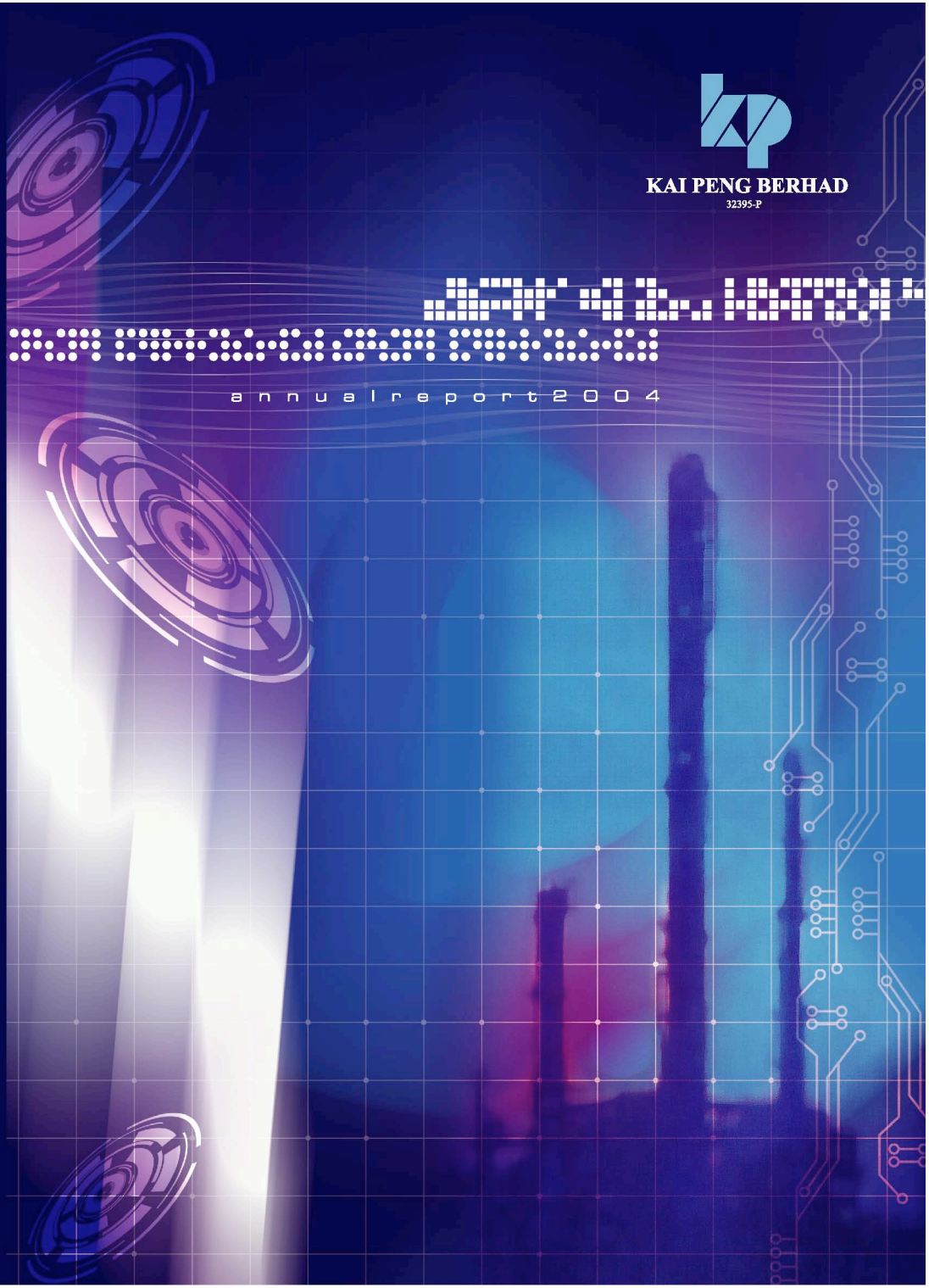

Contents

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-Sixth Annual General Meeting of the Company will be held at Ivory 3, Level 4, Holiday Villa Subang, No. 9 Jalan SS 12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Friday, 31 December 2004, at 9.00 a.m. for the following purposes:

AGENDA

As Ordinary Business

1. To receive and adopt the Audited Financial Statements for the year ended 30 June 2004 together with the Reports of the Directors and Auditors thereon.
(Resolution 1)

2. To approve the payment of Directors' Fees for the year ended 30 June 2004.
(Resolution 2)

3. To re-elect the following Directors who retire pursuant to Article 78 of the Company's Articles of Association:

   i) Mr Chew See Yow
   (Resolution 3)

   ii) Mr Ang Poo Guan
   (Resolution 4)

4. To re-elect the following Directors who retire pursuant to Article 83 of the Company's Articles of Association:

   i) Encik Ahmad Bin Habib
   (Resolution 5)

   ii) Haji Ahmad Jamal Bin Jamil
   (Resolution 6)

   ii) Dato' Wan Ismail Bin Abd Rahman
   (Resolution 7)

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.
(Resolution 8)

As Special Business

6. To consider and, if thought fit, to pass the following Ordinary Resolution:

   Authority to Directors to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965

   "THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad and other governmental/regulatory bodies, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965 to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
(Resolution 9)

7. To transact any other business for which due notice has been given.

BY ORDER OF THE BOARD

CHAN LAI CHOON
Secretary

Shah Alam
8 December 2004

NOTES:

1. A member entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.

2. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointor or by his attorney duly authorised in writing, and in the case of a corporation, shall be either given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.

3. Duly completed proxy forms must be deposited at the Company's Registered Office, 2nd Floor Bangunan Palm Grove, No.14 Jalan Glenmarie, (Persiaran Kerjaya), Section U1, 40150 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time fixed for the Meeting.

Explanatory Note on Special Business

4. **Authority to Directors to Issue and Allot Shares Pursuant to Section 132D of the Companies Act, 1965 (Ordinary Resolution 9)**

   The proposed Ordinary Resolution 9 under item 6, if passed, will give the Directors of the Company, from the date of the above General Meeting, authority to issue and allot shares from the unissued capital of the Company for such purposes as the Directors may deem fit and in the interest of the Company. This authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting.

statement accompanying notice of annual general meeting

Statement accompanying Notice of Twenty-Sixth Annual General Meeting ("26th AGM") of the Company pursuant to paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad:

1. Name of Directors who are standing for re-election at the 26th AGM

- Pursuant to Article 78 of the Company's Articles of Association:

  a) Mr Chew See Yow

  b) Mr Ang Poo Guan

- Pursuant to Article 83 of the Company's Articles of Association:

  a) Encik Ahmad Bin Habib

  b) Haji Ahmad Jamal Bin Jamil

  c) Dato' Wan Ismail Bin Abd Rahman

Details of Directors' standing for re-election are set out in the Directors' Profile and Shareholdings on pages 5 to 6 and 62 respectively of the Annual Report.

2. Details of attendance of Directors at Board Meetings

Five (5) Board Meetings were held during the financial year ended 30 June 2004. The details of attendance of each Director at the Board Meetings are as follows:

Name of Directors	No. of Board Meetings attended during their tenure in office
Dato' Abu Talib Bin Mohamed	5/5
Chew See Yow	5/5
Sui Diong Hoe	5/5
Chong Phow Yew	5/5
Ang Poo Guan	4/5
Ahmad Bin Habib (Appointed on 31 January 2004)	1/2
Teh Ing Di (Resigned on 7 June 2004)	5/5
Haji Ahmad Jamal Bin Jamil (Appointed on 7 June 2004)	-
Dato' Wan Ismail Bin Abd Rahman (Appointed on 2 August 2004)	-

3. Date, Time and Place of the 26th AGM

The 26th AGM of the Company will be held at Ivory 3, Level 4, Holiday Villa Subang, No. 9 Jalan SS 12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Friday, 31 December 2004, at 9.00 a.m.

corporate information

BOARD OF DIRECTORS

Y.Bhg. Dato' Abu Talib Bin Mohamed Executive Chairman

Haji Ahmad Jamal Bin Jamil Executive Deputy Chairman

Mr Chew See Yow Executive Director

Mr Sui Diong Hoe Executive Director

Mr Chong Phow Yew Director

Mr Ang Poo Guan Director

Encik Ahmad Bin Habib Director

Dato' Wan Ismail Bin Abd Rahman Director

AUDIT COMMITTEE

Mr Ang Poo Guan
Chairman (Independent Non-Executive Director)

Encik Ahmad Bin Habib
Member (Independent Non-Executive Director)

Mr Sui Diong Hoe
Member (Executive Director)

NOMINATION COMMITTEE

Encik Ahmad Bin Habib
Chairman (Independent Non-Executive Director)

Mr Ang Poo Guan
Member (Independent Non-Executive Director)

Mr Sui Diong Hoe
Member (Executive Director)

REMUNERATION COMMITTEE

Mr Ang Poo Guan
Chairman (Independent Non-Executive Director)

Encik Ahmad Bin Habib
Member (Independent Non-Executive Director)

Mr Sui Diong Hoe
Member (Executive Director)

SECRETARY

Chan Lai Choon (MAICSA 0809269)

REGISTERED OFFICE

2nd Floor Bangunan Palm Grove
No. 14 Jalan Glenmarie (Persiaran Kerjaya)
Section U1
40150 Shah Alam
Selangor Darul Ehsan
Tel: 03-5568 5000
Fax: 03-5569 4939

REGISTRAR

Securities Services (Holdings) Sdn Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel: 03-2084 9000
Fax: 03-2094 9940

AUDITORS

Ernst & Young
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

PRINCIPAL BANKERS

Bumiputra-Commerce Bank Berhad
Public Bank Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Second Board

profile of directors

DATO' ABU TALIB BIN MOHAMED
Executive Chairman

Dato' Abu Talib Bin Mohamed, a Malaysian aged 56, was appointed to the Board of Kai Peng Berhad ("KPB") on 27 January 1999. He is a Fellow Member of the Chartered Institute of Management Accountants. Dato' Abu Talib has extensive knowledge of the steel industry as he was formerly the Director of Operations for Perwaja Steel in Kemaman, prior to joining Maju Holdings Sdn Bhd ("Maju Holdings") as Group Executive Director in 1992. He has been the Group Managing Director of Maju Holdings since 1993. He sits on the board of some of the subsidiaries of Maju Holdings including Perwaja Steel Sdn Bhd, the national steel making company. Since Maju Holdings acquired the national steel making company from the Government of Malaysia, Dato' Abu Talib has been overseeing its operations. He also sits on the board of some of the subsidiaries of KPB. Dato' Abu Talib is the representative of Maju Holdings, a present shareholder of KPB. He is also the Deputy Chairman and a deemed major shareholder of Ipmuda Berhad. Dato' Abu Talib is also a director of Mycron Steel Berhad.

Dato' Abu Talib is the brother of Tan Sri Abu Sahid Bin Mohamed, who is a shareholder of KPB.

Save as disclosed above, Dato' Abu Talib does not have any family relationship with any other Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offence within the past 10 years.

AHMAD JAMAL BIN JAMIL
Executive Deputy Chairman

Haji Ahmad Jamal Bin Jamil, aged 63, was appointed to the Board of KPB on 7 June 2004. He has more than 40 years of experience in banking, corporate management as well as private businesses. He has worked with United Asian Bank and Chase Manhattan Bank for more than 10 years before he joined Sisson Paints Malaysia and later became its Managing Director. In 1992, he ventured into business and has various business interest in the building materials and construction sector. He does not have any directorship in other public companies.

He presently sits on the board of some of KPB's subsidiaries. He is a major shareholder of the Company.

Save as disclosed above, Haji Ahmad Jamal Bin Jamil does not have any family relationship with any other Director and/or other major shareholder of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past 10 years.

CHEW SEE YOW
Executive Director and Member of ESOS Committee

Mr Chew, a Malaysian aged 42, was appointed to the Board of KPB on 1 April 1997. He has more than 15 years of experience in investment banking and equity investment. He has various business interests in the food and IT sectors. He presently sits on the board of some of KPB's subsidiaries. He does not have any directorship in other public companies.

Mr Chew is a major shareholder of the Company.

Save as disclosed above, Mr Chew does not have any family relationship with any Director and/or other major shareholder of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offence within the past 10 years.

SUI DIONG HOE
Executive Director, Member of the Audit Committee, Remuneration Committee, Nomination Committee and ESOS Committee

Mr Sui, a Malaysian aged 49, was appointed to the Board of KPB on 3 December 2002. He graduated as a Chartered Certified Accountant in United Kingdom in 1982 and was bestowed Fellowship in 1987. He is also a member of the Malaysian Institute of Accountants since 1985. Presently, he is a director of several private companies involving in investment and consultancy. He presently sits on the board of some of KPB's subsidiaries. He does not have any directorship in other public companies.

Save as disclosed above, Mr Sui does not have any family relationship with any other Director and/or other major shareholder of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past 10 years.

profile of directors

CHONG PHOW YEW
Non-Independent Non-Executive Director

Mr Chong, a Malaysian aged 48, was appointed to the Board of KPB on 30 November 1999. He obtained his Honours Degree in Law externally from University of London in 1986. In 1987, he obtained his Certificate of Legal Practice with 2nd Class Upper Honours. He was called to the Bar in 1988 and has since been in active practice for 16 years. He has been a partner with Nordin Torji & Partners, Shah Alam since 1994. He is presently giving legal advice to the Company. He does not have any directorship in other public companies.

Mr Chong does not have any family relationship with any Director and/or major shareholder of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offence within the past 10 years.

ANG POO GUAN
Independent Non-Executive Director,
Chairman of the Audit Committee and Remuneration Committee
and Member of the Nomination Committee

Mr Ang, a Malaysian aged 56, was appointed to the Board of KPB on 3 December 2002. He holds a Degree of Bachelor of Agriculture Science (Honours Class 2-Upper) from University of Malaya. He started his career as Assistant Manager in Plantation Agencies Sdn Bhd in 1972, before joining Bank Pertanian Malaysia in 1973. In 1980, he joined United Overseas Bank. The last positions held in both the companies are as Senior Manager and Senior Vice President respectively. In 1996, he joined Malpac Securities Sdn Bhd as Chief Executive Officer and Executive Director. Currently, he is the Chief Executive Officer in Malpac Holdings Berhad.

Mr Ang does not have any family relationship with any other Director and/or other major shareholder of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past 10 years.

DATO' WAN ISMAIL BIN ABD RAHMAN
Independent Non-Executive Director

Dato' Wan Ismail Bin Abd Rahman, aged 55, was appointed to the Board of KPB on 2 August 2004. An accountant by profession, he is a member of Malaysian Association of Certified Accountant (MACPA) and Malaysian Institue of Accountant (MIA). He was the Chief Executive Officer and Director of Mayban Finance Berhad ("Mayban Finance") from 15 February 2000 until his retirement on 18 July 2004. He joined Mayban Finance in May 1982 and has worked in various management positions. From 1 June 1999 to 14 February 2000, he was seconded to Oriental Bank Berhad as Executive Director. He was also formerly a director of Aseambankers Berhad and Aseamlease Berhad and Cagamas Berhad. Currently he also holds directorship in other public company namely Maxbiz Corporation Berhad since 7 September 2004.

Dato' Wan Ismail Bin Abd Rahman does not have any family relationship with any other Director and/or other major shareholder of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past 10 years.

AHMAD BIN HABIB
Independent Non-Executive Director, Chairman of the Nomination Committee
and Member of the Audit Committee and Remuneration Committee

Encik Ahmad Bin Habib, aged 57, was appointed to the Board of KPB on 31 January 2004. He graduated with a diploma in Banking Studies from the Mara Institute of Technology in 1971. He also holds a Bachelor in Science (Finance) as well as a Master in Business Administration from Northern Illinois University, USA. He was an Executive Officer with Bank Negara Malaysia from 1971 to 1974 before leaving for the USA to further his studies. He then joined Amanah Chase Merchant Bank Bhd in 1978 and was promoted to manager in the corporate finance department before he left in 1982. Subsequently he joined Ambang Corporation Sdn Bhd as the Corporate Planner in 1982. He left in the same year to join Kuala Lumpur Commodities Clearing House Sdn Berhad as the Deputy Chief Executive and left in 1984 as the Acting Chief Executive. In 1985, he was with Construction and Supplies House Bhd as the General Manager of the corporate planning department. At present, he also sits on the board of several other private limited companies.

He is also a director of Degem Bhd.

Encik Ahmad Bin Habib does not have any family relationship with any other Director and/or other major shareholder of the Company. He has no conflict of interest with the Company and has no convictions for offences within the past 10 years.

chairman's statement

> " On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Kai Peng Berhad and the Group for the financial year ended 30 June 2004. "

FINANCIAL REVIEW

The Group's revenue contribution continues to be derived mainly from the manufacturing and trading of steel products. During the year, revenue decreased by RM9.1 million or 7.1% from RM128.4 million to RM119.3 million due to the difficult local steel market in terms of higher costs of raw materials coupled by lower margins. The Group recorded an after-tax loss of RM28.7 million compared to the previous year's after-tax profit of RM3.2 million due to decreased sales and previous year's after-tax profit was due to an exceptional gain recorded from the disposal of some subsidiaries.

OPERATIONS REVIEW

The steel manufacturing and trading division has performed competitively given the market condition. The intense price competition continues to prevail in the steel products market and profit margins continue to be impacted. In addition, the shortage of raw materials was also a major problem contributing to higher cost of production. However, the Group remained resilient in this area and would always prepare itself well to handle such adversities in the future.

During the second half of the financial year, the Group via iPSTAR Sdn Bhd completed it acquisition of a 51% stake in Sierra Bay Sdn Bhd, an investment holding company which owns 100% of BayCom Sdn Bhd which is involved in the Information and Communication Technology ("ICT") business. This new business contributed marginally to the Group's revenue.

OUTLOOK

With the continuing uncertainties in the global scene, the outlook for the coming year remains one that is cautious and consolidation. The Group will continue to prepare itself for the challenges ahead by being more cost effective in its operation. Future plans involve seeking opportunities to diversify into other sectors. The Group is optimistic it will be able to sustain and improve its results in the coming year.

BOARD CHANGES

On behalf of the Board, I would like to express our sincere appreciation to Mr Teh Ing Di, who had resigned from the Board on 7 June 2004 for his services rendered to the Company during his tenure on the Board. At the same time, I would like to welcome Encik Ahmad Bin Habib, Tuan Haji Ahmad Jamal Bin Jamil and Dato' Wan Ismail Bin Abd Rahman to the Board. I believe their invaluable experience will contribute towards the success of the Company.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, allow me to take this opportunity to express our sincere thanks and appreciation to all management staff and employees of the Group for their continuous dedication and contribution. The Board is also aware of the invaluable contributions and support made by our valued shareholders, bankers, suppliers, customers and other business associates.

Thank you to all of you.

DATO' ABU TALIB BIN MOHAMED
Executive Chairman

29 November 2004

audit committee report

A. MEMBERSHIP

The present members of the Audit Committee comprise:

Ang Poo Guan – Chairman
(Independent Non-Executive Director)

Ahmad Bin Habib – Member (Appointed on 31 January 2004)
(Independent Non-Executive Director)

Sui Diong Hoe – Member (Appointed on 13 August 2003)
(Executive Director)

B. TERMS OF REFERENCE

1. Composition

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members, a majority of whom shall be Independent Directors and at least one member of the Committee must be a member of the Malaysian Institute of Accountants or posseses such other qualifications and/or experience as approved by the Bursa Malaysia Securities Berhad.

No alternate director is to be appointed a member of the Audit Committee.

If a member of the Audit Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to make up the minimum of three members.

The members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director.

2. Authority

The Committee is authorised by the Board to investigate any activity within its term of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

3. Functions of the Audit Committee

3.1 To review the following and report the same to the Board of Directors of the Company:

a) the audit plan, with the external auditor;

b) its audit report, with the external auditor;

c) the assistance given by the employees of the Company to the external auditor;

d) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:

i) going concern assumption;
ii) changes in or implementation of major accounting policies and practices;
iii) significant and unusual events; and
iv) compliance with accounting standards and other legal requirements;

B. TERMS OF REFERENCE (CONT'D)

3. Functions of the Audit Committee (Cont'd)

e) internal audit function:

i) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
ii) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
iii) consider the significant findings of internal audit investigations and management's response;
iv) its evaluation of the system of internal controls, with the external auditor;
v) to assess the quality and depth of staffing in the internal audit function;
vi) review any assessment or appraisal of the performance of the staff of the internal audit function; and
vii) to inquire into the effectiveness of the Group's internal audit policies and procedures;

f) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

g) any letter of resignation from the external auditors of the Company;

h) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and

i) the external auditors' management letter and management's response.

3.2 To recommend the nomination of a person or persons as external auditors.

3.3 To discuss problems and reservations arising from the interim and/or final external audits, and any matters the external auditors may wish to discuss (in the absence of Management, where necessary).

3.4 To carry out such other functions as may be agreed to by the Audit Committee and the Board of Directors.

4. Review of the Audit Committee

The term of office and performance of the Audit Committee and each of its member must be reviewed by the Board of Directors at least once every 3 years to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference.

5. Meetings

The Audit Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the audit committee if a request is made by any committee member, the Company's chief executive or external auditors.

The Group Financial Controller will normally be invited to attend all meetings of the Audit Committee and the external auditors will be invited to attend where appropriate. Other board members, the chief internal auditor and/or other employees may also be invited to attend any particular meeting of the Audit Committee as determined by the Chairman.

6. Notice

Three days notice specifying the place, date and hour of the meeting and the business to be discussed thereat shall be given to all the Audit Committee members and any other person that may be required to attend.

B. TERMS OF REFERENCE (CONT'D)

7. Quorum

The quorum for each meeting of the Audit Committee shall be a majority of members present who must be Independent Directors.

8. Votes of Audit Committee Members

Questions arising at any meeting of the Audit Committee shall be determined by a majority of the Audit Committee members present, and in the case of an equality of votes, the Chairman shall have a second or casting vote.

9. Secretary And Minutes

The Company Secretary shall act as Secretary of the Audit Committee.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee and circulating them to the audit committee members and to the other members of the Board of Directors. The Chairman of the Audit Committee shall report on each meeting of the Audit Committee to the Board.

C. NUMBER OF AUDIT COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR

Two (2) meetings were held during the financial year from 1 July 2003 to 30 June 2004. Details of attendance of each Audit Committee member is as follows:

Name of members	Number of Meetings attended
Ang Poo Guan (Chairman - Independent Non-Executive Director)	2/2
Sui Diong Hoe (Member – Executive Director) (Appointed on 13 August 2003)	2/2
Ahmad Bin Habib (Member – Independent Non-Executive Director) (Appointed on 31 January 2004)	2/2
Teh Ing Di (Member – Independent Non-Executive Director) (Resigned on 31 January 2004)	-

D. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee reviewed the quarterly and year-end financial statements before submission to the Board and announcements to the Bursa Malaysia Securities Berhad.

Presently, the Company is looking into the provision of internal audit services for the Group. However, the Audit Committee has then relied on discussion with the management and executive directors, reviews of quarterly financial performance and input from the external auditors to discharge its functions.

statement on corporate governance

The Board of Directors of Kai Peng Berhad ("the Board") recognises the importance of corporate governance requirements outlined in the Malaysian Code on Corporate Governance ("the Code"). It is the Board's responsibility and commitment to ensure that the highest standard of corporate governance is being practised in the Group (Company and its subsidiaries), thereby safeguarding the assets of the Group and its shareholders' investments. Against this setting, the Board endeavours to fully comply with all the principles in Part 1 of the Code and to adopt the Best Practices as recommended in Part 2 of the Code.

A. BOARD OF DIRECTORS

i) The Board

Kai Peng Berhad is led and controlled by an effective Board. All the Board members bring together a wide range of business experience relevant to achieving the Company's corporate objective, providing strategic initiatives and creativity to face the stiff challenges. The Executive Directors will implement the policies and decisions of the Board and oversee the operations and business development of the Group.

ii) Board Balance

The Board currently has 8 members, 4 are Executive Directors and 4 are Non-Executive Directors of which 3 are Independent Non-Executive Directors. The profiles of the Board members are set out on pages 5 to 6 of this Annual Report.

The current Board composition meets the requirements whereby at least one-third of the Board comprises Independent Non-Executive Directors. The Board is fully aware of the role of these Independent Non-Executive Directors who will bring their independent judgement to bear on the decision-making process of the Group to ensure that a fully balanced and unbiased deliberation process is in place to safeguard the interests of other stakeholders. As and when a potential conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the decision-making process.

The roles of the Chairman and the Executive Director are separate and each has a clearly defined division of responsibilities to ensure a balance of power and authority. The Chairman is responsible for running the Board while the Executive Director is responsible for the day to day management of the businesses as well as the implementation of Board's policies and decisions in meeting the corporate objectives of the Company.

iii) Board Meetings and Supply of Information

Board meetings are held at quarterly intervals with additional meetings held whenever necessary. The Board met five (5) times during the financial year ended 30 June 2004 and the details of attendance by each Director are set out on page 3 of this Annual Report.

Prior to each Board meeting, the Board members are provided with the relevant documents and information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon to enable them to arrive at an informed decision. The Board members have access to the advice and services of the Company Secretary and may also take independent advice, at the Company's expense, in furtherance of their duties if so required. The Board also has unlimited access to all information with regard to the activities of the Group.

iv) Re-election of Directors

One third of the Board members are required to retire at every Annual General Meeting and be subject to re-election by shareholders. Newly appointed Directors shall hold office until the next following annual general meeting and shall then be eligible for re-election by shareholders. The Articles of Association provide for all Directors to submit themselves for re-election by shareholders at least once in every three years.

v) Directors' Training

All the existing Directors have attended and successfully completed the Mandatory Accreditation Program (MAP) except for Haji Ahmad Jamal Bin Jamil. The Directors will continue to undergo other training program to further enhance their skills and knowledge where relevant.

B. BOARD COMMITTEES

i) Audit Committee

The Audit Committee is appointed by the Board to assist it in discharging its duty of maintaining a sound system of internal controls to safeguard shareholders' investment and the company's assets. This includes reviewing the financial statements to ensure compliance with disclosure requirements and approved accounting standards in Malaysia as well as guidelines set by the Bursa Malaysia Securities Berhad and Securities Commission. The Audit Committee Report is set out on pages 8 to 10 of this Annual Report.

The Audit Committee also monitors the performance, effectiveness and independence of the internal and external auditors. It also provides an effective and unrestricted forum through which the Internal Auditors and the Independent External Auditors report to the Board.

ii) Nomination Committee

The Nomination Committee was established during the year and will be responsible for making recommendations to the Board on all new Board and Committee appointments. The Nomination Committee will review the required mix of skills and experience of the Directors of the Board, in determining the appropriate Board balance and size of non-executive participation.

iii) Remuneration Committee

The Remuneration Committee was established during the year and will be responsible for making recommendations to the Board the remuneration of the Executive Directors in all its forms drawing from outside advice as necessary. The determination of remuneration packages of Non-Executive Directors is the responsibility of the Board as a whole. Individual Directors will abstain from deliberations and voting on decisions in respect of their own remuneration package. The details of the Directors' Remuneration are set up on pages 34 to 35 of this Annual Report.

iv) ESOS Committee

The ESOS Committee is responsible for implementing and administering the Employees Share Option Scheme.

C. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Group value dialogue with investors as a mean of effective communication that enables the Board to convey information about the Group's performance, corporate strategy and other matters affecting shareholders' interests.

The Annual General Meeting and Extraordinary General Meeting are crucial mechanism in shareholders communication for the Company. At the general meetings, shareholders have direct access to the Board and are given the opportunity to ask questions during the Question & Answer session. The shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general.

The annual report, circulars, announcements made to the Bursa Malaysia Securities Berhad ("Bursa Malaysia") are the substantial means of communicating with its shareholders, institutional and potential investors. Shareholders and members of the public are invited to access the Bursa Malaysia's website at www.bursamalaysia.com to obtain the latest information on the Group.

D. ACCOUNTABILITY AND AUDIT

i) Financial Reporting

In presenting the annual financial statements and quarterly results to shareholders, the Board aims to present a balanced and understandable assessment of the Group's position and prospects. The Audit Committee will assist the Board to oversee the Group financial reporting processes and quality of its financial reporting.

The Statement of Directors' Responsibility for preparing the Audited Financial Statements pursuant to paragraph 15.27(a) of the Listing Requirements is set out on page 13 of this Annual Report.

ii) Relationship with External Auditors

The Company has maintained a transparent relationship with the auditors in seeking their professional advice and towards ensuring compliance with the accounting standards.

statement of directors' responsibility

In accordance with paragraph 15.27 (a) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Board is pleased to include a statement explaining their responsibilities in the preparation of the Audited Financial Statements.

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards in Malaysia and give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit and loss of the Company and of the Group for the financial year.

In preparing these financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgments and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Company and the Group have adequate resources to continue in operational existence for the forseeable future.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for safeguarding the assets of the Group and hence, taking reasonable steps for the prevention and detection of fraud and other irregularities.

statement on internal control

In accordance with paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Board is pleased to include a statement below on the state of the Group's internal controls during the financial year ended 30 June 2004.

The Board acknowledges its responsibility for establishing a sound system of internal control covering not only financial controls but also controls relating to operational, compliance and risk management. The internal control system involves each key business unit and its management, including the Board, and is designed to meet the Group's particular needs and to manage the principal risks to which they are exposed. This system can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. The Board recognises that risks cannot be fully eliminated. As such, the systems, processes and procedures being put in place are aimed at minimising and managing them.

The key elements of the Group's internal control system are as follows:

- Review budget of certain business units by the Board;
- Regular review of the performance of subsidiary companies by the Board;
- Active participation by executive Directors in the Group's daily operations;
- Regular dialogues with the management of each business unit who are responsible for the conduct and performance of the business;
- Clearly defined organisation structure which indicates areas of responsibilities, scope of authority and segregation of duties; and
- Policies, procedures and standards which have been established and periodically reviewed and updated.

The Group has an informal risk management process in place whereby the Board has taken steps as mentioned above to review and improve its existing processes for identifying and managing the Group's risks and the control procedures to manage those risks as well as to formulate the risk management framework.

In certain areas where there are no formalised set of internal controls, compensating factors are in place such as direct involvement of executive directors. Ongoing reviews during Board and Management meetings are carried out to ensure the effectiveness and adequacy of the Group's internal control system in safeguarding the shareholders' investment and the Group's assets.

The Board recognised the internal audit function as an integral part of an effective internal control system and risk management framework. Internal audit function was outsourced to an external consultant firm subsequent to the financial year. The external consultant firm reports directly to the Audit Committee.

Reports and Financial Statements

directors' report

The directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and procuring and subcontracting of steel fabrication and engineering contracts.

The subsidiaries are engaged in the business of:

(i) manufacturing of reinforcement steel bars;

(ii) marketing and distribution of steel bars and building materials;

(iii) marketing and distribution of scrap iron;

(iv) provision of engineering services and supplies; and

(v) provision of managed network services and related information and communication technology businesses.

During the financial year, the Company acquired two subsidiaries which are involved in provision of managed network services and related information and communication technology businesses.

There have been no significant changes in the nature of the principal activities during the financial year other than as a result of the new subsidiaries acquired during the year.

RESULTS

	Group RM	Company RM
Loss before exceptional items	(15,798,969)	(13,871,422)
Exceptional items	(12,691,159)	(12,691,159)
Loss before taxation	(28,490,128)	(26,562,581)
Taxation	(250,617)	(10,507)
Net loss for the year	(28,740,745)	(26,573,088)

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 and in the notes to the financial statements.

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 except as disclosed in the notes to the financial statements.

DIVIDEND

No dividends was paid since 30 June 2003 and the Directors do not recommend any dividend for the year ended 30 June 2004.

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' Abu Talib Bin Mohamed
Chew See Yow
Chong Phow Yew
Sui Diong Hoe
Ang Poo Guan
Ahmad Bin Habib (Appointed on 31 January 2004)
Ahmad Jamal Bin Jamil (Appointed on 7 June 2004)
Teh Ing Di (Resigned on 7 June 2004)

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, other than those arising from the share options granted under the Employee Share Options Scheme.

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 7 to the financial statements or the fixed salary of a full-time employee of the Company) 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, except as disclosed in Note 26 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interest of directors in office at the end of the financial year in shares and options over shares in the Company during the financial year were as follows:

(i) Shares

	Number of Ordinary Shares of RM1 each			
	At 1.7.2003/ date of appointment	Acquired	Sold	30.6.2004
Direct Interest:				
Chew See Yow	12,482,000	2,728,300	91,500	15,118,800
Chong Phow Yew	2,000	-	-	2,000
Sui Diong Hoe	8,246,000	-	7,492,000	754,000
Ahmad Jamal Bin Jamil	450,000	-	50,000	400,000
Indirect Interest:				
Dato' Abu Talib Bin Mohamed	1,123,000	-	-	1,123,000
Chew See Yow	119,000	-	-	119,000

(ii) Options

	Number of Options over Ordinary Shares of RM1 each			
	At 1.7.2003	Granted During the year	Exercised During the year	At 30.6.2004
Direct Interest:				
Chew See Yow	320,000	-	240,000	80,000

ISSUE OF SHARES

During the year, the issued and paid-up share capital of the Company was increased from RM88,531,182 to RM89,778,182 by way of the issuance of 1,247,000 new ordinary shares of RM1 each pursuant to the exercise of ESOS at an exercise price ranging from RM1.37 to RM1.69 per share for cash. The share premium arising amounted to RM801,430 was credited to the share premium account. The new ordinary shares rank pari passu in all respects with existing ordinary shares.

PROFIT GUARANTEE IN RESPECT OF SUBSIDIARIES ACQUIRED IN PREVIOUS YEARS

Details of the proposed profit guarantee compensation and variation schemes are disclosed in Note 4 to the financial statements.

EMPLOYEES' SHARE OPTION SCHEME

Details of the Employees' Share Option Scheme are disclosed in Note 23 to the financial statements.

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 all known bad debts had been written off 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) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to 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 or 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 or of the Company which has arisen since the end of the financial year.

(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 or 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 DURING THE YEAR

Details of the significant events during the year are disclosed in Note 28 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

CHEW SEE YOW **SUI DIONG HOE**

Petaling Jaya, Malaysia
29 October 2004

statement by directors

pursuant to section 169 (15) of the companies act, 1965

We, **CHEW SEE YOW** and **SUI DIONG HOE**, being two of the Directors of **KAI PENG BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 20 to 59 are drawn up in accordance with applicable 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 30 June 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

CHEW SEE YOW **SUI DIONG HOE**

Petaling Jaya, Malaysia
29 October 2004

statutory declaration

pursuant to section 169 (16) of the companies act, 1965

I, **SUI DIONG HOE**, being the Director primarily responsible for the financial management of **KAI PENG BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 20 to 59 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 **SUI DIONG HOE**)
at Kuala Lumpur in the Federal Territory)
on 29 October 2004) **SUI DIONG HOE**

Before me,

SOH AH KAU, AMN (W315)
Commissioner for Oaths
Kuala Lumpur, Malaysia

report of the auditors

to the members of Kai Peng Berhad

We have audited the financial statements set out on pages 20 to 59. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 Approved Accounting Standards in Malaysia so as to give a true and fair view of:

  (i) the financial position of the Group and of the Company as at 30 June 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; 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 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 13 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 statement and did not include any comment required to be made under Section 174(3) of the Act.

In forming our opinion, we have considered the adequacy of the disclosures made in the following notes:

(i) As disclosed in Note 2 to the financial statements, the financial statements of the Group and of the Company have been prepared on the going concern basis. The appropriateness of this basis is dependent on the completion of the proposed profit guarantee compensation and proposed acquisition as disclosed in Note 4 to the financial statements, the completion of the sale of the properties as disclosed in Note 28(b) to the financial statements and the Company's ability to refinance and reschedule any remaining short term borrowings as and when they become due and payable.

(ii) As disclosed in Note 18(b) and Note 27(b) to the financial statements, the Company had in prior years supplied certain products to GEA Power Cooling Systems, Inc. ("GEA") and the amount due from GEA as at 30 June 2004 amounted to RM16,447,971. GEA alleged that the goods were defective and had to carry out rectification works which amounted to RM27,515,861. During the year, GEA initiated arbitration proceedings against the Company in respect of this allegation.

  In view that the arbitration proceedings has yet to commence, the outcome of the matter cannot presently be determined. As such, no provision for doubtful debts has been made against the amount due from GEA in the financial statements. Furthermore, no provision for any potential loss arising from the claim by GEA has been recognised in the financial statements.

In view of the significance of these matters, we consider that these disclosures should be brought to your attention. Our opinion is not qualified in this respect.

ERNST & YOUNG
AF: 0039
Chartered Accountants

TAN SOO YAN
No. 1307/03/06 (J/PH)
Partner

Kuala Lumpur, Malaysia
29 October 2004

income statements

for the year ended 30 June 2004

	Note	Group 2004 RM	Group 2003 RM	Company 2004 RM	Company 2003 RM
Revenue	5	119,298,541	128,427,500	-	591,343
Cost of sales	6	(111,569,262)	(126,781,056)	-	(526,031)
Gross profit		7,729,279	1,646,444	-	65,312
Other operating income		1,112,252	1,963,422	166,512	1,466,857
Selling and marketing expenses		(2,090,421)	(2,488,552)	(11,047)	(93,117)
Administrative expenses		(11,174,993)	(15,774,865)	(5,675,937)	(4,948,327)
Other operating expenses		(7,287,872)	(2,165,171)	(5,298,502)	(1,506,715)
Loss from operations before exceptional items	7	(11,711,755)	(16,818,722)	(10,818,974)	(5,015,990)
Exceptional items	8	(12,691,159)	24,211,327	(12,691,159)	3,198,611
(Loss)/profit from operations after exceptional items		(24,402,914)	7,392,605	(23,510,133)	(1,817,379)
Finance costs	9	(4,087,214)	(3,339,661)	(3,052,448)	(2,263,292)
(Loss)/profit before taxation		(28,490,128)	4,052,944	(26,562,581)	(4,080,671)
Taxation	10	(250,617)	(897,688)	(10,507)	-
(Loss)/profit after taxation		(28,740,745)	3,155,256	(26,573,088)	(4,080,671)
(Loss)/earnings per share (sen)	11	(32)	5		

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

balance sheets

as at 30 June 2004

	Note	Group 2004 RM	Group 2003 RM	Company 2004 RM	Company 2003 RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	57,876,568	47,303,140	12,352,031	14,353,363
Investments in subsidiaries	13	-	-	16,255,691	16,005,693
Other investments	14	62,677	5,005,130	62,676	105,130
Goodwill on consolidation	15	19,765,518	-	-	-
CURRENT ASSETS					
Inventories	16	11,640,860	5,013,095	-	-
Amount due from customers on contracts	17	18,784	18,784	18,784	18,784
Trade and other receivables	18	90,409,437	104,712,875	28,443,860	44,657,883
Amount due from subsidiaries	19	-	-	22,287,524	14,824,754
Tax recoverable		-	-	189,565	189,565
Short term deposits	20	203,841	12,567,857	-	12,000,000
Cash and bank balances		7,797,978	4,433,947	65,174	1,829,882
		110,070,900	126,746,558	51,004,907	73,520,868
CURRENT LIABILITIES					
Amount due to customers on contracts	17	116,700	210,648	52,640	52,640
Trade and other payables	21	76,945,347	57,104,607	9,433,978	6,444,988
Amount due to subsidiaries	19	-	-	22,194,430	17,074,911
Bank borrowings	22	49,157,002	34,390,967	20,122,131	21,458,851
Tax payable		505,499	556,798	-	-
		126,724,548	92,263,020	51,803,179	45,031,390
NET CURRENT (LIABILITIES)/ASSETS		(16,653,648)	34,483,538	(798,272)	28,489,478
		61,051,115	86,791,808	27,872,126	58,953,664
FINANCED BY:					
Share capital	23	89,778,182	88,531,182	89,778,182	88,531,182
Share premium		2,762,032	1,960,602	2,762,032	1,960,602
Other capital reserve		11,250,000	11,250,000	-	-
Merger reserve		15,915,518	15,915,518	-	-
Asset revaluation reserve		1,875,692	2,770,735	1,875,692	2,770,735
Accumulated losses		(75,799,266)	(47,058,521)	(72,712,631)	(46,139,543)
		45,782,158	73,369,516	21,703,275	47,122,976
NON-CURRENT LIABILITIES					
Deferred tax liabilities	24	1,474,267	1,488,267	279,266	279,266
Bank borrowings	22	13,794,690	11,934,025	5,889,585	11,551,422
		15,268,957	13,422,292	6,168,851	11,830,688
		61,051,115	86,791,808	27,872,126	58,953,664

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

consolidated statement of changes in equity

for the year ended 30 June 2004

	Note	Share Capital RM	Share Premium RM	Other Capital Reserve RM	Merger Reserve RM	Asset Revaluation Reserve RM	Accumulated Losses RM	Total RM
		<---------- Non-Distributable ---------->					Distributable	
At 1 July 2002		44,265,591	463,850	11,250,000	12,716,908	7,206,065	(50,213,777)	25,688,637
Issue of share capital net of issue expenses	23	44,265,591	1,496,752	-	-	-	-	45,762,343
Profit guarantee receivable	4	-	-	-	3,198,610	-	-	3,198,610
Impairment loss		-	-	-	-	(4,435,330)	-	(4,435,330)
Profit for the year		-	-	-	-	-	3,155,256	3,155,256
At 30 June 2003		88,531,182	1,960,602	11,250,000	15,915,518	2,770,735	(47,058,521)	73,369,516
Issue of share capital net of issue expenses	23	1,247,000	801,430	-	-	-	-	2,048,430
Impairment loss	12	-	-	-	-	(895,043)	-	(895,043)
Loss for the year		-	-	-	-	-	(28,740,745)	(28,740,745)
At 30 June 2004		89,778,182	2,762,032	11,250,000	15,915,518	1,875,692	(75,799,266)	45,782,158

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

company statement of changes in equity

for the year ended 30 June 2004

	Note	Share Capital RM	<----Non-Distributable----> Share Premium RM	Asset Revaluation Reserve RM	Distributable Accumulated Losses RM	Total RM
At 1 July 2002		44,265,591	463,850	7,206,065	(42,058,872)	9,876,634
Issue of share capital net of issue expenses	23	44,265,591	1,496,752	-	-	45,762,343
Impairment loss		-	-	(4,435,330)	-	(4,435,330)
Loss for the year		-	-	-	(4,080,671)	(4,080,671)
At 30 June 2003		88,531,182	1,960,602	2,770,735	(46,139,543)	47,122,976
Issue of share capital net of issue expenses	23	1,247,000	801,430	-	-	2,048,430
Impairment loss	12	-	-	(895,043)	-	(895,043)
Loss for the year		-	-	-	(26,573,088)	(26,573,088)
At 30 June 2004		89,778,182	2,762,032	1,875,692	(72,712,631)	21,703,275

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

cash flow statements

for the year ended 30 June 2004

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before taxation	(28,490,128)	4,052,944	(26,562,581)	(4,080,671)
Adjustments for:				
Depreciation of property, plant and equipment	2,678,969	2,645,727	522,218	600,132
Amortisation of goodwill	335,009	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(273,963)	(326,390)	97,242	(24,853)
Gain on disposal of subsidiaries	-	(43,960,022)	-	(1)
Reversal of provision for impairment loss on investment in a subsidiary	-	-	-	(3,198,610)
Property, plant and equipment written off	163,585	2,206,322	163,105	-
Provision for the other investment	42,454	-	42,454	-
Provision for doubtful debts	18,232,175	22,401,528	17,191,159	1,506,715
Interest expense	4,087,214	3,339,661	3,052,448	2,263,292
Interest income	(240,127)	(383,572)	(123,242)	(226,190)
Operating loss before working capital changes	(3,464,812)	(10,023,802)	(5,617,197)	(3,160,186)
Changes in working capital:				
Inventories	(6,627,765)	898,166	-	-
Amount due (to)/from customers on contracts	(93,948)	1,598,516	-	354,571
Trade and other receivables	(228,471)	(54,004,021)	(977,136)	(17,266,837)
Trade and other payables	5,587,261	36,009,552	2,988,990	(1,510,910)
Intercompany balances	-	-	(2,343,251)	(13,031,000)
Cash used in operating activities	(4,827,735)	(25,521,589)	(5,948,594)	(34,614,362)
Interest received	240,127	383,572	123,242	226,190
Interest paid	(4,087,214)	(3,339,661)	(3,052,448)	(2,263,292)
Tax paid	(315,916)	(815,314)	(10,507)	-
Net cash used in operating activities	(8,990,738)	(29,292,992)	(8,888,307)	(36,651,464)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (Note 12)	(10,478,921)	(1,433,276)	(77,473)	(782,867)
Proceeds from disposal of property, plant and equipment	1,658,201	850,059	401,197	109,500
Proceeds from disposal of subsidiaries (Note 13(b))	-	(179,743)	-	1
Acquisition of subsidiaries (Note 13(a))	(5,533,075)	-	-	-
Investment in unquoted shares	(1)	(4,900,000)	-	-
Additional investment in subsidiary	-	-	(249,998)	-
Net cash (used in)/generated from investing activities	(14,353,796)	(5,662,960)	73,726	(673,366)

cash flow statements

for the year ended 30 June 2004

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of share capital issue expenses	-	(2,929,807)	-	(2,929,807)
Hire purchase payables	(986,226)	(486,568)	(38,516)	(155,043)
Bank borrowings	11,500,939	1,005,849	(8,834,345)	3,189,099
Proceeds from issuance of share capital	2,048,430	48,692,150	2,048,430	48,692,150
Withdrawal of deposits pledged as security	371,323	1,263,133	-	1,144,670
Net cash generated from/(used in) financing activities	12,934,466	47,544,757	(6,824,431)	49,941,069
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(10,410,068)	12,588,805	(15,639,012)	12,616,239
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,417,838	(1,170,967)	9,066,107	(3,550,132)
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,007,770	11,417,838	(6,572,905)	9,066,107
Cash and cash equivalents comprise the following:				
Short term deposits (Note 20)	203,841	12,567,857	-	12,000,000
Cash and bank balances	7,797,978	4,433,947	65,174	1,829,882
Bank overdrafts (Note 22)	(6,994,049)	(5,212,643)	(6,638,079)	(4,763,775)
	1,007,770	11,789,161	(6,572,905)	9,066,107
Less: Deposits pledged (Note 20)	-	(371,323)	-	-
	1,007,770	11,417,838	(6,572,905)	9,066,107

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

notes to the financial statements

30 June 2004

1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and procuring and subcontracting of steel fabrication and engineering contracts.

The principal activities of the subsidiaries are manufacturing of reinforcement steel bars, marketing and distribution of steel bars, building materials and scrap iron, provision of engineering services and supplies and provision of information and communication technology services.

During the year the Company acquired two subsidiaries which are involved in provision of managed network services and related information and communication technology businesses.

There have been no significant changes in the nature of the principal activities during the financial year other than as a result of the new subsidiaries acquired during the year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 2nd Floor Bangunan Palm Grove, No. 14 Jalan Glenmarie (Persiaran Kerjaya), Section U1, 40150 Shah Alam, Selangor Darul Ehsan.

The number of employees in the Group and in the Company at the end of the financial year were 201 (2003: 195) and 14 (2003: 17) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 October 2004.

2. FUNDAMENTAL ACCOUNTING CONCEPT

The Group and the Company incurred a loss of RM28,740,745 and RM26,573,088 respectively for the year ended 30 June 2004 and, as of that date, the Group's current liabilities exceeded its current assets by RM16,653,648. Furthermore, certain creditors have been taken legal action against the Company as disclosed in Note 21 and Note 27 to the financial statements.

The Company has rescheduled the repayment of a term loan and a revolving credit facility which it intends to settle out of the proceeds from the sale of certain assets as disclosed in Note 28(b) to the financial statements. The Company is also planning to divest certain of the assets to be acquired pursuant to the proposed acquisition as disclosed in Note 4 to the financial statements to repay the creditors and bank borrowings so as to reduce the net current liabilities position.

The financial statements of the Group and of the Company have been prepared on the going concern basis which is dependent on the completion of the proposed profit guarantee compensation and proposed acquisition as disclosed in Note 4 to the financial statements, the completion of the sale of the properties as disclosed in Note 28(b) to the financial statements and the Company's ability to refinance and reschedule any remaining short term borrowings as and when they become due and payable.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or to amounts and classification of liabilities that may be necessary if the going concern assumption is to be no longer appropriate.

3. 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 except for the revaluation of certain land and buildings and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

The Group and the Company has applied the transitional provisions of International Accounting Standard 16 (Revised) Property, Plant and Equipment, the predecessor standard of MASB 15 Property, Plant and Equipment, approved by the Malaysian Accounting Standards Board and by virtue of which a reporting enterprise which does not adopt a policy of revaluation is allowed to retain revalued amounts on the basis of their previous revaluation subject to continuity in depreciation policy and the requirement to write an asset down to its recoverable amount.

During the financial year ended 30 June 2004, the Group and the Company adopted MASB 29 Employee Benefits for the first time. The adoption of MASB 29 has not given rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. 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 consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Acquisition of subsidiaries which meet the criteria for merger are accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's book is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. The results of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

Intra-group 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 company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

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 acquiree's equity since then.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary 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 3(n). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill is amortised on a straight-line basis over its estimated useful life of 20 years.

Prior to 1 July 2003, goodwill arising on consolidation was written off against reserves. The change in accounting policy has not given rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

(d) Investments in Subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n).

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

(e) Property, Plant and Equipment and Depreciation

Freehold land is stated at cost less impairment losses. Other property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment and Depreciation (Cont'd)

The leasehold land and buildings of the Company were revalued by the Directors in the financial year 1998 based on an independent valuation carried out by Jones Lang Wootton on an existing use basis. These properties have continued to be stated on the basis of the 1998 valuation, as allowed by the transitional provisions of International Accounting Standard 16 (Revised) Property, Plant and Equipment, approved by the Malaysian Accounting Standards Board.

Freehold land is not depreciated. Leasehold land is depreciated over the period of the respective leases which range from 39 years to 106 years. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	2%
Building improvements	10% - 15%
Temporary workshop	33%
Plant and machinery	10% - 30%
Motor vehicles	15% - 20%
Office equipment, furniture and fittings	10% - 20%

Upon disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(f) 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) Sales of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(ii) Construction contracts

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 3(g).

(iii) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

(iv) Dividend income

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

(v) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(g) Construction Contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs or the extent of completion of a physical proportion of the contract works, as appropriate.

Where the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Construction Contracts (Cont'd)

When the total of costs incurred on contruction contracts plus, recognised profits (less recognised losses), exceeds progress bilings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

(h) Inventories

Finished goods, raw materials and consumables are stated at lower of cost and net realisable value.

Cost is determined using the weighted average or first-in-first-out method, as appropriate. Cost includes cost of purchases, raw materials and incidentals in bringing the inventories into the store and for finished goods and work-in-progress, it also includes direct labour and attributable production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs necessary estimated to make the sale.

(i) Finance Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 3(e).

(j) 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.

(k) 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 credit 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 recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction or at contracted rates, where applicable. Foreign currency monetary items as at the balance sheet date are translated into Ringgit Malaysia at the exchange rates ruling at that date or at contracted rates, where applicable. Foreign currency non-monetary items are translated using the historical rates as of the date of the transaction. All exchange rate difference are taken to the income statement.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2004 RM	2003 RM
1 US Dollar	3.8	3.8

(m) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(n) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its 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, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(o) 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 Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

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

(iii) Equity compensation benefits

The Company's Employee Share Option Scheme ("ESOS") allows the Group's employees to acquire ordinary shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by amount of the proceeds received.

Prior to the adoption of MASB 29 Employee Benefits on 1 July 2003, no liability was recognised for the obligations in respect of short-term employee benefits in the form of accumulating compensated absences. However, the adoption has not given rise to any adjustments to the opening balances of retained profits of the prior and current year or to changes in comparatives.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) 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 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

Other non-current investments other than investment in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(n).

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

(ii) Trade Receivables

Trade 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) Trade Payables

Trade 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 borrowings are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are recognised in the income statement as an expense in the period in which they are incurred.

(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.

4. PROFIT GUARANTEE IN RESPECT OF SUBSIDIARIES ACQUIRED IN FINANCIAL YEAR ENDED 31 DECEMBER 1997

In 1997, Maju Holdings Sdn. Bhd. ("MHSB"), the guarantor for Maju Steel Sdn. Bhd. ("MSSB") and, MHSB and Dato' Khairuddin Bin Abdul Rahman ("DKAR"), the guarantors for Maju Egatt (M) Sdn. Bhd. ("MESB"), have respectively given a profit guarantee to the Company that the consolidated profit before tax of MSSB and profit before tax of MESB for each of the 3 financial years ended 31 December 1997, 1998 and 1999 shall not be less than RM9.378 million and RM2.765 million respectively.

MSSB and MESB met the profit guarantee for the financial year ended 31 December 1997 but did not meet the profit guarantee for the financial years ended 31 December 1998 and 31 December 1999. The shortfall in the guaranteed consolidated profit before tax of MSSB for the financial year ended 31 December 1998 was RM8.362 million and for the financial year ended 31 December 1999 was RM6.431 million whereas the shortfall in the guaranteed profit before tax of MESB for each of the financial years ended 31 December 1998 and 31 December 1999 was RM2.765 million.

4. PROFIT GUARANTEE IN RESPECT OF SUBSIDIARIES ACQUIRED IN FINANCIAL YEAR ENDED 31 DECEMBER 1997 (CONT'D)

On 9 July 2001, the Company announced the following proposals by the guarantors to compensate the shortfall in respect of the 1998 profit guarantee and to vary the 1999 profit guarantee as follows:

(a) The aggregate shortfall in the guaranteed consolidated profit before tax of MSSB and guaranteed profit before tax of MESB for the financial year ended 31 December 1998 was RM11.127 million.

To compensate for the said shortfall, MHSB shall renounce at no cost to the shareholders of the Company apart from the guarantors or parties deemed to be connected to the guarantors ("other shareholders") such number of new shares in the Company, equivalent in value to the aforesaid shortfall of RM11.127 million attributable to the other shareholders of the Company, out of the 11.170 million new shares in the Company that MHSB shall receive pursuant to the proposed acquisition by the Company of certain properties from Premier Tube Sdn. Bhd. ("PTSB"), a subsidiary company of MHSB, for an aggregate consideration of RM11.170 million to be satisfied by the issuance of 11.170 million new ordinary shares of RM1 each in the Company at par.

(b) Further, MHSB proposes to guarantee that the aggregate consolidated profit before tax of MSSB for the 18 months financial period ended 30 June 2001, and the two financial years ending 30 June 2002 and 2003, shall be not less than RM6.431 million plus time value compensation calculated at the rate of 4.25% per annum, in substitution of the guaranteed consolidated profit before tax of MSSB for the financial year ended 31 December 1999; and

(c) The guarantors propose to severally guarantee that the aggregate profit before tax of MESB for the 18 months financial period ended 30 June 2001, and the two financial years ending 30 June 2002 and 2003, shall be not less than RM2.765 million plus time value compensation calculated at the rate of 4.25% per annum, in substitution of the guaranteed profit before tax of MESB for the financial year ended 31 December 1999.

On 6 July 2001, the Company entered into a conditional sale and purchase agreement with PTSB, MHSB and DKAR and a conditional profit guarantee agreement with MHSB and DKAR in relation to the above proposals.

On 28 January 2002, at the Extraordinary General Meeting of the Company, the shareholders approved the abovementioned proposals.

On 11 March 2003, the Securities Commission approved the abovementioned proposals followed by the Foreign Investment Committee on 30 April 2003.

On 30 March 2004, 28 May 2004 and 25 June 2004, the Land Registry of Wilayah Persekutuan approved the transfer of the properties to be acquired by the Company pursuant to the proposed acquisition.

On 9 August 2004, Bursa Malaysia Securities Berhad granted the approval in principle for the listing of and quotation for 11.170 millions new ordinary shares in the Company to be issued pursuant to the proposed acquisition.

The Company is seeking extension of time from the Securities Commission to complete the proposed profit guarantee compensation and the proposed acquisition.

In view of the above, the proposed profit guarantee compensation and the proposed acquisition have not been recognised in the financial statements.

The estimated shortfall of RM3,198,610 in respect of the proposed profit guarantee variation for MESB has been accounted for as a reduction in the cost of investment with the consequential increase in the merger reserve in the previous financial year.

5. REVENUE

Revenue of the Group and of the Company consists of the following:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Construction contracts	1,342,421	3,413,472	-	591,343
Sale of goods	115,584,348	124,256,107	-	-
Services	2,371,772	757,921	-	-
	119,298,541	128,427,500	-	591,343

6. COST OF SALES

Cost of sales of the Group and of the Company consists of the following:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Construction contracts	968,155	9,306,829	-	526,031
Sale of goods	108,940,950	116,628,754	-	-
Services	1,660,157	845,473	-	-
	111,569,262	126,781,056	-	526,031

7. LOSS FROM OPERATIONS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
(a) This is arrived at after charging:				
Auditors' remuneration				
- currrent year	114,000	121,200	35,000	35,000
- under provision in prior year	-	5,000	-	10,000
Depreciation of property, plant and equipment	2,678,969	2,645,727	522,218	600,132
Directors' remuneration (Note c)	1,562,268	1,571,452	1,105,800	1,244,412
Hire of plant and machinery	24,650	59,309	-	-
Goodwill amortisation	335,009	-	-	-
Rental of land and buildings	219,043	163,560	214,843	83,560
Property, plant and equipment written off	163,585	2,206,322	163,105	-
Provision for doubtful debts	5,541,016	2,652,833	4,500,000	1,506,715
Provision for diminution in value of investment	42,454	-	42,454	-
Loss on foreign exchange - realised	2,152	610	-	-
and crediting:				
Interest income				
- short term deposits	(131,500)	(228,022)	(121,183)	(201,285)
- others	(108,627)	(155,550)	(2,059)	(24,905)
Income from hire of motor vehicles				
- subsidiaries	-	-	-	(46,302)
- others	(693,251)	(79,321)	-	(79,321)
(Gain)/Loss on disposal of property, plant and equipment	(273,963)	(326,390)	97,242	(24,853)
Rental income				
- subsidiaries	-	-	-	(785,043)
- others	(138,389)	(685,467)	(138,389)	(114,007)
Bad debts recovered	-	(10,367)	-	-
(b) Employees information				
Staff costs				
Wages and salaries	7,660,431	7,397,524	1,884,070	2,322,787
Social security cost	34,256	83,769	5,723	3,547
Pension costs - defined contribution plan	685,965	650,302	198,148	234,227
Other staff related expenses	103,794	138,205	-	-
	8,484,446	8,269,800	2,087,941	2,560,561

Included in staff costs of the Group and of the Company are executive directors' remuneration of RM1,441,268 (2003: RM1,569,952) and RM984,800 (2003: RM1,242,912) respectively as further disclosed in Note 7(c).

The number of employees of the Group and of the Company as at 30 June 2004 were 201 (2003: 195) and 14 (2003: 17) respectively.

7. LOSS FROM OPERATIONS (CONT'D)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
(c) Directors' remuneration				
Directors of the Company				
Executive Directors				
- salaries and allowances	1,132,468	1,242,412	884,800	1,242,412
- bonuses	75,000	-	75,000	-
- fees	25,000	500	25,000	500
- pension costs - defined contribution plan	94,800	-	-	-
- benefits-in-kind	-	-	-	-
	1,327,268	1,242,912	984,800	1,242,912
Non-Executive Directors				
- salaries and allowances	-	-	-	-
- bonuses	-	-	-	-
- fees	121,000	1,500	121,000	1,500
- benefits-in-kind	-	-	-	-
	121,000	1,500	121,000	1,500
	1,448,268	1,244,412	1,105,800	1,244,412
Directors of Subsidiaries				
Executive Directors				
- salaries and allowances	114,000	327,040	-	-
- bonuses	-	-	-	-
- fees	-	-	-	-
- benefits-in-kind	-	-	-	-
	114,000	327,040	-	-
Non-Executive Directors				
- salaries and allowances	-	-	-	-
- bonuses	-	-	-	-
- fees	-	-	-	-
- benefits-in-kind	-	-	-	-
	-	-	-	-
	114,000	327,040	-	-
Total	1,562,268	1,571,452	1,105,800	1,244,412

7. LOSS FROM OPERATIONS (CONT'D)

	Number of Directors			
	2004		2003	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
(c) Directors' remuneration (Cont'd)				
Directors of the Company				
RM1 - RM50,000	1	4	2	3
RM200,001 - RM250,000	1	-	1	-
RM300,001 - RM350,000	1	-	1	-
RM500,001 - RM550,000	-	-	-	-
RM600,001 - RM650,000	-	-	-	-
RM650,001 - RM700,000	-	-	1	-
RM700,001 - RM750,000	1	-	-	-
Directors of Subsidiaries				
RM1 - RM50,000	-	1	1	-
RM100,001 - RM150,000	1	-	-	-
RM250,001 - RM300,000	-	-	1	-

The Directors receiving remuneration during the financial year are as follows:

Executive Directors of the Company

- Dato' Abu Talib Bin Mohamed
- Chew See Yow
- Sui Diong Hoe
- Ahmad Jamal Bin Jamil (Appointed on 7 June 2004)

Non-Executive Directors of the Company

- Chong Phow Yew
- Ang Poo Guan
- Ahmad Bin Habib (Appointed on 31 January 2004)
- Teh Ing Di (Resigned on 7 June 2004)

Executive Directors of susidiaries

- Dato' Khairuddin Bin Abdul Rahman
- Abdul Halim Bin Abdul Hamid

8. EXCEPTIONAL ITEMS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Reversal of provision for impairment loss on investment in a subsidiary	-	-	-	(3,198,610)
Provision for doubtful debts of amount owing by former subsidiaries	12,691,159	19,748,695	12,691,159	-
Gain on disposal of subsidiaries	-	(43,960,022)	-	(1)
	12,691,159	(24,211,327)	12,691,159	(3,198,611)

9. FINANCE COSTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Interest expense				
- term loans	1,806,239	1,619,319	1,718,249	1,619,319
- revolving credit	79,356	83,700	79,356	83,700
- bankers' acceptance	1,183,276	908,260	557,111	193,336
- bank overdrafts	684,270	437,094	642,854	328,200
- hire purchase	153,213	71,851	10,556	4,914
- others	180,860	219,437	44,322	33,823
	4,087,214	3,339,661	3,052,448	2,263,292

10. TAXATION

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Tax expense for the year:				
Malaysian income tax	369,557	99,999	-	-
Deferred taxation (Note 24)	(14,000)	805,001	-	-
	355,557	905,000	-	-
(Over)/Under provision in prior years:				
Malaysian income tax	(104,940)	(7,312)	10,507	-
	250,617	897,688	10,507	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003: 28%) of the estimated assessable profit for the year.

10. TAXATION (CONT'D)

A reconciliation of income tax expense applicable to (loss)/profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2004 RM	2003 RM
Group		
(Loss)/Profit before taxation	(28,490,128)	4,052,944
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	(7,977,236)	1,134,824
Expenses not deductible for tax purposes	6,169,903	7,373,306
Income not subject to tax	(860)	(12,406,089)
Tax rebate	-	(8,000)
Deferred tax assets not recognised during the year	2,163,750	4,810,959
Over provision in prior years	(104,940)	(7,312)
Tax expense for the year	250,617	897,688
Company		
Loss before taxation	(26,562,581)	(4,080,671)
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	(7,437,523)	(1,142,588)
Expenses not deductible for tax purposes	5,894,337	876,159
Income not subject to tax	-	(902,570)
Deferred tax assets not recognised during the year	1,543,186	1,168,999
Under provision in prior years	10,507	-
Tax expense for the year	10,507	-

11. (LOSS)/EARNINGS PER SHARE

(Loss)/earnings per share is calculated by dividing the net (loss)/profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2004 RM	2003 RM
Net (loss)/profit for the year	(28,740,745)	3,155,256
Weighted average number of ordinary shares in issue	89,525,849	64,553,987
Basic (loss)/earnings per share (sen)	(32)	5

The assumed share exercise of the options offered and accepted under the Employees' Share Option Scheme has an anti-dilution effect on the earnings per share of the Group.

12. PROPERTY, PLANT AND EQUIPMENT

Group	Land and Buildings* RM	Building Improvements RM	Temporary Workshop RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Capital Work In Progress RM	Total 2004 RM	Total 2003 RM
Cost/Valuation									
At 1 July	48,496,205	1,739,456	789,635	16,497,751	5,314,401	7,534,578	-	80,372,026	97,011,387
Additions	255,656	8,178	-	8,822,920	752,439	144,207	859,135	10,842,535	1,769,776
Acquisition/(disposal) of subsidiaries	-	-	-	5,308,063	-	8,050	-	5,316,113	(712,986)
Disposals/write off	-	(163,322)	-	(1,083,744)	(2,248,522)	(684,490)	-	(4,180,078)	(17,696,151)
At 30 June	48,751,861	1,584,312	789,635	29,544,990	3,818,318	7,002,345	859,135	92,350,596	80,372,026
Representing:									
At cost	30,251,861	1,584,312	789,635	29,544,990	3,818,318	7,002,345	859,135	73,850,596	61,872,026
At valuation	18,500,000	-	-	-	-	-	-	18,500,000	18,500,000
	48,751,861	1,584,312	789,635	29,544,990	3,818,318	7,002,345	859,135	92,350,596	80,372,026
Accumulated Depreciation and Impairment Loss									
At 1 July	9,945,462	939,447	788,156	14,969,474	3,187,178	3,239,169	-	33,068,886	41,238,819
Charge for the year	793,140	109,274	493	996,213	456,235	323,614	-	2,678,969	2,645,727
Acquisition/(disposal) of subsidiaries	-	-	-	462,711	-	674	-	463,385	(284,830)
Disposals/write off	-	(80,590)	-	(325,903)	(1,631,681)	(594,081)	-	(2,632,255)	(14,966,160)
Impairment loss	895,043	-	-	-	-	-	-	895,043	4,435,330
At 30 June	11,633,645	968,131	788,649	16,102,495	2,011,732	2,969,376	-	34,474,028	33,068,886
Net Book Value									
At 30 June 2004									
At cost	25,786,956	616,181	986	13,442,495	1,806,586	4,032,969	859,135	46,545,308	-
At valuation	11,331,260	-	-	-	-	-	-	11,331,260	-
	37,118,216	616,181	986	13,442,495	1,806,586	4,032,969	859,135	57,876,568	-
At 30 June 2003									
At cost	26,060,457	800,009	1,479	1,528,277	2,127,223	4,295,409	-	-	34,812,854
At valuation	12,490,286	-	-	-	-	-	-	-	12,490,286
	38,550,743	800,009	1,479	1,528,277	2,127,223	4,295,409	-	-	47,303,140
Depreciation charge for 2003	847,578	101,535	740	816,560	541,512	337,802	-	-	2,645,727

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Land and Buildings* RM	Building Improvements RM	Temporary Workshop RM	Plant and Machinery RM	Motor Vehicles RM	Office Equipment, Furniture and Fittings RM	Total 2004 RM	Total 2003 RM
Cost/Valuation								
At 1 July	18,500,000	1,173,578	789,635	37,300	2,177,899	687,649	23,366,061	22,517,698
Additions	-	-	-	-	77,473	-	77,473	996,367
Disposals/write off	-	(126,517)	-	(37,300)	(1,710,944)	(215,984)	(2,090,745)	(148,004)
At 30 June	18,500,000	1,047,061	789,635	-	544,428	471,665	21,352,789	23,366,061
Representing:								
At cost	-	1,047,061	789,635	-	544,428	471,665	2,852,789	4,866,061
At valuation	18,500,000	-	-	-	-	-	18,500,000	18,500,000
	18,500,000	1,047,061	789,635	-	544,428	471,665	21,352,789	23,366,061
Accumulated Depreciation and Impairment Loss								
At 1 July	6,009,714	597,151	788,156	12,433	1,259,323	345,921	9,012,698	4,040,593
Charge for the year	263,983	85,334	493	4,559	118,040	49,809	522,218	600,132
Disposals/write off	-	(67,879)	-	(16,992)	(1,212,505)	(131,825)	(1,429,201)	(63,357)
Impairment loss	895,043	-	-	-	-	-	895,043	4,435,330
At 30 June	7,168,740	614,606	788,649	-	164,858	263,905	9,000,758	9,012,698
Net Book Value								
At 30 June 2004								
At cost	-	432,455	986	-	379,570	207,760	1,020,771	-
At valuation	11,331,260	-	-	-	-	-	11,331,260	-
	11,331,260	432,455	986	-	379,570	207,760	12,352,031	-
At 30 June 2003								
At cost	-	576,427	1,479	24,867	918,576	341,728	-	1,863,077
At valuation	12,490,286	-	-	-	-	-	-	12,490,286
	12,490,286	576,427	1,479	24,867	918,576	341,728	-	14,353,363
Depreciation charge for 2003	312,725	62,152	740	6,217	161,648	56,650	-	600,132

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

*Land and buildings comprise:

Group	Freehold Land RM	Long Leasehold Land RM	Short Leasehold Land RM	Buildings RM	Total RM
Cost/Valuation					
At 1 July 2003	207,522	14,239,672	700,000	33,349,011	48,496,205
Additions	-	-	-	255,656	255,656
At 30 June 2004	207,522	14,239,672	700,000	33,604,667	48,751,861
Representing:					
At cost	207,522	9,239,672	-	20,804,667	30,251,861
At valuation	-	5,000,000	700,000	12,800,000	18,500,000
	207,522	14,239,672	700,000	33,604,667	48,751,861
Accumulated Depreciation and Impairment Loss					
At 1 July 2003	-	2,898,654	112,907	6,933,901	9,945,462
Additions	-	166,463	22,582	604,095	793,140
Reclassification	-	507,218	-	(507,218)	-
Impairment loss	-	-	-	895,043	895,043
At 30 June 2004	-	3,572,335	135,489	7,925,821	11,633,645
Net Book Value					
At 30 June 2004					
At cost	207,522	7,692,573	-	17,886,861	25,786,956
At valuation	-	2,974,764	564,511	7,791,985	11,331,260
	207,522	10,667,337	564,511	25,678,846	37,118,216
At 30 June 2003					
At cost	207,522	8,313,622	-	17,539,313	26,060,457
At valuation	-	3,027,396	587,093	8,875,797	12,490,286
	207,522	11,341,018	587,093	26,415,110	38,550,743
Depreciation charge for 2003	-	166,465	22,581	658,532	847,578

Company	Long Leasehold Land RM	Short Leasehold Land RM	Buildings RM	Total RM
Valuation				
At 1 July 2003 / 30 June 2004	5,000,000	700,000	12,800,000	18,500,000
Accumulated Depreciation and Impairment Loss				
At 1 July 2003	1,972,604	112,907	3,924,203	6,009,714
Additions	52,632	22,582	188,769	263,983
Impairment loss	-	-	895,043	895,043
At 30 June 2004	2,025,236	135,489	5,008,015	7,168,740

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

*Land and buildings comprise (Cont'd):

Company	Long Leasehold Land RM	Short Leasehold Land RM	Buildings RM	Total RM
Net Book Value				
At 30 June 2004				
At valuation	2,974,764	564,511	7,791,985	11,331,260
At 30 June 2003				
At valuation	3,027,396	587,093	8,875,797	12,490,286
Depreciation charge for 2003	52,632	22,582	237,511	312,725

(a) The net book value of revalued land and buildings, had it been carried at cost less accumulated depreciation is as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Long leasehold land	1,312,056	1,326,634	1,312,056	1,326,634
Short leasehold land	687,275	714,766	687,275	714,766
Buildings	5,660,838	5,851,014	5,660,838	5,851,014
	7,660,169	7,892,414	7,660,169	7,892,414

(b) The net book values of property, plant and equipment acquired under hire purchase arrangements are as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Plant and machinery	4,064,408	78,752	-	-
Motor vehicles	1,445,481	1,177,057	213,834	267,293
	5,509,889	1,255,809	213,834	267,293

(c) During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM10,842,535 (2003: RM1,769,776) and RM77,473 (2003: RM996,367) respectively of which RM363,614 (2003: RM336,500) and NIL (2003: RM213,500) respectively were acquired by means of hire purchase arrangements.

(d) The net book value of property, plant and equipment pledged to financial institutions for banking facilities granted to the Company and the subsidiary companies as mentioned in Note 22 to the financial statements is as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Freehold land	207,522	207,522	-	-
Long leasehold land	4,864,231	5,598,550	2,974,764	3,027,396
Short leasehold land	564,511	587,093	564,511	587,093
Buildings and building improvements	7,896,209	11,068,094	7,896,209	8,998,414
	13,532,473	17,461,259	11,435,484	12,612,903

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(e) The titles to the land and buildings of certain subsidiaries, the net book value of which amounted to RM15,773,478 and (2003: RM16,084,738) have not been transferred to the subsidiaries and are registered in the name of ASM Development Sdn. Bhd. ("ASMD"). The titles are held in trust by ASMD for these subsidiaries. ASMD is a subsidiary of Maju Holdings Sdn. Bhd., a company in which Dato' Abu Talib Bin Mohamed, a Director of the Company, has substantial interest and is able to exercise control.

(f) The impairment in value of assets has been derived based on indicative market prices as offered by interested parties.

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004 RM	2003 RM
Unquoted shares, at cost	18,367,990	18,117,992
Less: Accumulated impairment losses	(2,112,299)	(2,112,299)
	16,255,691	16,005,693

The titles to the share certificates of certain subsidiaries have not been transferred to the Company and are registered in the name of the original vendors which comprise third parties and Maju Holdings Sdn. Bhd., a company in which Dato' Abu Talib Bin Mohamed, a Director of the Company, has substantial interest and is able to exercise control.

(a) Acquisition of Subsidiaries

On 17 February 2003, iPSTAR Sdn Bhd ("iPSTAR"), a subsidiary of the Company, entered into a Sale and Purchase Agreement ("SPA") to acquire 2,450,000 ordinary shares of RM1.00 each representing 24.5% of the issued and paid-up share capital in Sierra Bay Sdn Bhd ("Sierra Bay"), a company incorporated in Malaysia, for a total cash consideration of RM4,900,000. The acquisition was completed in the previous financial year.

On 16 May 2003, iPSTAR entered into another SPA to further acquire 2,650,000 ordinary shares of RM1.00 each representing 26.5% equity interest in Sierra Bay, for a total cash consideration of RM5,300,000. The acquisition was completed on 27 February 2004.

With these acquisitions, iPSTAR owns in aggregate 51% of the issued and paid-up share capital in Sierra Bay.

The acquisition had the following effect on the Group's financial results for the year:

	27.2.2004 - 30.6.2004 RM
Revenue	5,818,511
Profit from operations	1,695,721
Net profit for the year	1,695,721

The acquisition had the following effect on the financial position of the Group as at the end of the year:

	2004 RM
Property, plant and equipment	4,381,758
Other investment	1
Inventories	60,539
Trade and other receivables	8,032,641
Amount owing by ultimate holding company	3,120,993
Cash and bank balances	3,702,707
Trade and other payables	(14,588,713)
Hire purchase payables	(2,364,732)
Amount owing to immediate holding company	(2,040,000)
Bank borrowings	(8,510,000)
Share of net liabilities	(8,204,806)

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Acquisition of Subsidiaries (Cont'd)

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiaries were as follows:

	27.2.2004 RM
Property, plant and equipment	4,852,728
Trade and other receivables	3,700,266
Trade and other payables	(15,220,446)
Cash and bank balances	(233,075)
Hire purchase payables	(3,000,000)
Fair value of total net liabilities	(9,900,527)
Goodwill on acquisition	20,100,527
Cost of acquisition	10,200,000
Less: Accounted as other investment in the previous financial year	(4,900,000)
	5,300,000
Less: Cash and cash equivalents of susidiaries acquired	233,075
Net cash outflow of the Group	5,533,075

(b) Disposal of subsidiaries

On 23 March 2003, the Company entered into a sale and purchase agreement to dispose of 5,000,000 ordinary shares of RM1.00 each representing 100% of the issued and paid up share capital of Kai Peng Engineering Sdn Bhd and 1,000,000 ordinary shares of RM1.00 each representing 100% of the issued and paid up share capital of Kai Peng Vessels Sdn Bhd for a total cash consideration of RM1.00. The disposals were completed in the previous financial year.

The effects of the disposal of the subsidiaries on the financial results of the Group for the previous financial year were as follows:

	1.7.2002 - 20.3.2003 RM
Revenue	758,111
Cost of sales	(5,423,420)
Gross loss	(4,665,309)
Other operating income	168,992
Selling and marketing expenses	(125,419)
Administrative expenses	(6,513,155)
Loss from operations	(11,134,891)
Finance costs	(330,713)
Loss before taxation	(11,465,604)
Taxation	-
Increase in Group loss attributable to shareholders	(11,465,604)

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) Disposal of subsidiaries (Cont'd)

The effects of the disposal of the subsidiaries on the financial position and cash flows of the Group for the previous financial year were as follows:

	20.3.2003 RM
Property, plant and equipment	428,156
Receivables	6,362,076
Cash and bank balances	179,744
Payables	(50,809,997)
Tax payables	(120,000)
Share of net liabilities disposed	(43,960,021)
Gain on disposal	43,960,022
Total consideration	1
Less: Cash and cash equivalents of subsidiaries disposed	(179,744)
Net cash outflow on disposal of subsidiaries	(179,743)

The effect of the disposal of the subsidiaries on the results of the Company for the previous financial year was as follows:

	2003 RM
Total consideration	1
Less: Cost of investments in subsidiaries	6,000,000
Provision for impairment losses on investment in subsidiaries	(6,000,000)
Carrying value	-
Gain on disposal of subsidiaries	1

The subsidiaries are:

Name of Company	Country of Incorporation	Principal Activity	Percentage of Equity Held 2004 %	2003 %
Kai Peng Oil & Gas Sdn. Bhd.	Malaysia	Inactive	100	100
iPSTAR Sdn. Bhd.	Malaysia	Information and communication technology services	100	100
Maju Steel Sdn. Bhd. *	Malaysia	Manufacturing of reinforcement steel bars	100	100
Maju Egatt (M) Sdn. Bhd. *	Malaysia	Provision of engineering services and supplies	100	100
Kai Peng Electrical Sdn. Bhd.	Malaysia	Inactive	80	80
Supermizer (M) Sdn. Bhd.	Malaysia	Inactive	95	95
Kai Peng Civils & Design Sdn. Bhd.	Malaysia	Dormant	100	100
Foodcom Corporation Sdn. Bhd.	Malaysia	Dormant	70	70

13. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of Company	Country of Incorporation	Principal Activity	Percentage of Equity Held 2004 %	2003 %
Subsidiaries of Maju Steel Sdn. Bhd.				
Maju Alat Ganti Sdn. Bhd. *	Malaysia	Marketing and distribution of steel bars and building materials	100	100
ASM Metal Sdn. Bhd. *	Malaysia	Marketing and distribution of scrap iron	100	100
Subsidiaries of iPSTAR Sdn. Bhd.				
Sierra Bay Sdn. Bhd. *	Malaysia	Investment holding	51	- #
Subsidiaries of Sierra Bay Sdn. Bhd.				
Baycom Sdn. Bhd. *	Malaysia	Providing managed network services and related information and communication technology businesses	51	- #

All the companies are audited by Ernst & Young except for those marked * which are audited by other firms.

In the previous year, iPSTAR Sdn Bhd held 24.5% equity interest in Sierra Bay Sdn Bhd.

14. OTHER INVESTMENTS

	Group 2004 RM	Group 2003 RM	Company 2004 RM	Company 2003 RM
Quoted shares in Malaysia, at cost	32,880	32,880	32,880	32,880
Unquoted shares, at cost	8,001	4,908,000	8,000	8,000
Club membership, at cost	64,250	64,250	64,250	64,250
	105,131	5,005,130	105,130	105,130
Less: Provision for diminution in value	(42,454)	-	(42,454)	-
	62,677	5,005,130	62,676	105,130
Market values of quoted shares in Malaysia	13,921	10,060	13,921	10,060

In the previous year, the investment in unquoted shares was as follows:

Name of Company	Country of Incorporation	Principal Activity	Percentage of Equity Held 2004 %	2003 %
Sierra Bay Sdn. Bhd.	Malaysia	Investment holding	- *	24.5

* During the year, Sierra Bay Sdn Bhd became a subsidiary of iPSTAR Sdn Bhd.

15. GOODWILL ON CONSOLIDATION

	Group 2004 RM	Group 2003 RM
At 1 July	-	-
Acquisition of subsidiaries for the year	20,100,527	-
Less: Amortisation for the year	(335,009)	-
At 30 June	19,765,518	-

16. INVENTORIES

	Group 2004 RM	Group 2003 RM	Company 2004 RM	Company 2003 RM
At cost:				
Finished goods	9,546,313	2,464,892	-	-
Raw materials	923,716	930,744	-	-
Consumables	1,170,831	1,617,459	-	-
	11,640,860	5,013,095	-	-

17. CONTRACT WORK-IN-PROGRESS

	Group 2004 RM	Group 2003 RM	Company 2004 RM	Company 2003 RM
Contract costs incurred	77,726,928	126,145,200	68,752,017	68,752,017
Attributable profit	6,376,652	8,175,440	6,376,652	6,376,652
	84,103,580	134,320,640	75,128,669	75,128,669
Progress billings	(79,469,047)	(131,808,811)	(72,458,832)	(72,458,832)
	4,634,533	2,511,829	2,669,837	2,669,837
Provision for foreseeable loss	(4,732,449)	(2,703,693)	(2,703,693)	(2,703,693)
Contract work-in-progress (Note a)	(97,916)	(191,864)	(33,856)	(33,856)

(a) Analysis of contract work-in-progress:

	Group 2004 RM	Group 2003 RM	Company 2004 RM	Company 2003 RM
Amount due from customers	18,784	18,784	18,784	18,784
Amount due to customers	(116,700)	(210,648)	(52,640)	(52,640)
	(97,916)	(191,864)	(33,856)	(33,856)

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade receivables	94,917,142	86,095,399	31,203,286	31,676,578
Less: Provision for doubtful debts	(16,142,062)	(10,610,232)	(8,151,038)	(3,651,038)
	78,775,080	75,485,167	23,052,248	28,025,540
Other receivables	43,943,266	49,070,058	37,604,183	36,153,755
Less: Provision for doubtful debts	(32,308,909)	(19,842,350)	(32,212,571)	(19,521,412)
	11,634,357	29,227,708	5,391,612	16,632,343
	90,409,437	104,712,875	28,443,860	44,657,883

Included in the trade receivables are the following:

(a) RM6,128,629 (2003: RM6,128,629) for the Group and RM3,550,238 (2003: RM3,550,238) for the Company in respect of retention sums due from customers for contract works.

(b) RM16,972,119 (2003: RM16,972,119) for the Group and RM16,447,971 (2003: RM16,447,971) for the Company in respect of contract proceeds receivable which have been assigned to the banks as securities for banking facilities granted to the Company and a subsidiary as mentioned in Note 22 to the financial statements.

Included in contract proceeds receivable above is RM16,447,971 (2003: RM16,447,971) for the Group and for the Company due from GEA Power Cooling Systems, Inc., the receipt of which is dependent on the conclusion of the matter as disclosed in Note 27(b) to the financial statements.

(c) RM44,799,922 (2003: RM32,886,186) for the Group and RM11,711,567 (2003: RM11,752,641) for the Company due from corporations in which Dato' Abu Talib Bin Mohamed, a Director of the Company, has substantial interest and is able to exercise control or significant influence.

Included in the other receivables are the following:

(a) RM33,089,789 (2003: RM31,874,137) for the Group and RM32,211,053 (2003: RM31,617,923) for the Company due from former subsidiaries.

(b) RM1,564,802 (2003: RM1,568,474) for the Group and RM1,049,993 (2003: RM1,049,993) for the Company due from corporations in which Dato' Abu Talib Bin Mohamed, a Director of the Company, has substantial interest and is able to exercise control or significant influence.

(c) RM3,198,610 (2003: RM3,198,610) for the Group and Company in respect of proposed profit guarantee variation shortfall for Maju Egatt (M) Sdn. Bhd. receivable from the guarantors as mentioned in Note 4 to the financial statements.

The corporations in which Dato' Abu Talib Bin Mohamed, a Director of the Company, has substantial interest and is able to exercise control or significant influence are Maju Holdings Sdn. Bhd. and its subsidiaries, Ipmuda Berhad and Perwaja Steel Sdn. Bhd.

The Group's normal trade credit term ranges from 14 to 90 days. Other credit terms are assessed and approved on a case by case basis.

Other than as disclosed above, the Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

19. AMOUNT DUE TO/FROM SUBSIDIARIES

	Company 2004 RM	Company 2003 RM
Amount due from subsidiaries	24,384,616	16,921,846
Provision for doubtful debts	(2,097,092)	(2,097,092)
	22,287,524	14,824,754
Amount due to subsidiaries	22,194,430	17,074,911

Amount due to/from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

20. SHORT TERM DEPOSITS

	Group 2004 RM	Group 2003 RM	Company 2004 RM	Company 2003 RM
Deposits placed with:				
Licensed banks	203,841	2,567,857	-	2,000,000
Other financial institution	-	10,000,000	-	10,000,000
	203,841	12,567,857	-	12,000,000

In the previous financial year, deposits amounted to RM371,323 for the Group were pledged to licensed banks as security for banking facilities granted to a subsidiary.

The effective interest rates of deposits at the balance sheet date were as follows:

	Group 2004 %	Group 2003 %	Company 2004 %	Company 2003 %
Licensed banks	3.70	3.00 - 4.00	-	3.00 - 3.20
Other financial institution	4.50	4.50	-	4.50

The maturity periods of deposits as at end of the financial year were as follows:

	Group 2004	Group 2003	Company 2004	Company 2003
Licensed banks	30 days	30 days	-	30 days
Other financial institution	-	on call basis	-	on call basis

21. TRADE AND OTHER PAYABLES

	Group 2004 RM	Group 2003 RM	Company 2004 RM	Company 2003 RM
Trade payables	42,288,582	37,645,779	4,573,344	4,029,537
Other payables	34,656,765	19,458,828	4,860,634	2,415,451
	76,945,347	57,104,607	9,433,978	6,444,988

The normal trade credit terms granted to the Group ranges from 30 to 90 days.

Included in trade payables are RM28,366,696 (2003: RM21,743,698) for the Group and RM29,286 (2003: RM29,286) for the Company due to corporations in which Dato' Abu Talib Bin Mohamed, a Director of the Company, has substantial interest and is able to exercise control or significant influence.

21. TRADE AND OTHER PAYABLES (CONT'D)

Included in other payables are the following:

(a) RM2,199,683 (2003: RM2,292,195) for the Group and RM49,456 (2003: RM49,456) for the Company due to corporations in which Dato' Abu Talib Bin Mohamed, a Director of the Company, has substantial interest and is able to exercise control or significant influence.

(b) RM1,988,940 (2003: RM27,514) for the Group and NIL (2003: RM27,514) for the Company due to directors of the Company and RM10,419,626 (2003: RM409,086) for the Group due to directors of subsidiaries. The amount due to directors are unsecured, interest free and have no fixed terms of repayment.

The corporations in which Dato' Abu Talib Bin Mohamed, a Director of the Company, has substantial interest and is able to exercise control or significant influence are Maju Holdings Sdn. Bhd. and its subsidiaries, Ipmuda Berhad, Edaran Maju Muda Sdn. Bhd. and Perwaja Steel Sdn. Bhd..

Certain creditors have taken legal action to demand the payment of outstanding amounts. These matters are either currently pending further hearing or todate, no further action has been taken by the creditors. The Directors are of the opinion that these will not result in any material unprovided liabilities.

22. BANK BORROWINGS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Short Term Borrowings				
Secured:				
Revolving credit	1,666,911	1,860,000	1,666,911	1,860,000
Bills payable	24,457,000	15,165,716	371,000	2,905,000
Bank overdrafts	4,340,651	4,439,346	3,984,681	3,990,478
Term loans	13,864,000	8,154,247	10,204,000	8,154,247
Hire purchase payables (Note 25)	966,966	256,598	34,065	34,065
	45,295,528	29,875,907	16,260,657	16,943,790
Unsecured:				
Bills payable	-	2,533,687	-	2,533,688
Bank overdrafts	2,653,398	773,297	2,653,398	773,297
Term loans	1,208,076	1,208,076	1,208,076	1,208,076
	3,861,474	4,515,060	3,861,474	4,515,061
	49,157,002	34,390,967	20,122,131	21,458,851
Long Term Borrowings				
Secured:				
Term loans	9,509,597	9,160,000	4,659,597	9,160,000
Hire purchase payables (Note 25)	3,179,425	545,439	124,320	162,836
	12,689,022	9,705,439	4,783,917	9,322,836
Unsecured:				
Term loans	1,105,668	2,228,586	1,105,668	2,228,586
	13,794,690	11,934,025	5,889,585	11,551,422
	62,951,692	46,324,992	26,011,716	33,010,273

22. BANK BORROWINGS (CONT'D)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Total Borrowings				
Revolving credit	1,666,911	1,860,000	1,666,911	1,860,000
Bills payable	24,457,000	17,699,403	371,000	5,438,688
Bank overdrafts	6,994,049	5,212,643	6,638,079	4,763,775
Term loans	25,687,341	20,750,909	17,177,341	20,750,909
	58,805,301	45,522,955	25,853,331	32,813,372
Hire purchase payables (Note 25)	4,146,391	802,037	158,385	196,901
	62,951,692	46,324,992	26,011,716	33,010,273

Maturity of borrowings (excluding the hire purchase payables):

Within one year	48,190,036	34,134,369	20,088,066	21,424,786
More than 1 year and less than 2 years	6,769,668	4,568,076	2,809,668	4,568,076
More than 2 years and less than 5 years	3,845,597	6,820,510	2,955,597	6,820,510
	58,805,301	45,522,955	25,853,331	32,813,372

The effective interest rates at the balance sheet date for bank borrowings were as follows:

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Bank overdrafts	7.75-8.50	8.15-9.90	7.75-8.50	8.15-9.90
Revolving credits	4.50	4.50	4.50	4.50
Bills payable	3.00-5.25	3.00-8.90	5.25	4.50-7.90
Floating rate term loans	5.00-7.75	5.00-8.65	5.00-7.75	5.00-8.65
Fixed rate term loan	9.50	9.50	9.50	9.50

The bank borrowings are secured as follows:

Company

(i) Legal charge over the land and buildings

(ii) Assignment of proceeds from a contract

Subsidiaries

(i) Legal charge over certain land and buildings of certain subsidaries

(ii) Fixed and floating charge over all the property, plant and equipment of a subsidiary

(iii) Fixed and floating charge over all the assets of a subsidiary

(iv) Assignment of proceeds from certain contracts of a subsidiary

(v) Negative pledge on the assets of a subsidiary

(vi) Joint and several guarantee by certain Directors of certain subsidiaries

(vii) Corporate guarantee given by the Company

During the year, the Company had rescheduled the repayment of a term loan and a revolving credit to be settled out of the proceeds from the sale of certain assets as disclosed in Note 28(b) to the financial statements and had obtained extension of time for repayment of certain short term borrowings.

23. SHARE CAPITAL

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Ordinary shares of RM1 each:				
Authorised:				
At 1 July	200,000,000	100,000,000	200,000,000	100,000,000
Created during the year	-	100,000,000	-	100,000,000
At 30 June	200,000,000	200,000,000	200,000,000	200,000,000
Issued and fully paid:				
At 1 July	88,531,182	44,265,591	88,531,182	44,265,591
Issued during the year (Note a)	1,247,000	44,265,591	1,247,000	44,265,591
At 30 June	89,778,182	88,531,182	89,778,182	88,531,182

(a) Issue of Shares

During the year, the issued and paid-up share capital of the Company was increased from RM88,531,182 to RM89,778,182 by way of the issuance of 1,247,000 new ordinary shares of RM1 each pursuant to the exercise of ESOS at an exercise price ranging from RM1.37 to RM1.69 per share for cash. The share premium arising amounted to RM801,430 was credited to the share premium account. The new ordinary shares rank pari passu in all respects with existing ordinary shares.

(b) Employees' Share Option Scheme

At an Extraordinary General Meeting held on 25 November 1999, the shareholders of the Company approved the implementation by the Company of an Employees' Share Option Scheme ("ESOS") which offers eligible employees and full-time Executive Directors of the Company and its subsidiary companies options to subscribe for new ordinary shares of RM1 each in the Company.

The Scheme is in force for a period of 5 years and all options shall be exercised no later than 2 January 2005. The employee to whom an option is granted shall pay to the Company a nominal non-refundable sum of RM1.00 as consideration for the grant of the option.

The maximum number of shares to be offered shall not exceed ten percent (10%) of the issued and paid-up capital of the Company at any time during the tenure of the ESOS and the number of shares of the Company that may be offered to each employee is determined by a Committee appointed by the Board of Directors in accordance with the Bye-Laws of the Scheme.

Each option entitles the holder of the option to subscribe for one new ordinary share of the Company at an option price which is the average of the mean market quotation (such mean market quotation being the average of the highest and lowest price transacted) of the shares of the Company as shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five market days preceeding the date of offer or the par value of RM1.00 of the shares of the Company, whichever is higher.

23. SHARE CAPITAL (CONT'D)

As at 30 June 2004, a total of 552,000 (2003: 2,434,000) options remain unexercised, the details of which are as follows:

	No. of Options over Ordinary Shares of RM1 each			
Exercise price	**At 1 July**	**Granted**	**Exercised / Lapsed***	**At 30 June**
2004				
1st offer at RM1.65	1,911,000	-	995,000 434,000*	482,000
2nd offer at RM1.69	452,000	-	192,000 190,000*	70,000
3rd offer at RM1.37	71,000	-	60,000 11,000*	-
	2,434,000	-	1,882,000	552,000
2003				
1st offer at RM1.65	2,298,000	-	387,000*	1,911,000
2nd offer at RM1.69	477,000	-	25,000*	452,000
3rd offer at RM1.37	162,000	-	91,000*	71,000
	2,937,000	-	503,000	2,434,000

24. DEFERRED TAX LIABILITIES

	Group		Company	
	2004 RM	**2003 RM**	**2004 RM**	**2003 RM**
At 1 July	1,488,267	683,266	279,266	279,266
Recognised in the income statement (Note 10)	(14,000)	805,001	-	-
At 30 June	1,474,267	1,488,267	279,266	279,266

Deferred Tax (Assets)/Liabilities of the Group:

	Accelerated Capital Allowances RM	Revaluation of Land and Buildings RM	Unutilised Tax Losses RM	Provision for Doubtful Debts RM	Total RM
At 1 July 2003	1,223,001	279,266	(14,000)	-	1,488,267
Recognised in the income statement	31,000	-	(6,000)	(39,000)	(14,000)
At 30 June 2004	1,254,001	279,266	(20,000)	(39,000)	1,474,267
At 1 July 2002	1,259,000	279,266	(855,000)	-	683,266
Recognised in the income statement	(35,999)	-	841,000	-	805,001
At 30 June 2003	1,223,001	279,266	(14,000)	-	1,488,267

Deferred Tax Liabilities of the Company:

	Revaluation of Land and Buildings RM
At 1 July 2003 and 30 June 2004	279,266
At 1 July 2002 and 30 June 2003	279,266

24. DEFERRED TAX LIABILITIES (CONT'D)

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

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Unutilised tax losses	24,644,000	19,413,000	9,889,000	7,616,000
Unabsorbed capital allowances	1,810,000	1,028,000	1,171,000	642,000
	26,454,000	20,441,000	11,060,000	8,258,000

The unutilised tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the subsidiaries in which those items arose.

25. HIRE PURCHASE PAYABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Minimum hire purchase payments:				
Within 1 year	1,294,980	313,223	49,092	49,092
After 1 year but not later than 5 years	3,652,589	592,544	126,520	175,592
	4,947,569	905,767	175,612	224,684
Deferred finance charges	(801,178)	(103,730)	(17,227)	(27,783)
	4,146,391	802,037	158,385	196,901
Present value of minimum hire purchase liabilities:				
Current (Note 22)	966,966	256,598	34,065	34,065
Non-current	3,179,425	545,439	124,320	162,836
	4,146,391	802,037	158,385	196,901

The hire purchase bore interest at the balance sheet date at rates between 5.62% to 12.10% (2003: 5.62% to 12.10%) per annum.

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2004 RM	2003 RM
Group		
Transactions with corporations in which Dato' Abu Talib Bin Mohamed, a Director of the Company, has substantial interest and is able to exercise control or significant influence:		
Progress billing received and receivable from Maju Holdings Sdn. Bhd.	-	(1,836,825)
Sales of steel bars to:		
Maju Holdings Sdn. Bhd.	-	(220,152)
Perwaja Steel Sdn. Bhd.	(27,093,834)	(11,339,218)
Pengangkutan Bin Sdn. Bhd.	(90,709)	(25,272)

26. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

	2004 RM	2003 RM
Purchase of raw materials from:		
Perwaja Steel Sdn. Bhd.	47,725,386	37,487,878
Perwaja Roll Mills Sdn. Bhd.	-	28,553,850
Income from hire of motor vehicles received and receivable from Maju Holdings Sdn. Bhd.	-	(79,321)
Transportation, welding and assembly, security and other charges from:		
Pengangkutan Bin Sdn. Bhd.	2,324,923	2,910,359
ASM Security Sdn. Bhd.	216,000	-
Company		
Transactions with subsidiaries:		
Sales of raw materials to Maju Alat Ganti Sdn. Bhd.	-	(515,971)
Office rental income received and receivable from Kai Peng Oil and Gas Sdn. Bhd.	-	(184,114)
Transactions with former subsidiaries:		
Office rental income received and receivable from:		
Kai Peng Engineering Sdn. Bhd.	-	(289,979)
Kai Peng Vessels Sdn. Bhd.	-	(310,950)
Car rental income received and receivable from Kai Peng Engineering Sdn. Bhd.	-	(46,302)

The directors are of the opinion that all the transactions above were entered into in the normal course of business and were established on terms and conditions that were not materially different from those obtainable in transactions with unrelated parties.

27. CONTINGENT LIABILITIES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Unsecured:				
(a) Corporate Guarantee				
(i) Corporate guarantee given to financial institutions for:				
- banking facilities granted to subsidiaries	-	-	29,620,970	12,139,583
- hire purchase facilities granted to subsidiaries	-	-	2,845,902	-
(ii) Corporate guarantee given to trade creditors of subsidiaries for the supply of goods and provision of services	-	-	17,617	25,137
(iii) Corporate guarantee given to trade creditors of former subsidiaries for the supply of goods and provision of services	824,076	906,292	824,076	906,292

Certain creditors of the former subsidiaries have taken legal action to demand the payment of outstanding amounts for which the Company stood as a guarantor. These matters are either currently pending further hearing or todate, no further action has been taken by the creditors.

27. CONTINGENT LIABILITIES (CONT'D)

(b) The Company supplied certain products to GEA Power Cooling Systems, Inc. ("GEA") in prior years. GEA claimed that the goods were defective and had to carry out rectification works which amounted to RM27,515,861 (USD 7,241,016). During the year, GEA has commenced arbitration proceeding in the United States of America but the Company is resisting the arbitration proceeding and has filed a claim against GEA for RM16,447,971 (USD 4,327,118) being amount owing by GEA to the Company.

Subsequently, both parties have agreed to have the arbitration in Sydney, Australia, instead of in the United States of America.

(c) A supplier served a letter of demand to the Company on 20 May 2003 and writ of summons on 21 August 2003 for RM424,130 for goods sold and delivered to the Company. The Company is disputing the claim on the argument that the goods were ordered for the use by a former subsidiary. The matter is pending further hearing.

(d) A creditor of a former subsidiary had on 9 June 2004 served a letter of demand to the Company for RM1,137,041 for goods supplied to a former subsidiary and for which the Company had indicated to make certain payments. Todate, no further action has been taken by the creditor.

28. SIGNIFICANT EVENTS DURING THE YEAR

(a) Acquisition of Sierra Bay Sdn. Bhd.

On 16 May 2003, iPSTAR Sdn Bhd ("iPSTAR"), a subsidiary of the Company, entered into a sale and purchase agreement to acquire 2,650,000 ordinary shares of RM1 each representing 26.5% equity interest in Sierra Bay Sdn Bhd ("Sierra Bay") for a total cash consideration of RM5,300,000. The approval of the Foreign Investment Committee was obtained on 27 August 2003 and the acquisition was completed on 27 February 2004.

(b) Disposal of Land and Building

(i) On 14 August 2003, the Company entered into a sale and purchase agreement to dispose of the leasehold land located at Kepong, Kuala Lumpur, together with the factory erected thereon for a total consideration of RM7,500,000. The approval of the State Authority for the sale and transfer of the said property was obtained on 7 November 2003. The completion of the sale is pending the buyer to complete the transaction and in view of this the sale has not been recognised in the financial statements.

(ii) On 17 May 2004, the Company entered into a sale and purchase agreement to dispose of the leasehold land located in Shah Alam, Selangor, together with the factory erected thereon for a total consideration of RM7,000,000. The completion of the sale is subject to the approval of the State Authority for the sale and transfer of the said property and in view of this the sale has not been recognised in the financial statements.

29. 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 reclassified as follows:

	As Previously Stated RM	Reclassification RM	As Restated RM
Group as at 30 June 2003			
Share premium	13,210,602	(11,250,000)	1,960,602
Other capital reserve	-	11,250,000	11,250,000
Group as at 1 July 2002			
Share premium	11,713,850	(11,250,000)	463,850
Other capital reserve	-	11,250,000	11,250,000

Included in the share premium of previous year is share premium of a subsidiary which was accounted on the merger accounting basis. This amount is now reclassified and shown separately as other capital reserve.

30. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business 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 not to 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 30 June 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, in short term commercial papers which yield better returns than cash at bank.

The information on the maturity dates and effective interest rates of financial assets and liabilities are disclosed in Note 20 and 22 to the financial statements.

(c) Foreign Exchange Risk

The Group's operational activities during the year were principally carried out in Malaysia where transactions were carried out in Ringgit Malaysia.

Foreign exchange exposures in transactional currencies other than Ringgit Malaysia are kept to an acceptable level.

The net unhedged financial assets and financial liabilities of the Group and of the Company that are not denominated in Ringgit Malaysia are as follows:

	Group		Company	
	2004 United States Dollar RM	2003 United States Dollar RM	2004 United States Dollar RM	2003 United States Dollar RM
Trade receivables	16,447,971	16,447,971	16,447,971	16,447,491
Trade payables	(281,380)	-	-	-
Net financial assets	16,166,591	16,447,971	16,447,971	16,447,491

(d) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding 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 both capital markets and financial institutions.

(e) Credit Risk

Credit risks, or the counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's association to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group's significant exposure to individual customer or counterparty and major concentration of credit risk related to financial instruments are disclosed in Note 18 to the financial statements.

30. FINANCIAL INSTRUMENTS (CONT'D)

(f) Fair Values

The carrying amounts of financial assets and financial liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the following:

	Note	Group Carrying Amount RM	Group Fair Value RM	Company Carrying Amount RM	Company Fair Value RM
Financial Assets					
At 30 June 2004:					
Non-current unquoted shares and club membership	14	49,356	*	49,355	*
Marketable securities	14	13,321	13,921	13,321	13,921
Amount due from subsidiaries	19	-	-	22,287,524	Δ
At 30 June 2003:					
Non-current unquoted shares	14	4,908,000	*	8,000	*
Marketable securities	14	32,880	10,060	32,880	10,060
Amount due from subsidiaries	19	-	-	14,824,754	Δ
Financial Liabilities					
At 30 June 2004:					
Amount due to subsidiaries	19	-	-	22,194,430	Δ
Amount due to directors	21(b)	12,408,566	Δ	-	-
At 30 June 2003:					
Amount due to subsidiaries	19	-	-	17,074,911	Δ
Amount due to directors	21(b)	436,600	Δ	27,514	Δ
Fixed rate term loan	22	10,000,000	10,481,847	10,000,000	10,481,847

* It is not practical to estimate the fair value of the non-current unquoted shares and club membership because of the lack of quoted market prices and inability to estimate fair value without incurring excessive costs.

Δ It is also not practical to estimate the fair values of amount due to/from subsidiaries and amount due to directors due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs.

The nominal/notional amounts and net fair value of financial instruments not recognised in the balance sheets of the Group and of the Company as at end of the financial year are:

	Note	Group Nominal/ Notional Amount RM	Group Net Fair Value RM	Company Nominal/ Notional Amount RM	Company Net Fair Value RM
At 30 June 2004:					
Contingent liabilities	27	29,901,108	◊	62,385,597	◊
At 30 June 2003:					
Contingent liabilities	27	28,846,283	◊	41,011,003	◊

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

30. FINANCIAL INSTRUMENTS (CONT'D)

(f) Fair Values (Cont'd)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Marketable Securities

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(iii) Long Term Borrowings

The fair value of long term borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

31. SEGMENT INFORMATION

(a) Business Segments:

The Group is organised into three major business segments:

(i) Sales of goods - the manufacturing, marketing and distribution of steel products.

(ii) Engineering works - undertaking steel fabrication and engineering works.

(iii) Services - provision of information and communication technology services.

The Directors are of the opinion that all inter-segment transactions were entered into in the normal course of business and were established on terms and conditions that were not materially different from those obtainable in transactions with unrelated parties.

No geographical segment information is presented as the Group operates principally within Malaysia.

	Sales of goods RM	Engineering Works RM	Services RM	Eliminations RM	Consolidated RM
30 June 2004					
Revenue					
External sales	111,653,517	1,342,421	6,302,603	-	119,298,541
Inter-segment sales	-	-	-	-	-
Total Revenue	111,653,517	1,342,421	6,302,603	-	119,298,541
Result					
Segment results	778,056	(10,655,160)	(1,966,151)		(11,843,255)
Interest income on short term deposits					131,500
Loss from operations					(11,711,755)
Exceptional items	-	(12,691,159)	-		(12,691,159)
Finance costs					(4,087,214)
Taxation					(250,617)
Net loss for the year					(28,740,745)

31. SEGMENT INFORMATION (CONT'D)

	Sales of goods RM	Engineering Works RM	Services RM	Eliminations RM	Consolidated RM
30 June 2004					
Assets					
Segment assets	108,542,901	55,495,393	23,470,851		187,509,145
Unallocated corporate assets					266,518
Consolidated total assets					187,775,663
Liabilities					
Segment Liabilities	44,917,202	15,709,712	16,435,133		77,062,047
Unallocated corporate liabilities					64,931,458
Consolidated total liabilities					141,993,505
Other Information					
Depreciation and amortisation	1,504,757	877,073	632,148		3,013,978
Impairment losses	-	895,043	-		895,043
Non-cash expenses other than depreciation, amortisation and impairment losses	1,041,496	17,354,264	-	-	18,395,760
30 June 2003					
Revenue					
External sales	126,092,932	1,576,647	757,921	-	128,427,500
Inter-segment sales	-	515,971	-	(515,971)	-
Total Revenue	126,092,932	2,092,618	757,921	(515,971)	128,427,500
Result					
Segment results	1,477,657	(17,391,021)	(1,133,380)		(17,046,744)
Interest income on short term deposits					228,022
Loss from operations					(16,818,722)
Exceptional items	-	24,211,327	-		24,211,327
Finance costs					(3,339,661)
Taxation					(897,688)
Net profit for the year					3,155,256
Assets					
Segment assets	87,673,423	63,017,116	10,791,302		161,481,841
Unallocated corporate assets					17,572,987
Consolidated total assets					179,054,828
Liabilities					
Segment Liabilities	39,372,461	15,511,356	2,431,438		57,315,255
Unallocated corporate liabilities					48,370,057
Consolidated total liabilities					105,685,312
Other Information					
Depreciation	1,694,489	940,427	10,811		2,645,727
Impairment losses	-	4,435,330	-		4,435,330
Non-cash expenses other than depreciation, amortisation and impairment losses	144,516	24,463,334	-	-	24,607,850

list of properties

Location	Approximate Age of Building (years)	Tenure	Land/ Built-up Area	Description/ Existing Use	Net Book Value @ 30.06.2004 (RM)	Date of Acquisition/ *Revaluation
Lot 2, Persiaran Kemajuan Section 16 40000 Shah Alam Selangor	15	Lease expiring at 20.07.2094	4.1 acres	Land with Building/ Office and Factory	7,000,000	*30.06.1998
Lot 21793, 6 1/4 Mile Jalan Kepong West Industrial Area Kepong 52000 Kuala Lumpur	10	Lease expiring at 11.06.2029	2 acres	Land with Building/ Office and Factory	4,435,482	*30.06.1998
No. 25, Jalan 8/146 Bandar Tasik Selatan 57000 Kuala Lumpur	7	Lease expiring at 29.06.2087	178 sq metres	Land with 6-Storey Shop Lot/ Office	2,215,162	17.07.1997
No. 27, Jalan 8/146 Bandar Tasik Selatan 57000 Kuala Lumpur	7	Lease expiring at 29.06.2087	178 sq metres	Land with 6-Storey Shop Lot/ Office	2,215,740	30.08.1997
No. 29, Jalan 8/146 Bandar Tasik Selatan 57000 Kuala Lumpur	7	Lease expiring at 29.06.2087	178 sq metres	Land with 6-Storey Shop Lot/ Office	2,215,740	13.09.1997
No. 31, Jalan 8/146 Bandar Tasik Selatan 57000 Kuala Lumpur	7	Lease expiring at 29.06.2087	178 sq metres	Land with 6-Storey Shop Lot/ Office	2,480,771	01.11.1997
No. 47, Jalan 8/146 Bandar Tasik Selatan 57000 Kuala Lumpur	7	Lease expiring at 29.06.2087	178 sq metres	Land with 6-Storey Shop Lot/ Office	2,215,162	22.08.1997
No. 55, Jalan 8/146 Bandar Tasik Selatan 57000 Kuala Lumpur	7	Lease expiring at 29.06.2087	178 sq metres	Land with 6-Storey Shop Lot/ Office	2,215,740	27.09.1997
No. 57, Jalan 8/146 Bandar Tasik Selatan 57000 Kuala Lumpur	7	Lease expiring at 29.06.2087	178 sq metres	Land with 6-Storey Shop Lot/ Office	2,215,162	27.09.1997
No. 6, Jalan 3/146 Bandar Tasik Selatan 57000 Kuala Lumpur	7	Lease expiring at 29.06.2087	178 sq metres	Land with 6-Storey Shop Lot/ Office	2,215,162	17.07.1997
Lot 4D Kawasan Perindustrian 77300 Merlimau Melaka	13	Lease expiring at 07.09.2082	20 acres	Land with Building/ Office and Factory	6,817,560	28.09.1991
No. 664, Batu 4, Jalan Ipoh 51200 Kuala Lumpur	17	Freehold	167 sq metres	Land with 5-Storey Shop Lot/ Office	455,840	26.09.1997
No. 8, Jalan Linkaran 5 Taman Sri Lambak Kluang, Johor	5	Lease expiring at 05.07.2093	130 sq metres	Land with 5-Storey Shop Lot/ Office	163,296	04.10.2001
Block C0303a Pangsapuri Alam Jaya Persisiran Seri Alam Bandar Seri Alam 81750 Johor Bahru	1	Freehold	94 sq metres	Apartment	153,750	01.07.2003

analysis of shareholdings

as at 24 November 2004

Authorised Share Capital	:	RM200,000,000
Issued and Paid-up Share Capital	:	RM89,778,182
Class of Shares	:	Ordinary Share of RM1.00 each
Voting Rights	:	1 vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS AS AT 24 NOVEMBER 2004

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	8	0.12	437	0.00
100 - 1,000	1,799	26.90	1,752,719	1.95
1,001 - 10,000	4,064	60.77	17,496,960	19.49
10,001 - 100,000	760	11.37	21,257,926	23.68
100,001 to less than 5% of issued shares	53	0.79	25,022,290	27.87
5% and above of issued shares	3	0.05	24,247,850	27.01
TOTAL	**6,687**	**100.00**	**89,778,182**	**100.00**

THIRTY (30) LARGEST SHAREHOLDERS (as per Record of Depositors)

	Name	No. of Shares	%
1.	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account For Chew See Yow	12,747,300	14.20
2.	OSK Nominees (Tempatan) Sdn Berhad Suria Pedoman Sdn Bhd	6,000,000	6.68
3.	Lembaga Tabung Haji	5,500,550	6.13
4.	OSK Nominees (Asing) Sdn Berhad UOB Kay Hian Private Limited For Algester Pte. Ltd	3,600,000	4.01
5.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Heng Lee	1,851,500	2.06
6.	MIDF Sisma Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Purnama Gigih Sdn Bhd	1,650,200	1.84
7.	OSK Nominees (Tempatan) Sdn Berhad Pledged Securiites Account For Yip Kok Bing	1,572,300	1.75
8.	MIDF Sisma Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Sri Abu Sahid Bin Mohamed	1,460,600	1.63
9.	Southern Investment Bank Berhad Kumpulan Wang Simpanan Pekerja For Chew See Yow	1,231,500	1.37
10.	Goh Tai Siang	1,180,500	1.31
11.	EB Nominees (Tempatan) Sendirian Berhad Maju Holdings Sdn Bhd	1,013,740	1.13
12.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Soo Kee Ling	977,600	1.09
13.	PJB Capital Sdn Bhd	936,000	1.04
14.	Chew See Yow	661,000	0.74
15.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Loy Hoo Kong	600,000	0.67
16.	OSK Nominees (Tempatan) Sdn Berhad Shamsuddin Bin Abdullah	565,000	0.63
17.	Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Glorious Future Sdn Bhd	537,000	0.60

analysis of shareholdings

as at 24 November 2004

THIRTY (30) LARGEST SHAREHOLDERS (as per Record of Depositors) (Cont'd)

	Name	No. of Shares	%
18.	KOP Mantap Berhad	500,000	0.56
19.	Affin-ACF Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chew See Yow	479,000	0.53
20.	Ahmad Jamal Bin Jamil	400,000	0.45
21.	Citicorp Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Siow Wong Yen @ Siow Kwang Hwa	371,100	0.41
22.	Lim Teng Thiam	344,700	0.38
23.	Khairuddin Bin Abdul Rahman	277,364	0.31
24.	Mayban Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Man Singh A/L Sham Singh	225,000	0.25
25.	Citicorp Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Cheong Fook Chee	205,000	0.23
26.	Foo Khen Ling	200,000	0.22
27.	Chan Moon Thiam	200,000	0.22
28.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kee Boon Yau	200,000	0.22
29.	Joseph Salang Anak Gandum	199,000	0.22
30.	HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Oo Teck Yeon	190,000	0.21
	TOTAL	**45,875,954**	**51.09**

SUBSTANTIAL SHAREHOLDERS (as per Register of Substantial Shareholders)

		Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
1.	Chew See Yow	10,045,100	11.19	119,000	0.13
2.	Ahmad Jamal Bin Jamil	400,000	0.45	18,000,000	20.05
3.	Suria Pedoman Sdn Bhd	6,000,000	6.68	12,000,000	13.37
4.	Lembaga Tabung Haji	5,500,550	6.13	-	-

DIRECTORS' SHAREHOLDINGS AS AT 24 NOVEMBER 2004

	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Dato' Abu Talib Bin Mohamed	-	-	1,123,000 ^	1.25
Ahmad Jamal Bin Jamil	400,000	0.45	18,000,000 #	20.05
Chew See Yow	10,045,100	11.19	119,000 *	0.13
Sui Diong Hoe	13,000	0.01	-	-
Chong Phow Yew	2,000	0.00	-	-
Ang Poo Guan	-	-	-	-
Ahmad Bin Habib	-	-	-	-
Dato' Wan Ismail Bin Abd Rahman	-	-	-	-

Note:
^ Deemed interested by virtue of his substantial shareholding in Maju Holdings Sdn Bhd.
# Deemed interested by virtue of his substantial shareholding in Suria Pedoman Sdn Bhd.
* Deemed interested by virtue of his substantial shareholding in Lichris Sdn Bhd.

form of proxy

I/We _____

of _____

being a member/members of **KAI PENG BERHAD**, hereby appoint *THE CHAIRMAN OF THE MEETING or failing him,

_____

of _____

or failing him, _____

of _____

as my/our proxy, to attend and vote for me/us on my/our behalf at the Twenty-Sixth Annual General Meeting of the Company to be held at Ivory 3, Level 4, Holiday Villa Subang, No. 9 Jalan SS 12/1, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan on Friday, 31 December 2004, at 9.00 a.m. and at any adjournment thereof.

* *If you wish to appoint other person(s) to be your proxy/proxies, kindly delete the words "The Chairman of the Meeting or failing him" and insert the name(s) of the person(s) desired.*

(With reference to the Agenda set out in the Notice of Meeting, please indicate with an "X" in the spaces provided below how you wish your votes to be cast.)

	Resolutions	For	Against
Resolution 1	Adoption of Audited Financial Statements for the year ended 30 June 2004 and the Reports of the Directors and Auditors thereon	[ ]	[ ]
Resolution 2	Approval of Directors' Fees	[ ]	[ ]
Resolution 3	Re-election of Director: Mr Chew See Yow	[ ]	[ ]
Resolution 4	Re-election of Director: Mr Ang Poo Guan	[ ]	[ ]
Resolution 5	Re-election of Director: Encik Ahmad Bin Habib	[ ]	[ ]
Resolution 6	Re-election of Director: Haji Ahmad Jamal Bin Jamil	[ ]	[ ]
Resolution 7	Re-election of Director: Dato' Wan Ismail Bin Abd Rahman	[ ]	[ ]
Resolution 8	Re-appointment of Messrs Ernst & Young as Auditors and authorise the Directors to fix their remuneration	[ ]	[ ]
Resolution 9	Authority to the Directors to issue and allot shares pursuant to Section 132D of the Companies Act, 1965	[ ]	[ ]

Dated this _____ day of _____ 2004

Number of shares held	

_____
Signature of Shareholder(s)

NOTES:

1) A member entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. Where a member appoints two or more proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.

2) The instrument appointing a proxy, in the case of an individual, shall be signed by the appointor or by his attorney duly authorised in writing, and in the case of a corporation, shall be either given under its common seal or under the hand of an officer or attorney of the corporation duly authorised.

3) Duly completed proxy forms must be deposited at the Company's Registered Office, 2nd Floor Bangunan Palm Grove, No. 14 Jalan Glenmarie, (Persiaran Kerjaya), Section U1, 40150 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time fixed for the Meeting.

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STAMP

THE COMPANY SECRETARY

KAI PENG BERHAD (32395-P)

2nd Floor Bangunan Palm Grove
No. 14 Jalan Glenmarie (Persiaran Kerjaya)
Section U1, 40150 Shah Alam
Selangor Darul Ehsan

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