

PRINSIPTEK

Prinsiptek Corporation Berhad
(595000-H)

impetus**for**growth



2004 annualreport





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NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of Prinsiptek Corporation Berhad (“the Company”) will be held at Ivory 10, Level 4, Convention Centre, Holiday Villa Subang, No. 9, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Friday, 24 June 2005 at 10.00 a.m. to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive the Consolidated Audited Financial Statements of the Company for the financial year ended 31 December 2004 and the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve a final dividend of 5% less taxation for the year ended 31 December 2004. **Resolution 2**
3. To re-elect the following Directors who retire pursuant to Article 84 of the Company’s Articles of Association and who, being eligible, have offered themselves for re-election:-
 - 3.1 Y. Bhg. Dato’ Foo Chu Jong **Resolution 3**
 - 3.2 Foo Chu Pak **Resolution 4**
4. To approve the payment of Directors’ fees totaling RM60,000.00 for the year ended 31 December 2004. **Resolution 5**
5. To re-appoint Messrs Anuarul Azizan Chew & Co. as Auditors of the Company, to hold office until the conclusion of the next annual general meeting of the Company, and to authorise the Directors to fix their remuneration. **Resolution 6**

AS SPECIAL BUSINESS:

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

6. **Authority For Directors To Allot And Issues Shares** **Resolution 7**

“That subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to further allot and issue shares in the Company at any time, from time to time, at such price 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 to be allotted and issued pursuant to this resolution shall not exceed ten percent (10%) of the total issued share capital of the Company as at the date of allotment of such shares in any one financial year and that such authority shall remain in force until the conclusion of the next annual general meeting of the Company”
7. **Proposed Renewal Of Shareholders’ Mandate For Recurrent Related Party Transactions (“RRPT”) Of A Revenue Or Trading Nature (“Proposed Shareholders’ Mandate Renewal”)** **Resolution 8**

“THAT subject always to the provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company’s subsidiaries to enter into Recurrent Related Party Transactions of a revenue or trading nature as stated in section 2.1 of the Circular to Shareholders dated 2 June 2005 with the specified classes of related parties mentioned therein which are necessary for the Group’s day-to-day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

THAT the approval shall continue to be in force until:-

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company at which time it will lapse, unless by a resolution passed at the AGM, the authority is renewed;
 - (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (“the Act”) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (iii) revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is the earlier;

AND THAT disclosure will be made in the 2005 Annual Report of the Company of the aggregate value of Recurrent Related Party Transactions conducted pursuant to the Proposed Shareholders’ Mandate Renewal based on the following information:-

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

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Proposed Shareholders’ Mandate Renewal.”

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that subject to the approval of the members at the Third Annual General Meeting of Prinsiptek Corporation Berhad (“the Company”), a Final Dividend of 5% less taxation in respect of the financial year ended 31 December 2004 will be paid on 4 August 2005 to depositors whose names appear in the Company’s Record of Depositors at the close of business on 5 July 2005.

A depositor shall qualify for entitlement only in respect of:-

1. Shares deposited into the depositor’s securities account before 4.00 p.m. on 5 July 2005 in respect of ordinary transfers;
2. Shares bought on Bursa Malaysia Securities Berhad (“Bursa Securities”) on a cum entitlement basis according to the rules of Bursa Securities.

BY ORDER OF THE BOARD

TEOH YEE SHIEN (MIA 9662)
NG CHONG TECK (LS 0008866)
Secretaries

2 June 2005

NOTES

1. Appointment of Proxy

A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies (but not more than two (2) save for an Authorised Nominee as defined in the Securities Industries (Central Depositories) Act, 1991) to attend and vote in his stead. A proxy may but need not be a member of the Company and Section 149 (1) (b) of the Companies Act, 1965 shall not apply.

The Form of Proxy must be deposited at the Company’s Registered Office, No. 83 & 85, Jalan SS15/4C, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before time appointed for the holding of the meeting.

2. Statement Accompanying Notice of Annual General Meeting

Additional information as required under Appendix 8A pursuant to Paragraph 8.28 of the Listing Requirements of Bursa Malaysia Securities Berhad is set out in the Statement Accompanying Notice of Annual General Meeting.

3. Explanatory Notes on Special Business

Resolution 7

The proposed Resolution 7, if passed, will empower the Board of Directors to allot and issue shares up to ten percent (10%) of the total issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next annual general meeting of the Company.

Resolution 8

Please refer to the circular dated 2 June 2005.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. THE DIRECTORS STANDING FOR RE-ELECTION AT THE THIRD ANNUAL GENERAL MEETING ARE:-

- Y. Bhg. Dato' Foo Chu Jong
- Foo Chu Pak

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

There were five (5) Board Meetings held during the financial year ended 31 December 2004. The attendance of the Directors at the Board Meetings is presented in the Statement of Corporate Governance on page 17.

3. PLACE, DATE AND HOUR OF MEETING

Date : Friday, 24 June 2005

Time : 10.00 a.m.

Place : Ivory 10, Level 4,
Convention Centre, Holiday Villa Subang,
No. 9, Jalan SS12/1,
47500 Subang Jaya,
Selangor Darul Ehsan

4. FURTHER DETAILS OF INDIVIDUALS STANDING FOR ELECTION AS DIRECTORS

No individual is seeking election at the forth coming Third Annual General Meeting.

BOARD OF DIRECTORS

Chairman and Independent Non-Executive Director

Y. Bhg. Dato' Seri Mohamad Noor Abdul Rahim

Independent Non-Executive Director

Y. B. Datuk Nur Jazlan Bin Tan Sri Mohamed

Managing Director

Y. Bhg. Dato' Foo Chu Jong

Executive Directors

Foo Chu Pak

Shariman Bin Zainal Abideen

Foo Chew Sam

AUDIT COMMITTEE

Y. Bhg. Dato' Seri Mohamad Noor Abdul Rahim (Chairman)

Y. B. Datuk Nur Jazlan Bin Tan Sri Mohamed

Foo Chu Pak

SECRETARIES

Teoh Yee Shien (MIA 9662)

Ng Chong Teck (LS 0008866)

REGISTERED OFFICE

No. 83 & 85, Jalan SS15/4C
47500 Subang Jaya
Selangor Darul Ehsan, Malaysia
Tel : 603-56292600 / 56351808
Fax : 603-56351802

REGISTRARS

Symphony Share Registrars Sdn. Bhd.
Level 26, Menara Multi-Purpose
Capital Square, No. 8
Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel : 603-27212222
Fax : 603-27212530 / 1

AUDITORS

Anuarul Azizan Chew & Co
Chartered Accountants
18, Jalan 1/64, Off Jalan Kolam Air / Jalan Ipoh
51200 Kuala Lumpur, Malaysia

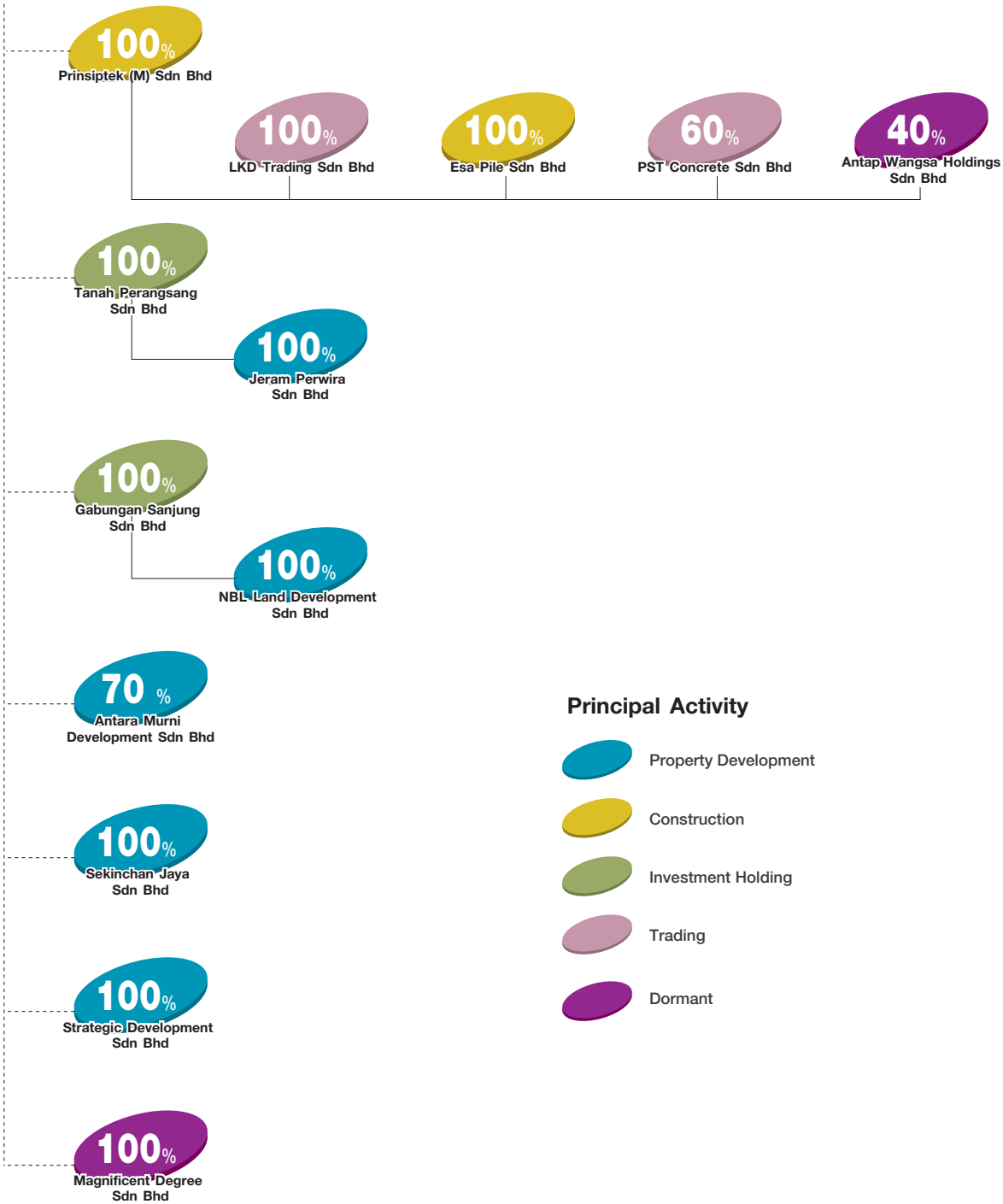
PRINCIPAL BANKERS

Malayan Banking Berhad
Bumiputra-Commerce Bank Berhad
Public Bank Berhad

LISTING

Second Board of Bursa Malaysia Securities Berhad

PRINSIPTEK
Prinsiptek Corporation Berhad



5 YEARS FINANCIAL HIGHLIGHTS

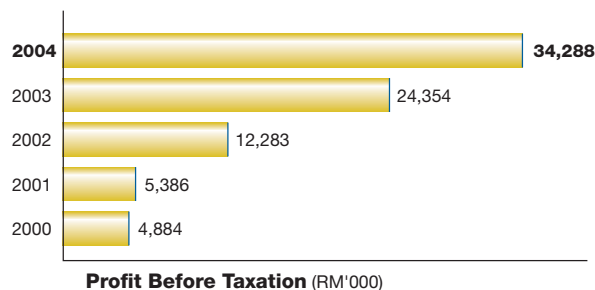
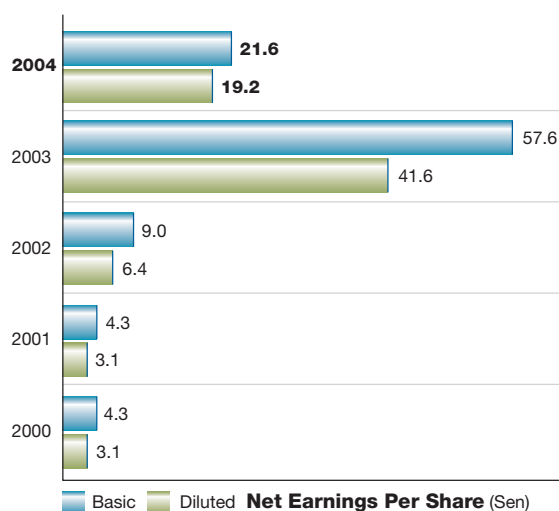
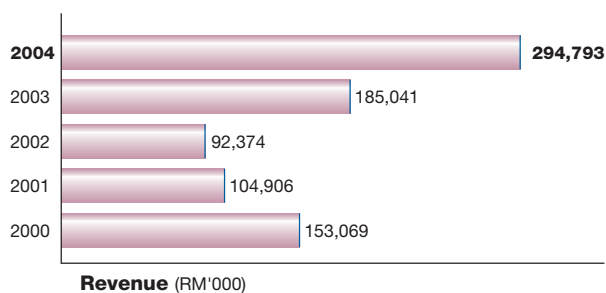
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Year ended 31 December		2000 ¹	2001 ¹	2002 ¹	2003 ¹	2004
Revenue	RM'000	153,069	104,906	92,374	185,041	294,793
Profit from operations	RM'000	4,879	5,387	12,314	25,613	37,468
Profit before taxation	RM'000	4,884	5,386	12,283	24,354	34,288
Profit after taxation after minority interests	RM'000	3,881	3,895	8,157	17,391	24,638
Gross earnings per share						
- Basic	Sen	5.4 ²	5.9 ²	13.6 ²	80.0	29.9
- Diluted	Sen	3.9 ³	4.3 ³	9.7 ³	57.8	26.6
Net earnings per share						
- Basic	Sen	4.3 ²	4.3 ²	9.0 ²	57.6	21.6
- Diluted	Sen	3.1 ³	3.1 ³	6.4 ³	41.6	19.2

¹ - the Group was effectively formed on 20 November 2003 and listed on the Second Board of Bursa Malaysia Securities Sdn Bhd on 10 December 2003 ("the Listing Exercise"). The figures as stated above are prepared based on the assumption that the Group has been in existence since the year ended 31 December 2000.

² - computed based on the number of ordinary shares assume to be issued after taking into account the effect of the Listing Exercise but excluding the conversion of Irredeemable Convertible Loan Stocks 2003/2006 ("ICULS") and the exercise of options under the Company's Employees' Share Option Scheme ("ESOS").

³ - computed based on the number of ordinary shares assume to be issued after taking into account the effect of the Listing Exercise and including the conversion of ICULS and the exercise of ESOS options.



BOARD OF DIRECTORS

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Y. BHG. DATO' SERI MOHAMAD NOOR ABDUL RAHIM
Chairman and Independent
Non-Executive Director



Y. BHG. DATO' FOO CHU JONG
Managing Director



FOO CHU PAK
Executive Director



Y. B. DATUK NUR JAZLAN BIN TAN SRI MOHAMED
Independent
Non-Executive Director



SHARIMAN BIN ZAINAL ABIDEEN
Executive Director



FOO CHEW SAM
Executive Director

DATO' SERI MOHAMAD NOOR ABDUL RAHIM

Y. Bhg. Dato' Seri Mohamad Noor Abdul Rahim, aged 60 and a Malaysian, was appointed to the Board of Prinsiptek Corporation Berhad ("PCB") on 4 December 2003 as an Independent Non-Executive Director and Chairman of the Company. He is also the Chairman of the Audit Committee of PCB.

He holds a Bachelor of Arts (Honours) Degree from University Malaya. His last post in the civil service was as the Secretary General of the Ministry of Home Affairs in 2000. He was the Secretary General of the Ministry of Domestic Trade and Consumer Affairs from 1996 to 1998. Prior to that, he held the positions of State Secretary of Pulau Pinang, Federal Development Director (Prime Minister's Department) of Kelantan, State Financial Officer of Perak, Director General of Kuala Lumpur City Hall, Under-Secretary (Supply Division) for both the Ministry of Defence and Ministry of Finance. He is currently also Chairman (independent and non-executive) of Nasioncom Holdings Bhd and Chairman of JKP Sdn Bhd – a company wholly owned by Minister of Finance incorporated.

Y. Bhg. Dato' Seri Mohamad has no family relationship with any directors and/or major shareholders of the Company. He has no conflict of interest with the Company and has had no convictions for any offences in the past ten years other than traffic offences, if any.

DATO' FOO CHU JONG

Y. Bhg. Dato' Foo Chu Jong, aged 47 and a Malaysian, is the founder of Prinsiptek (M) Sdn Bhd ("PST"). He was appointed to the Board of the Company and as its Managing Director on 21 November 2003.

Y. Bhg. Dato' Foo started his career in the construction industry in the early eighties when he was exposed to the development of commercial buildings, condominiums, hotels and housing estates.

His sharp entrepreneurial acumen, hard work and visionary leadership are the main factors which have led PST to achieve a numerous highly acclaimed projects. These include the Staff Hostels and Hotel Awana Golf and Country Club in Genting Highlands, Mixed Development in Gohtong Jaya and First World Hotel in Genting Highlands.

Y. Bhg. Dato' Foo has gained a vast experience and knowledge through his involvement in most of the civil and engineering works where he has secured and completed a total of RM511 million worth of contracts. Being a hands-on Managing Director, he is actively involved in the day to day operations to ensure that all projects are carried out in a well managed and controlled manner.

Currently, he sits on the boards of several other subsidiary companies of PCB. He does not hold any directorships in any other public companies. Y. Bhg. Dato' Foo Chu Jong is the brother of Mr. Foo Chu Pak who is a director and major shareholder of PCB and Mr. Foo Chew Sam who is a director of PCB. Save as aforesaid, he has no family relationship with any other director and/or major shareholders of the Company. He has no conflict of interest with the Company and has had no convictions for any offences in the past ten years other than traffic offences, if any.

FOO CHU PAK

Mr. Foo Chu Pak, aged 45 and a Malaysian, was appointed to the Board of the Company as its Executive Director on 21 November 2003. He is also a member of the Audit Committee of PCB.

He obtained his Certificate of Building Construction from Kolej Tunku Abdul Rahman in 1981. In 1997, he graduated with a Civil Engineering degree from the Summit University of Louisiana and completed his Masters Degree in Business Administration from Honolulu University of Hawaii in 2000.

Mr. Foo Chu Pak has more than 20 years of experience in the building and construction industry. In 1981, he started his career with Serbanika (M) Sdn Bhd, a building construction company, as a project supervisor. From 1983 to 1985, he worked as a project supervisor cum quantity surveyor with Syarikat Pembinaan Sow Tee Sdn Bhd, a company involved in building construction activities. From 1981 to 1998, he was appointed as a Director of Syarikat Bedena (M) Sdn Bhd, a company principally involved in building construction activities.

Currently, he sits on the boards of several other subsidiary companies of PCB. He does not hold any directorships in any other public companies. Mr. Foo Chu Pak is the brother of Dato' Foo Chu Jong who is a director and a major shareholder of PCB and Mr. Foo Chew Sam who is a director of PCB. Save as aforesaid, he has no family relationship with any other director and/or major shareholders of the Company. He has no conflict of interest with the Company and has had no convictions for any offences in the past ten years other than traffic offences, if any.

DATUK NUR JAZLAN BIN TAN SRI MOHAMED

Y. B. Datuk Nur Jazlan Bin Tan Sri Mohamed, aged 39 and a Malaysian, was appointed as an Independent Non-Executive Director of the Company on 4 December 2003. He is also a member of the Audit Committee of PCB. In addition, he sits on the Board of United Malayan Land Bhd and Telekom Malaysia Berhad.

He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom, Council Member and Chairman of Public Relations Committee of the Malaysian Institute of Accountants and a Council Member of the Asean Federation of Accountants. He is also currently the Member of Parliament for Pulai Constituency in Johor.

Y. B. Datuk Nur Jazlan has no family relationship with any directors and/or major shareholders of the Company. He has no conflict of interest with the Company and has no convictions for any offences in the past ten years other than traffic offences, if any.

SHARIMAN BIN ZAINAL ABIDEEN

Encik Shariman Bin Zainal Abideen, aged 34 and a Malaysian, was appointed to the Board of the Company as its Executive Director of PCB on 21 November 2003.

He obtained his Certificate in Building from Politeknik Ungku Omar, Ipoh in 1990 and started his career with PST in the same year as a project supervisor. In 1991, he left PST to pursue his Diploma in Civil Engineering in Politeknik Ungku Omar, Ipoh. After graduation, he rejoined PST in 1994 as a project manager. Thereafter, he was appointed as a Director of PST in 2000.

Encik Shariman has no family relationship with any directors and/or major shareholders of the Company. He has no conflict of interest with the Company and has no convictions for any offences in the past ten years other than traffic offences, if any.

FOO CHEW SAM

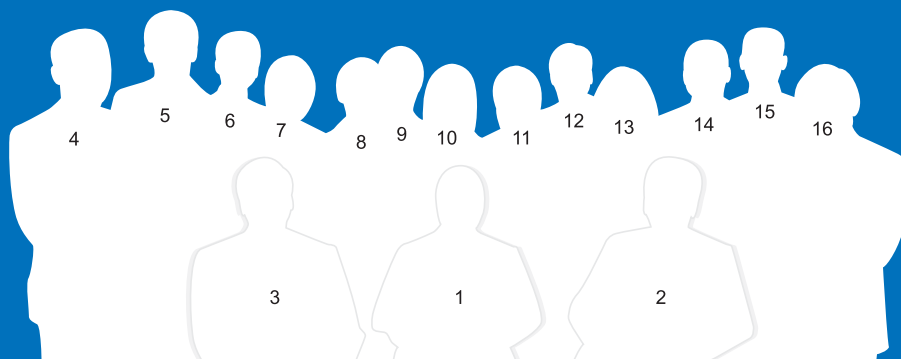
Mr. Foo Chew Sam, aged 37 and a Malaysian, was appointed as an Executive Director of PCB on 21 November 2003.

Mr. Foo Chew Sam holds a Bachelor of Science Degree majoring in Civil Engineering from the University of Arizona, United States of America. In 1991, he joined PST as a project engineer and was subsequently promoted to project manager, where he is involved in the project management and the construction of government contracts.

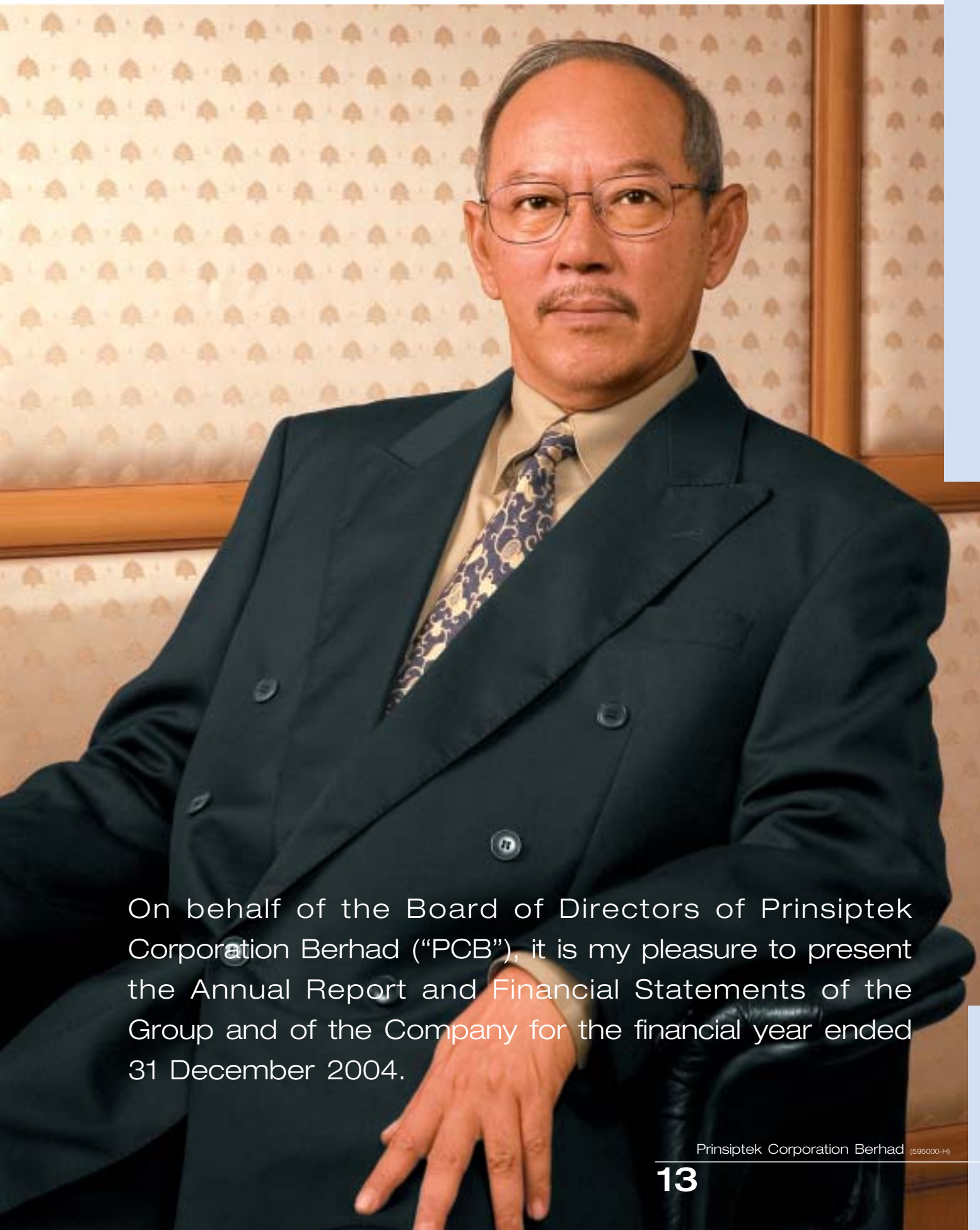
Mr. Foo Chew Sam is the brother of Y. Bhg. Dato' Foo Chu Jong and Mr. Foo Chu Pak who are directors and substantial shareholders of PCB. Save as aforesaid, he has no family relationship with any other director and/or major shareholders of the Company. He has no conflict of interest with the Company and has had no convictions for any offences in the past ten years other than traffic offences, if any.

SENIOR MANAGEMENT

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- (1) DATO' FOO CHU JONG (2) FOO CHU PAK (3) FOO CHEW SAM
(4) HIEW CHEE SENG (5) MAK BONLEO (6) NG CHONG TECK (7) LOH YUET LAI
(8) SUSANNA LEE (9) HO BOON LEONG (10) WONG CHUI KHENG
(11) LAI MAY TING (12) LEONG KIEN FAI (13) TEOH YEE SHIEN
(14) SHARIMAN BIN ZAINAL ABIDEEN (15) LEOW CHENG KEONG (16) CHONG SIEW LEE



On behalf of the Board of Directors of Prinsiptek Corporation Berhad (“PCB”), it is my pleasure to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 31 December 2004.

CHAIRMAN'S STATEMENT (continued)



FINANCIAL PERFORMANCE

The Group has achieved an increase of revenue by 59% to RM294.8 million compared to RM185 million in previous year and profit before tax increased by 41% to RM34.3 million compared to RM24.3 million for the financial year ended 31 December 2003. This remarkable achievement was mainly due to the increase of business activities in both construction and property divisions.

Construction Division

During the year, Prinsiptek (M) Sdn Bhd ("PST"), a wholly owned subsidiary of PCB has successfully completed RM526.5 million projects and contributed major profit to the Group, while other on going projects are progressing well.

Property Division

The property development division has also contributed significantly to the Group as the successful sales has increased to RM71.5 million, a 297% increased above previous year of RM17.9 million.

DIVIDEND

In recognition of our good performance, the Board of Directors recommends a first and final dividend of 5% less taxation for the financial year ended 31 December 2004. This is subject to the shareholders' approval at the forthcoming Annual General Meeting.

CORPORATE DEVELOPMENT

During the financial year, the Irredeemable Convertible Unsecured Loan Stocks ("ICULS") amounting to RM36.1 million has been almost converted except the remaining of RM5,300 yet to be converted.

On 28 May 2004, the Group has entered into a Sale and Purchase Shares Agreement to acquire 100% equity interest in Strategic Development Sdn Bhd ("SDSB"). Since SDSB is the registered and beneficial owner of a piece of land in Gombak, Kuala Lumpur, the acquisition would enable the Group to increase its land bank for development project and to generate future earning for the Group.

I am pleased to announce that, the Company had on 8 April 2005 submitted its application to the Securities Commission to obtain approval for the listing of PCB onto the Main Board of Bursa Malaysia Securities Berhad.

EMPLOYEES' SHARE OPTION SCHEME

On 10 March 2004, PCB had granted Employees' Share Option Scheme ("ESOS") to its eligible employees. As at 31 December 2004, 8,167,100 options remain unexercised and the options will be expired on 9 March 2014. This scheme is designed with the intention to retain and reward the eligible employees whose services are significant to the growth of the Group.

OUTLOOK AND PROSPECT

Construction

PST has been awarded RM80 million new contract from Green Crescent Resources Sdn Bhd to conduct rehabilitation, construction, management, sales and marketing of a mixed development project. It is expected to be completed in year 2007.

Another major project awarded during the year was the RM39 million worth of Turnkey Construction project by Demi-Prima Sdn Bhd and it is expected to be completed in year 2006.

The Group has also ventured into Sarawak and accepted a project by Proton Edar Sdn Bhd to design and build a car sales and service centre in Kuching Sarawak. The total contract sum is RM5.5 million. The Group's outstanding book order value as at 31 December 2004 is RM628 million.

Property Development

The property development division will continue to contribute positively to the Group as the successful sales of the Bangi projects have been very encouraging. The proposed development of SDSB in year 2005 and 2006 will also generate future earning to the Group. We will continue to look for strategic land to add on to our land bank as well as synergy joint venture with land owner in order to expand the property development division.

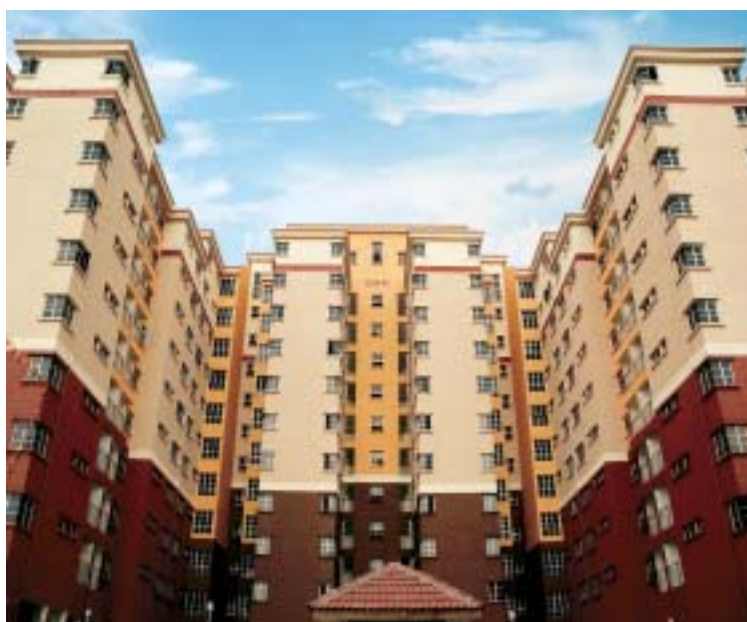
The Board is confident that the Group's level of competency and strength will be in good stead to successfully take on the challenge in the coming future.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, I would like to thank the directors, management and all employees of the Group for their commitment and contribution towards the continued success of our Group. In the years ahead, I am confident the Group would continue to strive for another successful year. Last but not least, I would like to thank our shareholders, value clients, associates, bankers, sub-contractors, suppliers and government authorities for their continuous support to the Group.

Dato' Seri Mohamad Noor Abdul Rahim

Chairman



The Board of Directors ("the Board") affirms its overall responsibility in ensuring that the highest standard of Corporate Governance is practised throughout the Group with the objective of protecting and enhancing shareholders' value, and the financial position of the Group.

The Board will endeavour to fully comply with all the Principles in Part 1 of the Malaysian Code on Corporate Governance ("the Code") and to adopt the Best Practices as recommended in Part 2 of the Code in the best interest of the shareholders of the Group.

A. DIRECTORS

The Board

The Group is led and controlled by an effective Board. The Board comprises highly reputable and professional persons of calibre and credibility, who have the necessary experience, knowledge and skills to bring an independent judgment in the process of strategic decision-making. The Board recognises its key role in charting the strategic directions for the Group and regularly meets to review corporate strategies, resolve operational matters and monitor financial performance of the Group.

The Board has identified its Chairman, Dato' Seri Mohamad Noor Abdul Rahim, to whom concerns of shareholders, management and others may be conveyed.

Board Balance

The Board comprises six (6) directors of whom four (4) are executive directors and two (2) are independent non-executive directors. This is in compliance with the one-third requirement for independent directors to be appointed to the Board as required under the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The individual profile of each director is presented in pages 9 to 11 of this Annual Report. The combination of different professionals with varied background, experience and skills has also enabled the Board to discharge its responsibilities effectively and efficiently. The business and financial experience of each calibre member of the Board has inevitably contributed to the success in steering the PCB Group toward achieving its remarkable financial results.

Indeed, there is a clear segregation of duties between the Chairman of the Board ("the Chairman") and the Managing Director ("MD") so as to ensure that there

is always a balance of power and authority. Essentially, the Chairman has the obligations to preside at various meetings, namely general meetings of shareholders, Board and Audit Committee Meetings in order to address issues to be highlighted by and to members independently, whilst the MD has the responsibility to manage the day-to-day business operations of the Group by ensuring that strategies, policies and matters approved by the Board and other committees are carried out diligently.

All decisions of the Board are based on the decision of the majority and no single Board member can make any decision on behalf of the Board, unless duly authorised by the Board of Directors. As such, no individual or a group of individuals dominate the decision-making process.

Appointment to the Board

Prior to the appointment of a director to the Board, all nominations for the appointment of new directors will be submitted to the full Board for deliberation on the suitability of the candidate for directorship. A familiarisation programme, including visits to the Group's business and operations premises and meetings with senior management will be arranged for new directors to facilitate their understanding of the Group.

Re-election of Directors

In accordance with the Company's Articles of Association, one-third (1/3) of the directors including the MD shall retire by rotation from office at each Annual General Meeting ("AGM") and they shall be eligible for re-election at such AGM. The directors to retire shall be the directors who have been longest in office since their appointment or last re-election. In addition, all directors including the MD shall be subject to retirement by rotation once every three (3) years.

A. DIRECTORS (cont'd)**Board Meetings**

The Board meets at least five (5) times a year. When necessary, additional meetings will be convened by the Board to make important decisions on an urgent basis. The Board will also meet at the end of every quarter of the financial year to deliberate and approve the financial results of the Group, corporate plans, acquisition and disposal of assets, investment proposals and other pertinent issues.

The details of attendance of the directors during the financial year ended 31 December 2004 are as follows:-

Name of Director	Number of Meeting Attended	Percentage of Attendance
Y. Bhg. Dato' Seri Mohamad Noor Abdul Rahim	5	100
Y. B. Datuk Nur Jazlan Bin Tan Sri Mohamed	5	100
Y. Bhg. Dato' Foo Chu Jong	5	100
Foo Chu Pak	5	100
Shariman Bin Zainal Abideen	5	100
Foo Chew Sam	5	100

All the above meetings were held at the Company's registered office.

Directors' Training

All members of the Board have attended the Mandatory Accreditation Programme ("MAP") as required by the Bursa Securities. The directors will continue to attend continuous education programmes and seminars so as to further enhance their skills and knowledge, and keep abreast with developments in the market place.

Supply of Information

All directors have access to all information within the Group as well as the advice and services of the Company Secretary whether as a full Board or in their individual capacity to assist them in their decision-making. Where necessary, the directors may engage independent professionals at the Group's expense on specialised issues to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated.

The agenda for the Board Meetings, together with appropriate reports and information on the Group's business operations and proposals for the Board's consideration are circulated to all the directors prior to the meetings with sufficient notice so as to ensure that all directors are given time to prepare, obtain additional information or clarification prior to attendance at the meeting.

Committees of the Board

The following committee is established to assist the Board in the discharge of its duties. The committee operates under approved terms of reference.

- **Audit Committee**

The terms of reference of the Company's Audit Committee and its activities during the financial year are set out under the Audit Committee Report in pages 22 to 24 of this Annual Report.

- **Nomination Committee and Remuneration Committee**

In accordance with Part 2 of the Code, it is recommended that a formal procedure for appointment of directors to the Board should be carried out based on the recommendation of a Nomination Committee but this function can be performed by the Board as a whole.

In view of the above, the full Board is currently carrying out the aforesaid function of the Nomination Committee. The Managing Director proposes the nomination of appropriate directors to the Board based on the respective directors' experience, knowledge and skills. Indeed, the ultimate decision for the nomination of directors to the Board will be decided and approved by the full Board in order to ensure that the mix of experience, knowledge and skills of the Board members is adequate in resolving various strategic and operational issues in the day-to-day running of the Group.

At least on an annual basis, the Board will review the necessary mix of experience, knowledge and skills of the Board members so as to ensure that the Board consists of members who are well-versed in managing a company involving in the similar business as the Group.

A. DIRECTORS (cont'd)

- Nomination Committee and Remuneration Committee (cont'd)**

On the other hand, Part 2 of the Code also recommends that it is a good practice for the Board to appoint Remuneration Committee, consisting wholly or mainly of non-executive directors, to recommend to the Board the remuneration of the executive directors in all its forms, and executive directors should play no part in decisions on their own remuneration. The determination of remuneration packages of non-executive directors, including non-executive chairman should be a matter for the board as a whole.

In this regard, the full Board of the Company will decide on the executive and independent non-executive directors' remuneration packages. In doing so, the component parts of the remuneration packages are structured in a manner that the rewards are linked to individual executive directors' performance in managing the Group, whereas the level of remuneration for independent non-executive directors is based on the experience and responsibilities of individual independent non-executive directors.

More importantly, it is the policy of the Company to preclude all directors from deciding on their own remuneration packages and directors' remuneration must be approved by shareholders in the AGM.

B. DIRECTORS' REMUNERATION

The aggregate remuneration of the Company's directors derived from the Group for the financial year under review is as follows:-

	Executive Director RM	Non-Executive Director RM	Total RM
Fee	-	60,000	60,000
Salary and other emoluments	1,400,812	-	1,400,812
Bonus and benefits-in-kind	434,000	-	434,000
Total	1,834,812	60,000	1,894,812

The number of the Company's directors whose total remunerations derived from the Group during the financial year under review that fall within the following bands is as follows:-

Range of Remuneration	Number of Executive Directors	Number of Non-Executive Directors
RM50,000 and below	-	2
RM50,001 – RM100,000	1	-
RM100,001 – RM150,000	1	-
RM150,001 – RM200,000	-	-
RM200,001 – RM250,000	-	-
RM250,001 – RM300,000	-	-
RM300,001 – RM350,000	-	-
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	-	-
RM450,001 – RM500,000	-	-
RM500,001 – RM550,000	-	-
RM550,001 – RM600,000	-	-
RM600,001 – RM650,000	1	-
RM650,001 – RM700,000	-	-
RM700,001 – RM750,000	-	-
RM750,001 – RM800,000	-	-
RM800,001 – RM850,000	-	-
RM850,001 – RM900,000	-	-
RM950,001 – RM1,000,000	1	-
Total	4	2

C. SHAREHOLDERS**Dialogue Between Company and Investors**

The Group practises an open communication policy with its investors. In its efforts to promote effective communication, the Board has dialogue with shareholders and investors and recognises that timely and equitable dissemination of relevant information be provided to them through public announcements made during the year to Bursa Securities, the Company's Annual Reports, circulars and financial results on quarterly basis to enable shareholders and investors to have an overview of the Group's business activities and performance.

Annual General Meeting

The shareholders will be given sufficient notice for the holding of AGM through Annual Reports sent to them at least 21 clear days prior to the date of the AGMs. At the AGMs, the Board will present to the shareholders a comprehensive report on the performance of the Group and the shareholders are encouraged to participate in the questions and answers session thereat, and will be given the opportunity to raise question or seek more information during the AGMs.

D. ACCOUNTABILITY AND AUDIT**Financial Reporting**

In preparing the annual financial statements and quarterly announcement of financial results to shareholders, the Board has always strived to present a balanced and understandable assessment of the Group's financial position and prospects to shareholders.

The Audit Committee assists the Board in ensuring accuracy and adequacy of information by reviewing and recommending for adoption of information for disclosure.

The Statement of Directors' Responsibility for preparing Annual Audited Financial Statements pursuant to Paragraph 15.27 (a) of the Listing Requirements of Bursa Securities is set out in page 66 of this Annual Report.

Internal Control

The Board affirms the importance of maintaining a sound system of internal controls and risk management practices to good corporate governance. In order to enhance consistency within the Group, the Board has appointed an external consultant, Grant Thornton Consulting Sdn Bhd to provide professional services for internal control assessment and to carry out internal audit function for the Group.

The Statement of Internal Control set out in pages 20 to 21 of this Annual Report provides an overview of the state of internal controls within the Group.

Relationship with the Auditors

The Board has appropriately established a formal and transparent relationship with the Group's auditors. The role of the Audit Committee in relation to the External Auditors may be found in the Audit Committee Report as set out in pages 22 to 24 of this Annual Report.

Statement on the Extent of Compliance with the Best Practices in Corporate Governance set out in Part 2 of the Malaysian Code on Corporate Governance

The Company is committed to achieving high standards of corporate governance throughout the Group and to the highest level of integrity and ethical standards in all its business dealings.

Apart from the alternative procedures as set out in Section A under the title "Nomination Committee and Remuneration Committee", the Board considers that PCB Group has complied throughout the financial year with the Best Practices as stipulated in Part 2 of the Code.

INTRODUCTION

The Board of Directors ("The Board") is committed in maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following Statement on Internal Control which outlines the nature and scope of internal controls of the Group during the year pursuant to Paragraph 15.27 (b) of the Listing Requirements of Bursa Securities.

Meanwhile, the Board also understands fully that the Board's responsibility to maintain a sound system of internal controls and ensures accurate information to be presented in the financial statements. Hence, the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve its business objectives.

In pursuing the business objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. As such, the Board recognises that a sound system of internal controls is an important part of managing risks in an effort to attain a balanced achievement of its business objectives, and operational efficiency and effectiveness.

KEY ELEMENTS OF THE GROUP'S INTERNAL CONTROLS

The Group has implemented additional key internal controls for identifying, evaluating and managing the significant risks that may affect the achievement of its business objectives throughout the financial year under review.

In fact, the Group has incorporated various key elements into its system of internal controls in order to safeguard shareholders' investment and Group's assets by:-

- giving authority to the Board's committee members to investigate and report on any areas of improvement for the betterment of the Group;
- performing in-depth study on major variances and deliberating irregularities in the Board meeting and Audit Committee meeting so as to identify the causes of the problems and formulate solutions to resolve them;
- arranging regular interactive meetings between the External Auditors and consultants to identify and rectify any weaknesses in the system of internal controls. The Board would also be informed on the matters brought up in the Audit Committee meeting on a timely basis;
- delegating necessary authority to the Managing Director in order for him to play a major role as the link between the Board and senior management in implementing the Board's expectation of effective system of internal controls and managing the Group's various operations;
- determining proactive actions to create awareness on the importance of staff's and line management's involvement in the system of internal controls as well as risk management by providing various training courses, seminars and workshops conducted by the external consultants;
- keeping management informed on the development of action plan for enhancing system of internal controls and allowing various management personnel to have access to important information for better decision-making;
- making frequent on-site visits to the business and operations premises by senior management personnel so as to acquire a first hand view on various operational matters and addressing the issues accordingly;
- creating awareness on the importance of staff's and line management's involvement in the system of internal controls by allowing various management personnel to have access to important information for better decision-making; and
- monitoring key commercial, operational and financial risks through reviewing the system of internal controls and other operational structures so as to ensure that reasonable assurance on the effectiveness and efficiency of the same will mitigate the various risks faced by the Group to an appropriate level acceptable to the Board.

INTERNAL AUDIT FUNCTIONS AND EFFECTIVENESS OF INTERNAL CONTROL

Currently, the Group has appointed an independent firm, Grant Thornton Consulting Sdn Bhd to independently review the system of internal controls and report to the Audit Committee.

The Group adopts a risk-based approach to the implementation and monitoring of relevant internal controls. The Internal Auditors conduct briefing and interviews on risk assessment to identify significant concerns and risks perceived by the senior management in order to draw up the risk-based internal audit plan.

Certain control weaknesses have been identified and are being addressed by the Board and Audit Committee so as to ensure that the integrity of internal controls can be enhanced in the future. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require mention in the Group's Annual Report. The management of the Group continues to take measures to strengthen the internal control environment.

Furthermore, the Board recognises that the development of the system of internal controls is an ongoing process for identifying, evaluating and managing the risk faced by the Group. The Board maintains an ongoing commitment to strengthen the Group's internal control function and processes.

Indeed, the Board and Audit Committee have always ensured that the Group adopts good system of internal controls, corporate governance and best practices in its Board meetings and Audit Committee meetings taking into cognisance of possible establishment of additional processes for identifying, evaluating and managing the significant risks within the Group which is in accordance with the guidelines stipulated in the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued by the Bursa Securities.

AUDIT COMMITTEE REPORT

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FORMATION

The Audit Committee was formed by the Board of Directors on 4 December 2003.

MEMBERS

The Audit Committee consists of the following members during the financial year:-

1. Y. Bhg. Dato' Seri Mohamad Noor Abdul Rahim
- Chairman
(Chairman and Independent Non-Executive Director)
2. Y. B. Datuk Nur Jazlan Bin Tan Sri Mohamed
- Member
(Independent Non-Executive Director)
3. Foo Chu Pak - Member
(Executive Director)

MEETINGS AND ATTENDANCE

The Audit Committee held 5 (five) meetings during the financial year. The attendance of the Committee Members was as follow:-

Name of Committee Member	Number of Meetings Attended	Percentage of Attendance
Y. Bhg. Dato' Seri Mohamad Noor Abdul Rahim	5	100
Y. B. Datuk Nur Jazlan Bin Tan Sri Mohamed	5	100
Foo Chu Pak	5	100

The Audit Committee meeting was attended by all Committee Members, and invitees comprising the Managing Director, Executive Directors and senior management. The Company Secretary acted as Secretary at the meetings to record and maintain minutes for the proceedings of the meeting.

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are as follows:-

1. OBJECTIVES

- 1.1 To provide additional assurance to the Board by giving objective and independent review of Group's financial, operational and administrative controls and procedures.
- 1.2 To assist the Board in establishing and maintaining internal controls for areas of risks as well as safeguarding of assets within the Group.

1.3 To assess and supervise the quality of audits conducted by the Internal Auditors and External Auditors.

1.4 To reinforce the independence of the External Auditors and to assure that the External Auditors will have free rein in the audit process.

1.5 To provide a forum for regular, informal and private discussion between the External Auditors and Directors who have no significant relationship with Management.

1.6 To reinforce the objectivity of the Internal Auditors.

2. MEMBERSHIP

2.1 The Audit Committee shall be appointed by the Board pursuant to a Board Resolution.

2.2 It shall comprise at least three (3) members of whom majority shall be independent non-executive directors.

2.3 The Chairman of the Audit Committee shall be appointed by the Board, or failing which, amongst the members of the Audit Committee themselves.

2.4 If the number of the members is reduced to below three (3) as a result of resignation or death of a member, or for any other reason(s) the member ceases to be member of the Audit Committee, the Board shall, within three (3) months of that event, appoint amongst such other directors, a new member to make-up the minimum number required herein.

2.5 At least one (1) member of the Audit Committee:-

2.5.1 must be a member of the Malaysian Institute of Accountants ("MIA"); or

2.5.2 if he/she is not a member of MIA, he must have at least three (3) years of working experience; and

(a) he/she must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act, 1967; or

(b) he/she must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

2.5.3 must possess such qualifications as may from time to time be prescribed by Bursa Securities.

2.6 An alternate director is not eligible for membership in the Audit Committee.

TERMS OF REFERENCE (cont'd)

3. AUTHORITY

- 3.1 The Audit Committee is authorised by the Board to investigate any activity within its Term of Reference.
- 3.2 It shall have unlimited access to both the Internal Auditors and External Auditors as well as all employees of the Group.
- 3.3 It shall also have the authority to obtain independent legal or other professional advice and to secure attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 3.4 It shall also have the power to establish Sub-Audit Committee(s) and delegate its powers to such Sub-Audit Committee(s) for the purpose of carrying out certain investigations on its behalf in such manner as the Audit Committee deems fit and necessary and, to appoint such officers within the Group as members of the Sub-Audit Committee(s).

4. FUNCTIONS

- 4.1 To review with both the Internal Auditors and External Auditors their audit plans and reports.
- 4.2 To review the scope of the internal audit programme and procedures, consider the results of internal audit investigations and assess Management's responses and actions to rectify any reported shortcoming.
- 4.3 To evaluate the adequacy and effectiveness of the internal control systems as well as the administrative, operating and accounting policies employed.
- 4.4 To review the assistance given by the officers and employees of the Group to the Internal Auditors and External Auditors.
- 4.5 To review the Group's quarterly and annual consolidated financial statements and thereafter to submit them to the Board, focusing particularly on any changes in accounting policies and practices; significant adjustments arising from audit; the going concern assumption; compliance with accounting standards and other legal requirements.
- 4.6 To review any related party transactions that may arise within the Company or Group.
- 4.7 To identify and direct any special projects or investigations it deems necessary.

- 4.8 To nominate a person or persons as the External Auditors. To consider the audit fee and any question of resignation or dismissal of the External Auditors.
- 4.9 To discuss with the External Auditors before the audit commences, the nature and scope of their audit and ensure co-ordination where more than one audit firm is involved.
- 4.10 To discuss problems and reservations arising from the interim and final audits, and any other matter the External Auditors may wish to discuss in the absence of Management, where necessary.
- 4.11 To review the External Auditors' management letter and Management's response.
- 4.12 To carry out such other functions and consider other topics as may be agreed upon from time to time with the Board.
- 4.13 To review reports and consider recommendations of the Sub-Audit Committee(s), if any.

5. MEETINGS

- 5.1 The Audit Committee will hold regular meetings as and when the need arises and any such additional meetings as the Chairman of the Audit Committee so decides to fulfill its duties.
- 5.2 A quorum shall consist of two (2) members. The majority of members present must be independent non-executive directors.
- 5.3 Notice of not less than three (3) working days shall be given for the calling of any meeting to those entitled and required to be present.
- 5.4 Matters raised and tabled at all meetings shall be decided by a majority of votes of the members.
- 5.5 A resolution in writing, signed by all the members shall be as valid and effective as if it had been deliberated and decided upon at a meeting of the Audit Committee.
- 5.6 Proceedings of all meetings held and resolutions passed as referred to in Clause 5.5 above shall be recorded by the Secretary and kept at the Company's registered office.
- 5.7 Every member of the Board shall have the right at any time to inspect the minutes of all meetings held and resolutions passed by the Audit Committee and the reports submitted thereat.

TERMS OF REFERENCE (cont'd)

5. MEETINGS (cont'd)

- 5.8 The External Auditors shall have the right to appear and be heard at any meeting and shall appear before the Audit Committee when so required by the Audit Committee.
- 5.9 Upon the request of the External Auditors, the Chairman shall convene a meeting to consider any matters the External Auditors believe should be brought to the attention of the directors or shareholders of the Company.
- 5.10 The executive directors of any Group, Company, representatives of the Internal Auditors, the management and any employees of the Group, as the case requires, may be requested to attend such meetings.
- 5.11 The Audit Committee shall meet with the External Auditors at least once in a financial year without the presence of the executive board members of the Company.

6. COMPLIANCE

- 6.1 The provisions of Articles 119, 120 and 121 of the Company's Articles of Association except as otherwise expressly provided in these Terms of Reference shall apply to the Audit Committee.

SUMMARY OF ACTIVITIES

During the financial year, the activities of the Audit Committee include the following:-

- Adopted the proposed schedule of Audit Committee Meetings during the financial year ended 31 December 2004;
- Reviewed the financial results for the quarters ended 31 March 2004, 30 June 2004 and 30 September 2004; and
- All recurrent related party transactions during the same financial quarters as above.

In addition, the Audit Committee had after the financial year ended 31 December 2004, reviewed and approved the following:-

- The financial results for the quarter ended 31 December 2004;
- The consolidated audited financial statements of the Company for the financial year ended 31 December 2004;
- All recurrent related party transactions during the financial quarter as above;
- The Statement on Internal Control;
- The Corporate Governance Statement; and
- The Audit Committee Report.

INTERNAL AUDIT FUNCTION AND SUMMARY OF ACTIVITIES

The internal audit function for the PCB Group has been outsourced to an external consultant who has performed an independent review of the Group's various departments during the financial year.

The Internal Auditors of the Group reports directly to the Audit Committee and assists the Board in monitoring and managing risks and internal control system. The Audit Committee approves the internal audit plan at the beginning of each year and the scope of Internal Audit covering the relevant departments within the Group.

The Board is of the view that there is no significant breakdown or weaknesses in the systems of internal controls of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2004.



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REPORT OF THE DIRECTORS

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The directors are pleased to present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of management and investment holding. The principal activities of the subsidiary companies and associated company are stated in Notes 4 and 5 to the financial statements.

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

FINANCIAL RESULTS

	GROUP RM	COMPANY RM
Profit after taxation	24,734,369	3,244,218
Minority shareholders' interest	(96,062)	-
Net profit for the financial year	24,638,307	3,244,218

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

There has not arisen during the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Board of Directors does not recommend any dividend in respect of the financial year under review.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM45,308,022 to RM63,388,722 by issuance of:-

- (a) 66,700 new ordinary shares of RM0.50 each pursuant to the exercise of options under the Prinsiptek Corporation Berhad Employees' Share Option Scheme at the exercise price of RM1.18 each; and
- (b) 36,094,700 new ordinary shares of RM0.50 each pursuant to the conversion of RM36,094,700 nominal value of Irredeemable Convertible Unsecured Loan Stocks 2003/2006 (ICULS).

The new ordinary shares issued during the year ranked pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEES' SHARE OPTION SCHEME

The Prinsiptek Corporation Berhad Employees' Share Option Scheme (ESOS) was approved by the shareholders at an Extraordinary General Meeting held on 21 February 2004.

The main features of the ESOS are as follows:-

- (a) To be eligible for participating in the scheme, a person must satisfy the following conditions:-
- (i) be of at least eighteen (18) years of age on the offer date; and
 - (ii) be an executive director or employee serving the Company or eligible subsidiary and has been confirmed in service on the offer date.
- (b) The Committee may at its absolute discretion at any time and from time to time as it shall deem fit during the duration of the scheme make one or more offers to any eligible employee whom the committee may select, based on the criteria of allocation set out in By-Law 8, to subscribe for new shares in accordance with the terms of the scheme.
- (c) An offer shall be valid for the period of thirty (30) days calendar days from the offer date or such longer period as may be determined by the committee on a case to case basis at its discretion.
- (d) The aggregate number of new shares to be offered to an eligible employee under the scheme shall be determined at the discretion of the committee after taking into consideration, inter alia, the performance, length of service and/or such other direct or indirect contributions by the eligible employee to the Group.

Provided always that:-

- (i) Not more than fifty percent (50%) of the new shares to be allocated under the scheme should be allocated in aggregate to the executive directors and senior management; and
 - (ii) Not more than ten percent (10%) of the new shares to be allotted under the scheme should be allocated to any eligible employee who, either singly or collectively through his/her associates holds twenty per cent (20%) or more in the issued and paid-up capital of the Company.
- (e) The price at which the grantee is entitled to subscribe for new shares under an option shall be the higher of:-
- (i) The weighted average market price of the shares for the five (5) market days immediately preceding the offer date, subject to a discount of not more than ten percent (10%) which the committee may at its discretion decide to give; or
 - (ii) The par value of the shares;

Subject to such adjustment in accordance with By-Law 16 herein.

- (f) The scheme shall be in force for a period of 10 years from the date of the launch or implementation of the scheme.

The movements of options over unissued shares of the Company granted under the ESOS during the financial year are as follows:-

<----- NUMBER OF SHARE OPTIONS ----->					EXERCISE PRICE PER ORDINARY SHARE	EXERCISE PERIOD
AT 1.1.2004	GRANTED	EXERCISED	LAPSED	AT 31.12.2004		
-	9,061,600	66,700	827,800	8,167,100	RM1.18	10 March 2004 to 9 March 2014

REPORT OF THE DIRECTORS (continued)

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EMPLOYEES' SHARE OPTION SCHEME (cont'd)

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of the eligible employees who have been granted with less than 300,000 share options. The names of eligible employees who have been granted with 300,000 share options and above are disclosed as follows:-

NAME	NUMBER OF SHARE OPTIONS
Dato' Foo Chu Jong	900,000
Foo Chu Pak	800,000
Foo Chew Sam	800,000
Shariman Bin Zainal Abideen	800,000
Teoh Yee Shien	496,400
Wong Chui Kheng	512,000
	4,308,400

DIRECTORS

The directors who served in office since the date of the last report are as follows:-

Dato' Foo Chu Jong
 Dato' Seri Mohamad Noor Abdul Rahim
 Datuk Nur Jazlan Bin Tan Sri Mohamed
 Foo Chu Pak
 Foo Chew Sam
 Shariman Bin Zainal Abideen

DIRECTORS' INTEREST

Details of holdings and deemed interests in the share capital of the Company or its related corporations by the directors in office at the end of the financial year, according to the register required to be kept under Section 134 of the Companies Act, 1965, were as follows:-

	NUMBER OF ORDINARY SHARES OF RM0.50 EACH			
	AT 1.1.2004	ACQUIRED	DISPOSED	AT 31.12.2004
Direct interest -				
Dato' Foo Chu Jong	31,040,625	12,540,000	2,000,000	41,580,625
Foo Chu Pak	7,980,000	18,375,000	-	26,355,000
Shariman Bin Zainal Abideen	21,845,000	-	8,000,000	13,845,000

	NUMBER OF ICULS OF RM1 EACH			
	AT 1.1.2004	ACQUIRED	DISPOSED	AT 31.12.2004
Direct interest -				
Dato' Foo Chu Jong	-	17,540,000	17,540,000	-
Foo Chu Pak	-	18,425,000	18,425,000	-

	NUMBER OF OPTIONS OVER ORDINARY SHARES OF RM0.50 EACH (ESOS)				
	AT 1.1.2004	GRANTED	EXERCISED	LAPSED	AT 31.12.2004
Direct interest -					
Dato' Foo Chu Jong	-	900,000	-	-	900,000
Foo Chu Pak	-	800,000	-	-	800,000
Shariman Bin Zainal Abideen	-	800,000	-	-	800,000
Foo Chew Sam	-	800,000	-	-	800,000

DIRECTORS' INTEREST (cont'd)

By virtue of their interests in the shares of the Company, Dato' Foo Chu Jong, Foo Chu Pak and Shariman Bin Zainal Abideen are also deemed to have interest in the shares of all the subsidiary companies to the extent the Company has an interest.

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

DIRECTORS' BENEFIT

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 23 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than as disclosed in Note 29 to the financial statements.

Neither during nor at the end of the financial year was the Company or any of its subsidiary companies a party to any arrangement the object of which is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those pursuant to the ESOS.

OTHER STATUTORY INFORMATION

- (a) The directors, before the income statements and balance sheets of the Group and of the Company were made out, took reasonable steps:-
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business were written down to an amount which they might be expected so to realise.
- (b) The directors are not aware of any circumstances, at the date of this report, which would render:-
- (i) the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
 - (iii) any amount stated in the financial statements of the Group and of the Company misleading; and
 - (iv) adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) No contingent or other liabilities have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due.
- (d) At the date of this report:-
- (i) there are no charges on the assets of the Company and its subsidiary companies which have arisen since the end of the financial year to secure the liabilities of any other person; and
 - (ii) there are no contingent liabilities in respect of the Company and its subsidiary companies which have arisen since the end of the financial year.

REPORT OF THE DIRECTORS (continued)

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STAFF INFORMATION

The total number of employees (excluding directors) of the Group and of the Company at the end of the financial year were 191 and Nil (2003: 119 and Nil) respectively.

SIGNIFICANT EVENTS

The significant events are disclosed in Note 33 in the financial statements.

AUDITORS

The auditors, Anuarul Azizan Chew & Co., have expressed their willingness to accept re-appointment.

Signed in accordance with a resolution of the directors.

DATO' FOO CHU JONG

FOO CHU PAK

KUALA LUMPUR
25 March 2005

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

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We, DATO' FOO CHU JONG and FOO CHU PAK, being two of the directors of PRINSIPTEK CORPORATION BERHAD, do hereby state that, in the opinion of the directors, the financial statements set out on pages 33 to 65 are drawn up in accordance with the 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 state of affairs of the Group and of the Company as at 31 December 2004 and of their results and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the directors.

DATO' FOO CHU JONG

FOO CHU PAK

KUALA LUMPUR
25 March 2005

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

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I, DATO' FOO CHU JONG, being the director primarily responsible for the financial management of PRINSIPTEK CORPORATION BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 33 to 65 are to the best of my knowledge and belief, 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 DATO' FOO CHU JONG at)
Kuala Lumpur in the Federal Territory this)
25 March 2005)

DATO' FOO CHU JONG

Before me,

COMMISSIONER FOR OATHS

REPORT OF THE AUDITORS

2004 annual report

We have audited the financial statements set out on pages 33 to 65 of Prinsiptek Corporation Berhad.

The financial statements are the responsibility of the Company's directors.

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

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

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company as at 31 December 2004 and of their results and the cash flows of the Group and of the Company for the financial year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company.
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies of which we acted as auditors have been properly kept in accordance with the provisions of the Act.

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

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

ANUARUL AZIZAN CHEW & CO.
Firm Number: AF 0791
Chartered Accountants

TEE GUAN PIAN
Approved Number: 1886/05/06 (J/PH)
Partner of Firm

KUALA LUMPUR
25 March 2005

BALANCE SHEETS

as at 31 December 2004 2004 annual report

		GROUP		COMPANY	
	NOTE	2004 RM	2003 RM	2004 RM	2003 RM
Non-Current Assets					
Property, plant and equipment	3	10,189,477	9,049,160	258,282	-
Investment in subsidiary companies	4	-	-	42,846,912	40,000,000
Investment in associated company	5	4,947	5,959	-	-
Land and property development costs	6	27,494,645	13,152,635	-	-
Other investments	7	5,010,800	10,800	5,000,000	-
Intangible assets	8	47,571,764	43,568,016	38,408,020	38,408,020
		90,271,633	65,786,570	86,513,214	78,408,020
Current Assets					
Inventories		20,759	24,817	-	-
Land and property development costs	6	9,671,100	12,170,481	-	-
Amount owing by customers on contracts	9	70,726,552	23,709,861	-	-
Trade receivables	10	145,161,680	105,681,365	-	-
Other receivables	11	15,417,528	14,638,238	551,431	1,093,693
Amount owing by subsidiary companies	12	-	-	51,762,655	5,910,167
Amount owing by associated company	13	6,743	5,028	-	-
Fixed deposits placed with licensed banks	14	24,176,174	26,381,200	-	-
Cash and bank balances		609,273	1,073,620	9,694	18,519
		265,789,809	183,684,610	52,323,780	7,022,379
Current Liabilities					
Trade payables	15	93,620,745	64,525,140	-	-
Other payables	16	9,381,796	9,352,694	585,583	637,693
Hire purchase payables	17	2,281,478	1,200,770	-	-
Amount owing to customers on contracts	9	24,885,271	31,495,564	-	-
Bank borrowings	18	53,884,657	47,639,787	-	-
Taxation		3,032,695	2,301,207	-	3,578
		187,086,642	156,515,162	585,583	641,271
Net current assets		78,703,167	27,169,448	51,738,197	6,381,108
		168,974,800	92,956,018	138,251,411	84,789,128

BALANCE SHEETS

as at 31 December 2004 (continued)

2004 annual report

	NOTE	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
Financed By:-					
Share capital	19	63,388,722	45,308,022	63,388,722	45,308,022
Share premium		21,732,065	3,500,000	21,732,065	3,500,000
Reserve on consolidation		658,115	658,115	-	-
Irredeemable convertible unsecured loan stocks	20	5,300	35,765,741	5,300	35,765,741
Retained profits/ (Accumulated losses)		30,491,923	5,853,616	3,125,324	(118,894)
Shareholders' equity		116,276,125	91,085,494	88,251,411	84,454,869
Minority interests		182,197	86,135	-	-
		116,458,322	91,171,629	88,251,411	84,454,869
Non-Current Liabilities					
Bank borrowings	18	50,245,448	275,867	50,000,000	-
Hire purchase payables	17	1,432,981	337,811	-	-
Irredeemable convertible unsecured loan stocks	20	-	334,259	-	334,259
Deferred tax liabilities	21	838,049	836,452	-	-
		168,974,800	92,956,018	138,251,411	84,789,128

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

INCOME STATEMENTS

for the financial year ended 31 December 2004 2004 annual report

	NOTE	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
Revenue	22	294,793,493	185,041,319	4,852,660	12,780
Cost of sales		(250,728,627)	(155,458,979)	-	-
Gross profit		44,064,866	29,582,340	4,852,660	12,780
Other operating income		883,848	598,569	-	-
Administration expenses		(5,951,569)	(3,198,899)	(179,603)	(35,509)
Other operating expenses		(1,528,656)	(1,369,081)	(168,970)	-
Net profit/(loss) from operations	23	37,468,489	25,612,929	4,504,087	(22,729)
Finance costs	24	(3,179,658)	(1,257,464)	84,918	(85,057)
Share of loss in associated company		(1,012)	(994)	-	-
Profit/(Loss) before taxation		34,287,819	24,354,471	4,589,005	(107,786)
Taxation	25	(9,553,450)	(6,934,639)	(1,344,787)	(3,578)
Profit/(Loss) after taxation		24,734,369	17,419,832	3,244,218	(111,364)
Minority interests		(96,062)	(29,173)	-	-
Pre-acquisition profit		-	(11,529,513)	-	-
Net profit/(loss) for the financial year		24,638,307	5,861,146	3,244,218	(111,364)
Earnings per share (Sen)	26				
Basic		21.6	57.6		
Fully diluted		19.2	41.6		

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2004

2004 annual report

GROUP	NON-DISTRIBUTABLE				DISTRIBUTABLE		TOTAL RM
	SHARE CAPITAL RM	SHARE PREMIUM RM	ICULS EQUITY COMPONENT RM	RESERVE ON CONSOLIDATION RM	RETAINED PROFITS / (ACCUMULATED LOSSES) RM		
At 1 January 2003	2	-	-	-	(7,530)	(7,528)	
Issued during the financial year	45,308,020	5,000,000	-	-	-	50,308,020	
Listing expenses	-	(1,500,000)	-	-	-	(1,500,000)	
Arising on acquisition of subsidiary companies	-	-	-	658,115	-	658,115	
Reclassification of ICULS - equity component	-	-	35,765,741	-	-	35,765,741	
Net profit for the financial year	-	-	-	-	5,861,146	5,861,146	
At 31 December 2003	45,308,022	3,500,000	35,765,741	658,115	5,853,616	91,085,494	
At 1 January 2004	45,308,022	3,500,000	35,765,741	658,115	5,853,616	91,085,494	
Issued during the financial year pursuant to							
- conversion of ICULS	18,047,350	18,047,350	(35,760,441)	-	-	334,259	
- exercise of options under ESOS	33,350	45,356	-	-	-	78,706	
Adjustment to listing expenses	-	139,359	-	-	-	139,359	
Net profit for the financial year	-	-	-	-	24,638,307	24,638,307	
At 31 December 2004	63,388,722	21,732,065	5,300	658,115	30,491,923	116,276,125	

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2004 (continued) 2004 annual report

COMPANY	NON-DISTRIBUTABLE			DISTRIBUTABLE	TOTAL RM
	SHARE CAPITAL RM	SHARE PREMIUM RM	ICULS EQUITY COMPONENT RM	RETAINED PROFITS / (ACCUMULATED LOSSES) RM	
At 1 January 2003	2	-	-	(7,530)	(7,528)
Issued during the financial year	45,308,020	5,000,000	-	-	50,308,020
Listing expenses	-	(1,500,000)	-	-	(1,500,000)
Reclassification of ICULS - equity component	-	-	35,765,741	-	35,765,741
Net loss for the financial year	-	-	-	(111,364)	(111,364)
At 31 December 2003	45,308,022	3,500,000	35,765,741	(118,894)	84,454,869
At 1 January 2004	45,308,022	3,500,000	35,765,741	(118,894)	84,454,869
Issued during the financial year pursuant to - conversion of ICULS	18,047,350	18,047,350	(35,760,441)	-	334,259
- exercise of options under ESOS	33,350	45,356	-	-	78,706
Adjustment to listing expenses	-	139,359	-	-	139,359
Net profit for the financial year	-	-	-	3,244,218	3,244,218
At 31 December 2004	63,388,722	21,732,065	5,300	3,125,324	88,251,411

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

CASH FLOW STATEMENTS

for the financial year ended 31 December 2004

2004 annual report

NOTE	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Cash Flows From Operating Activities				
Profit/(Loss) before taxation	34,287,819	24,354,471	4,589,005	(107,786)
Adjustment for:-				
Pre-acquisition results	-	(16,212,100)	-	-
Depreciation of property, plant and equipment				
- charge for the year	760,344	385,602	2,527	-
- less: pre-acquisition	-	(284,772)	-	-
	760,344	100,830	2,527	-
Interest expense	3,179,658	737,950	(84,918)	-
Interest income	(740,878)	(144,829)	(52,660)	(12,780)
Dividend income	-	-	(4,800,000)	-
Share of loss in associated company	1,012	491	-	-
Amortisation of development rights	161,816	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(38,923)	396	-	-
Operating profit/(loss) before working capital changes	37,610,848	8,837,209	(346,046)	(120,566)
Decrease/(Increase) in working capital				
Inventories	4,058	8,653	-	-
Land and property development costs	(7,223,363)	(257,583)	-	-
Amount owing by/to customers on contract	(47,295,261)	15,440,034	-	-
Receivables	(40,234,071)	(20,950,188)	549,367	(1,093,693)
Amount owing by subsidiary company	-	-	(45,852,488)	(5,910,167)
Payables	23,550,529	1,011,142	87,249	630,163
Amount owing by associated company	(1,715)	(5,028)	-	-
	(71,199,823)	(4,752,970)	(45,215,872)	(6,373,697)
Cash generated (used in)/from operations	(33,588,975)	4,084,239	(45,561,918)	(6,494,263)
Interest paid	(6,888,297)	(682,460)	84,918	-
Tax paid	(8,846,102)	(1,145,492)	(1,355,470)	-
	(15,734,399)	(1,827,952)	(1,270,552)	-
Net cash (used in)/from operating activities	(49,323,374)	2,256,287	(46,832,470)	(6,494,263)

CASH FLOW STATEMENTS

for the financial year ended 31 December 2004 (continued) 2004 annual report

	NOTE	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
Cash Flows From Investing Activities					
Interest received		740,878	144,829	52,660	12,780
Dividend received		-	-	4,800,000	-
Investment in bonds		(5,000,000)	-	(5,000,000)	-
Purchase of property, plant and equipment		(929,484)	(243,233)	(260,809)	-
Proceeds from sale of property, plant and equipment		232,668	51,498	-	-
Acquisition of subsidiary companies	4(c)	(2,650,596)	(28,529,940)	(2,846,912)	-
Net cash (used in)/from investing activities		(7,606,534)	(28,576,846)	(3,255,061)	12,780
Cash Flows From Financing Activities					
Proceeds from issue of shares		78,706	10,000,000	78,706	10,000,000
Debt settlement pursuant to CDRS of L&M		-	(2,000,000)	-	(2,000,000)
Repayment of hire purchase payables		(2,032,622)	(472,631)	-	-
Listing and CDRS expenses		-	(1,500,000)	-	(1,500,000)
Drawdown of borrowings net of repayment		49,949,633	182,393	50,000,000	-
Net cash from financing activities		47,995,717	6,209,762	50,078,706	6,500,000
Net (decrease)/increase in cash and cash equivalents		(8,934,191)	(20,110,797)	(8,825)	18,517
Cash and cash equivalents at beginning of financial year		(20,110,795)	2	18,519	2
Cash and cash equivalents at end of the financial year		(29,044,986)	(20,110,795)	9,694	18,519
Cash and cash equivalents at end of the financial year comprises:-					
Cash and bank balances		609,273	1,073,620	9,694	18,519
Fixed deposits with licensed bank		24,176,174	26,381,200	-	-
Banker acceptances		(16,387,480)	(8,372,985)	-	-
Bank overdrafts and projects loans		(37,442,953)	(39,192,630)	-	-
		(29,044,986)	(20,110,795)	9,694	18,519

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

NOTES TO THE FINANCIAL STATEMENTS

2004 annual report

1. CORPORATE INFORMATION

The principal activities of the Company are those of management and investment holding. The principal activities of the subsidiary companies and associated company are stated in Notes 4 and 5 to the financial statements.

The Company is a public limited liability company, incorporated under the Companies Act, 1965 and domiciled in Malaysia, and is listed on the Second Board of Bursa Malaysia Securities Berhad.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

During the financial year, the Group and the Company adopted the following Malaysian Accounting Standards Board (MASB) Standard for the first time:-

MASB 32 Property Development Activities

The adoption of MASB 32 has not given rise to any adjustments to the opening balances of retained profits of the prior and current financial year. Comparatives, however, have been restated, as disclosed in Note 32 to conform to changes in presentation required by MASB 32 that have been applied retrospectively.

MASB 31, Accounting for Government Grants and Disclosure of Government Assistance is not adopted as it is not applicable to the Group and to the Company.

(b) Basis of consolidation

Subsidiary companies are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation as appropriate.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

Minority interest is measured at the minorities' share of the fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

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 goodwill and exchange differences which were not previously recognised in the consolidated income statement.

(c) Associated companies

Associated companies are defined as those enterprises, not being a subsidiary company, in which the investor company has a long term equity interest and in whose financial and operating decisions the investor company exercises significant influence.

The consolidated financial statements include the total recognised gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Intangible assets

(i) Goodwill or reserve arising on consolidation

Goodwill or reserve arising on consolidation represents the difference between the cost of the acquisition over the fair value of the net identifiable assets of subsidiary companies and associated companies acquired at the date of acquisition. Goodwill or reserve is not amortised. Goodwill or reserve is stated at cost less impairment losses, if any. Goodwill will be reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

(ii) Listing status

This represents the purchase consideration paid/payable for the transfer of L&M Corporation (M) Berhad's listing status to the Company.

Listing status is not amortised. Listing status is stated at cost less impairment losses, if any. It will be reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

(iii) Development rights

Development rights represent the excess of the acquisition cost over the fair values of the net assets of subsidiary companies, which own development rights over certain development lands, acquired at the date of acquisition.

Development rights are amortised through the consolidated income statement based on the percentage of completion of each project commencing from the launching date of the project.

(e) Investments

Investment in subsidiary companies and associated company are stated at cost less impairment losses.

Other investments are long term investments stated at cost and allowance is made where, in the opinion of the Directors, there is a permanent diminution in value. Permanent diminution in the value of investment is recognised as an expense in the financial year in which the diminution is identified.

On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the income statement.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Freehold land is not depreciated. All other property, plant and equipment with the exception of loose tools are depreciated 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%
Computers	10% - 33%
Furniture and fittings	10%
Tools and instruments	Base stock
Motor vehicles	20%
Office and electrical equipment	10%
Plant and machinery	10%
Renovation	10%
Scaffolding	10%

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised as income or expense in the income statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(g) Impairment**

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows.

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

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

(h) Inventories**(i) Property development**

Inventories represent cost of unsold completed development units/properties which is determined on a specific identification basis. The inventories are stated at the lower of cost and net realisable value.

(ii) Other inventories

Inventories are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damage, obsolete or slow-moving inventories.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Cost being determined principally on the first-in first-out method. The cost of raw materials comprises the original cost of purchase plus the cost of bringing the stocks to its present location and condition.

(i) Receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off when identified. Doubtful debts are provided based on specific review of the receivables.

(j) Land held for property development

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

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

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Where the Company and its subsidiary companies had previously recorded the land at revalued amount, it continues to retain this amount as its surrogate cost as allowed by the MASB 32, Property Development Activities.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(k) Property development costs**

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

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

Property development costs shall be classified as non-current asset where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle.

Property development costs shall be reclassified to current assets when the development activities have been commenced and expected to be completed within the normal operating cycle.

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

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

When the revenue recognised in the income statement exceed billings to purchaser, the balance is shown as accrued billings under current assets. When the billings to purchaser exceed the revenue recognised in the income statement, the balance is shown as progress billings under current liabilities.

(l) Construction contracts

Construction contracts are stated at cost plus attributable profits less applicable progress billings and allowances for foreseeable losses, if any.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activities at the balance sheet date. The stage of completion is determined by the surveys of work performed and completion of a physical proportion of the contract work.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and 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.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the period end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount owing by customers on contracts. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount owing to customers on contracts.

(m) Payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether billed or unbilled.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(n) Hire purchase**

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

Hire purchase payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total hire purchase commitments and the fair value of the assets acquired, are recognised as an expense in the income statements over the term of the relevant hire purchase 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 hire purchase assets is consistent with that for depreciable property, plant and equipment which are owned.

(o) Borrowings

Interest bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs incurred.

(p) Provisions for liabilities

Provisions for liabilities are recognised when the Group and the Company have 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.

(q) ICULS

ICULS are regarded as compound instruments consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible borrowings. The difference between the proceeds of issue of the ICULS and the fair value assigned to the liability component, representing the conversion option is included in shareholders' equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or maturity whilst the value of the equity component is not adjusted in subsequent periods except in times of ICULS conversion into ordinary shares.

Under the effective interest rate method, the interest expenses on liability component is calculated by applying the prevailing market interest rate for a similar non-convertible borrowings. The difference between this amount and the interest paid is added to the carrying value of the ICULS.

(r) Equity instruments

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

The portion of the ICULS representing the value of conversion option is included in equity as stated in Note 2(q) on ICULS.

(s) Revenue recognition**(i) Property development**

Revenue derived from property development activities is recognised based on the percentage of completion method. The stage of completion is determined based on the total actual costs incurred to date over the estimated total contract costs.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(s) Revenue recognition (cont'd)****(i) Property development (cont'd)**

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

(ii) Construction contracts

Revenue from work done on construction contracts is recognised based on the percentage of completion method. The stage of completion is determined based on the completion of a physical proportion of the contract work. Allowance for foreseeable losses is made in the financial statements when such losses can be determined.

(iii) Goods sold

Revenue from sales of goods is recognised when significant risk and rewards have been transferred to the buyer, net of discounts, if any.

(iv) Dividend income

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

(v) Interest income

Interest income is recognised as it accrues unless ability to collect is in doubt.

(t) 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 recognised on the liability method for all temporary differences between the carrying amount of an assets or liabilities in the balance sheet and its tax base at the balance sheet date. 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 future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(u) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(u) Borrowing cost (cont'd)**

When the borrowings are made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawn down from that borrowing facility.

When the borrowings are made generally, and used for the purpose of obtaining a qualifying asset, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate which is the weighted of the borrowing costs applicable to the Group's borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of acquiring another qualifying asset.

Borrowing costs which are not eligible for capitalisation are recognised as an expense in the income statement in the period in which they are incurred.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalent are presented net of bank overdrafts.

(w) Employee benefits**(i) Short term employee benefits**

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

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund (EPF). Such contributions are recognised as an expense in the income statements as incurred.

(iii) Employees' Share Option Scheme

The Prinsiptek Corporation Berhad Employees' Share Option Scheme allows the Group's employees to subscribe for shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

(x) Financial instruments

Financial instruments carried on the balance sheets include cash and bank balances, deposits, other investments, receivables, payables and borrowings. Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

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

The particular recognition method adopted for financial instruments recognised on the balance sheets is disclosed in the individual accounting policy statements associated with each item.

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	FREEHOLD AND LEASEHOLD LANDS		BUILDINGS		COMPUTERS		FURNITURE AND FITTINGS		INSTRUMENT AND TOOLS		MOTOR VEHICLES		ELECTRICAL EQUIPMENT		OFFICE AND MACHINERY		PLANT AND SCAFFOLDING		TOTAL	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
Cost																				
At 1.1.2004	573,387	860,080	787,731	962,713	49,820	1,653,995	871,455	8,731,160	451,764	-	14,942,105									
Additions	98,040	148,269	330,035	146,193	900	111,125	152,262	2,047,559	1,100	-	3,035,483									
Disposal	(64,000)	(96,000)	(8,040)	-	(1,000)	-	(5,124)	(62,850)	-	-	(237,014)									
At 31.12.2004	607,427	912,349	1,109,726	1,108,906	49,720	1,765,120	1,018,593	10,715,869	452,864	-	17,740,574									
Accumulated depreciation																				
At 1.1.2004	-	19,555	248,148	176,058	-	1,289,469	414,865	3,501,835	243,015	-	5,892,945									
Charge for the year	330	20,763	398,114	52,207	-	174,353	80,971	941,078	33,606	-	1,701,422									
Disposal	-	(3,520)	(2,560)	-	-	-	(3,944)	(33,246)	-	-	(43,270)									
At 31.12.2004	330	36,798	643,702	228,265	-	1,463,822	491,892	4,409,667	276,621	-	7,551,097									
Carrying amount																				
At 31.12.2004	607,097	875,551	466,024	880,641	49,720	301,298	526,701	6,306,202	176,243	-	10,189,477									
At 31.12.2003	573,387	840,525	539,583	786,655	49,820	364,526	456,590	5,229,325	208,749	-	9,049,160									
Depreciation charge for the financial year ended 31.12.2003	-	19,555	11,883	8,019	-	41,248	12,610	137,134	7,515	19,015	256,979									

Included in property, plant and equipment are motor vehicles and plant and machinery under hire purchase with carrying amount of RM2,512,244 and RM230,381 (2003: RM2,118,174 and RM193,802) respectively.

The freehold land and building with carrying amount of RM438,187 (2003: RM438,187) and RM625,211 (2003: RM641,249) respectively are pledged to a financial institution as security for credit facilities granted to a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

COMPANY	LEASEHOLD LAND RM	BUILDINGS RM	COMPUTERS RM	TOTAL RM
Cost				
At 1.1.2004	-	-	-	-
Additions	98,040	148,269	14,500	260,809
At 31.12.2004	98,040	148,269	14,500	260,809
Accumulated Depreciation				
At 1.1.2004	-	-	-	-
Charge for the year	330	989	1,208	2,527
At 31.12.2004	330	989	1,208	2,527
Carrying Amount				
At 31.12.2004	97,710	147,280	13,292	258,282

4. INVESTMENT IN SUBSIDIARY COMPANIES

(a) Investment in subsidiary companies

	COMPANY	
	2004 RM	2003 RM
Unquoted shares, at cost	42,846,912	40,000,000

(b) The subsidiary companies and shareholdings therein are as follows:-

NAME OF COMPANY	EQUITY INTEREST		PRINCIPAL ACTIVITIES
	2004 %	2003 %	
Direct holding -			
Sekinchan Jaya Sdn. Bhd.	100	100	Property development
Tanah Perangsang Sdn. Bhd.	100	100	Investment holding
Gabungan Sanjung Sdn. Bhd.	100	100	Investment holding
Prinsiptek (M) Sdn. Bhd.	100	100	Building contractors
Antara Murni Development Sdn. Bhd.	70	70	Property development
Strategic Development Sdn. Bhd.	100	-	Property development
Magnificent Degree Sdn. Bhd.	100	-	Dormant
Indirect holding-			
Jeram Perwira Sdn. Bhd.	100	100	Property development
Esa Pile Sdn. Bhd.	100	100	Piling and construction works
LKD Trading Sdn. Bhd.	100	100	Trading of building materials
PST Concrete Sdn. Bhd.	60	60	Manufacturing and trading of ready mix concrete
NBL Land Development Sdn. Bhd.	100	100	Property development

All the subsidiary companies are incorporated in Malaysia and are audited by Anuarul Azizan Chew & Co.

4. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

(c) Acquisition of subsidiary companies

The effect of the acquisition on the financial results of the Group during the financial year is as follows:-

	2004 RM	GROUP 2003 RM
Revenue	-	37,512,592
Cost of sales	-	(28,139,147)
Gross profit	-	9,373,445
Other operating income	-	144,829
Marketing and distribution	-	(42,602)
Administration expenses	-	(390,489)
Other operating expenses	-	(181,642)
Net profit from operations	-	8,903,541
Finance cost	-	(652,893)
Share of associated company	-	(491)
Profit before taxation	-	8,250,157
Taxation	-	(2,271,188)
Profit after taxation	-	5,978,969
Minority shareholders' interest	-	(6,459)
Net profit for the financial year	-	5,972,510

The summary of effects of the acquisition on the financial position of the Group as at 31 December 2004 is as follows:-

	2004 RM	GROUP 2003 RM
Property, plant and equipment	-	9,049,160
Land and property development costs	4,342,766	36,586,769
Other investment	-	10,800
Investment in associated company	-	5,959
Intangible assets	2,453,564	5,159,996
Amount owing by customers on contracts	-	23,709,861
Inventories	-	24,817
Receivables	-	102,052,090
Amount owing by associated company	-	5,028
Fixed deposits placed with licensed banks	-	26,381,200
Cash and bank balances	3,032	1,055,101
Amount owing to customers on contracts	-	(31,495,564)
Payables	(4,145,531)	(73,240,141)
Bank borrowings	-	(47,915,654)
Hire purchase payables	-	(1,538,581)
Provision for taxation	(203)	(2,297,629)
Deferred taxation	-	(836,452)
Reserve on consolidation	-	(658,115)
Minority interest	-	(86,135)
	2,653,628	45,972,510

NOTES TO THE FINANCIAL STATEMENTS (continued)

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4. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

(c) Acquisition of subsidiary companies (cont'd)

The fair value of the assets acquired and liabilities assumed from the acquisition of subsidiary companies is as follows:-

	GROUP	
	2004 RM	2003 RM
Net assets acquired:-		
Property, plant and equipment	-	9,000,190
Land and development expenditure	4,342,766	36,329,186
Investment in associated companies	-	6,450
Other investment	-	10,800
Amount owing by customers on contracts	-	7,173,788
Inventories	-	33,470
Receivables	-	88,079,143
Fixed deposits with licensed banks	-	25,027,878
Cash and bank balances	3,032	815,976
Payables	(4,145,531)	(72,774,104)
Hire purchase payables	-	(1,301,162)
Provision for taxation	(203)	(1,326,959)
Bank borrowings	-	(54,541,440)
Deferred taxation	-	(654,807)
Minority interest	-	(79,676)
Amount owing to customers on contracts	-	(300,614)
Share of net assets acquired	200,064	35,498,119
Goodwill on consolidation	2,453,564	3,276,114
Development rights	-	1,883,882
Reserve on consolidation	-	(658,115)
Total purchase consideration	2,653,628	40,000,000
Less: Portion discharged by		
- issuance of the Company's shares	-	(39,900,000)
- issuance of the Company's ICULS	-	(100,000)
Discharged by cash	2,653,628	-
Less: Cash and cash equivalent of subsidiary companies	(3,032)	(28,529,940)
Cash outflow on acquisition, net of cash acquired	2,650,596	(28,529,940)

NOTES TO THE FINANCIAL STATEMENTS (continued)

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5. INVESTMENT IN ASSOCIATED COMPANY

(a) Investment in associated company

	GROUP	
	2004 RM	2003 RM
Unquoted shares - at cost	40,000	40,000
Share of post acquisition accumulated losses	(35,053)	(34,041)
	4,947	5,959
Share of net assets	4,947	5,959

(b) The associated company and shareholdings therein is as follows:-

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE INTEREST		PRINCIPAL ACTIVITIES
		2004 %	2003 %	
Indirect holding - Associated company of Prinsiptek (M) Sdn. Bhd.: Antap Wangsa Holdings Sdn. Bhd.	Malaysia	40	40	Dormant

6. LAND AND PROPERTY DEVELOPMENT COSTS

	GROUP	
	2004 RM	2003 RM
Non-Current		
Leasehold land, at cost		
At 1 January	-	-
Acquisition of subsidiary company	3,800,000	-
Addition during the financial year	4,178,570	-
At 31 December	7,978,570	-
Development costs		
At 1 January	13,152,635	-
Acquisition of subsidiary company	542,766	12,839,306
Addition during the financial year	5,820,674	313,329
At 31 December	19,516,075	13,152,635
	27,494,645	13,152,635

NOTES TO THE FINANCIAL STATEMENTS (continued)

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6. LAND AND PROPERTY DEVELOPMENT COSTS (cont'd)

	2004 RM	GROUP 2003 RM
Current		
Leasehold land, at cost		
At 1 January	233,845	-
Acquisition of subsidiary company	-	233,845
Transferred to income statement	(143,105)	-
At 31 December	90,740	233,845
Development costs		
At 1 January	28,132,077	-
Acquisition of subsidiary company	-	26,118,579
Addition during the financial year	38,619,720	2,013,498
Transferred to income statement	(5,517,000)	-
At 31 December	61,234,797	28,132,077
	61,325,537	28,365,922
Cost recognised as expenses in the income statement		
At 1 January	16,195,441	-
Acquisition of subsidiary company	-	12,492,590
Recognised during the financial year	41,119,101	3,702,851
	57,314,542	16,195,441
Less: Portion related to completed project	(5,660,105)	-
At 31 December	51,654,437	16,195,441
	9,671,100	12,170,481

Two subsidiary companies entered into privatisation agreements with the landowner to develop a piece of leasehold land solely at the cost of the subsidiary companies and based on the agreements, that subsidiary companies are required to pay a consideration of 20% of the total projected gross sales value of the development to the landowner in the manner specified in the agreements.

Included in the land and development expenditures for the financial year is finance costs of RM711,988 (2003: Nil) capitalised as disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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7. OTHER INVESTMENTS

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
At cost:-				
Quoted shares in Malaysia	10,800	10,800	-	-
Unquoted bonds in Malaysia	5,000,000	-	5,000,000	-
	5,010,800	10,800	5,000,000	-
At market value:-				
Quoted shares in Malaysia	13,860	16,530	-	-

8. INTANGIBLE ASSETS

	GOODWILL RM	LISTING STATUS RM	DEVELOPMENT RIGHTS RM	TOTAL RM
Group				
At 1 January	3,276,114	38,408,020	1,883,882	43,568,016
Acquisition of subsidiary companies	2,453,564	-	-	2,453,564
Under provision of taxation in subsidiary company prior to acquisition	1,712,000	-	-	1,712,000
	7,441,678	38,408,020	1,883,882	47,733,580
Less:				
Accumulated amortisation	-	-	(161,816)	(161,816)
	7,441,678	38,408,020	1,722,066	47,571,764
Company				
At 1 January/31 December	-	38,408,020	-	38,408,020

9. AMOUNTS OWING BY / TO CUSTOMERS ON CONTRACTS

	GROUP	
	2004 RM	2003 RM
Contract costs	510,025,311	356,785,953
Attributable profits	63,740,452	47,352,276
	573,765,763	404,138,229
Less: Progress billings included retention sum	(527,924,482)	(411,923,932)
	45,841,281	(7,785,703)
Represented by:-		
Amount owing by customers on contracts	70,726,552	23,709,861
Amount owing to customers on contracts	(24,885,271)	(31,495,564)
	45,841,281	(7,785,703)
Retention sums included in progress billings	3,185,444	4,770,449
Advances received included in other payables	4,566,138	7,619,889

NOTES TO THE FINANCIAL STATEMENTS (continued)

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9. AMOUNTS OWING BY/TO CUSTOMERS ON CONTRACTS (cont'd)

Included in construction contract costs incurred during the financial year are:-

	NOTE	GROUP	
		2004 RM	2003 RM
Hire of machinery		4,859,158	1,852,343
Depreciation of property, plant and equipment			
- pre-acquisition		-	705,755
- post-acquisition		941,078	156,149
Finance costs	24	3,288,145	4,359,050
Rental of premises		191,811	168,770

10. TRADE RECEIVABLES

	GROUP	
	2004 RM	2003 RM
Trade receivables	114,379,366	89,689,736
Accrued billings in respect of property development costs	25,475,218	11,263,653
Retention sum on contracts	5,307,096	4,727,976
	145,161,680	105,681,365

Except for turnkey customers, the Group's normal trade credit terms range from 45 to 60 days (2003: 45 to 60 days).

11. OTHER RECEIVABLES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Other receivables	3,475,195	1,369,141	551,431	93,693
Deposits	11,942,333	13,269,097	-	1,000,000
	15,417,528	14,638,238	551,431	1,093,693

12. AMOUNT OWING BY SUBSIDIARY COMPANIES

This represents unsecured interest free advances with no fixed term of repayment.

13. AMOUNT OWING BY ASSOCIATED COMPANY

This represents unsecured interest free advances with no fixed term of repayment.

14. FIXED DEPOSITS WITH LICENSED BANKS

The above have been pledged to financial institutions as security for banking facilities granted to subsidiary companies.

The interest rates and maturities of deposits ranges from 3.00% to 3.70% per annum and 30 to 365 days (2003: 2.60% to 4.00% and 30 to 365 days) respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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15. TRADE PAYABLES

Included in the trade payables of the Group is an amount of RM22,836,891 (2003: RM15,450,592) owing to the landowner as mentioned in Note 6 to the financial statements.

The normal trade credit terms granted to the Group range from 30 to 90 days (2003: 30 to 90 days).

16. OTHER PAYABLES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Other payables	7,065,022	7,954,255	232,946	6,825
Accruals	2,316,774	1,398,439	352,637	630,868
	9,381,796	9,352,694	585,583	637,693

17. HIRE PURCHASE PAYABLES

	GROUP	
	2004 RM	2003 RM
(a) Minimum hire purchase payments		
Within one year	2,454,285	1,260,009
Between one and five years	1,482,885	348,744
	3,937,170	1,608,753
Less: Future finance charges	(222,711)	(70,172)
Present value of hire purchase liabilities	3,714,459	1,538,581
(b) Present value of hire purchase liabilities		
Within one year	2,281,478	1,200,770
Between one and five years	1,432,981	337,811
	3,714,459	1,538,581

18. BANK BORROWINGS

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Secured				
Project loans	16,367,019	18,260,989	-	-
Bank overdrafts	21,075,934	20,931,641	-	-
Bankers' acceptances	16,387,480	8,372,985	-	-
Fixed loans	299,672	350,039	-	-
	54,130,105	47,915,654	-	-
Unsecured				
Fixed loans	50,000,000	-	50,000,000	-
Total Borrowings	104,130,105	47,915,654	50,000,000	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

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18. BANK BORROWINGS (cont'd)

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Analysed as:-				
Repayable within twelve months				
Secured				
Project loans	16,367,019	18,260,989	-	-
Bank overdrafts	21,075,934	20,931,641	-	-
Bankers' acceptances	16,387,480	8,372,985	-	-
Fixed loans	54,224	74,172	-	-
	53,884,657	47,639,787	-	-
Repayable after twelve months				
Secured				
Fixed loans	245,448	275,867	-	-
Unsecured				
Fixed loans	50,000,000	-	50,000,000	-
	50,245,448	275,867	50,000,000	-
	104,130,105	47,915,654	50,000,000	-

- (a) The above credit facilities obtained from financial institutions are secured by a charge over the freehold land and building of a subsidiary company, a pledged of fixed deposits of the Group and personal guarantee of certain directors.

The fixed loan of RM299,672 (2003: RM350,039) is repayable over a period of 72 months at a monthly instalment of RM6,181.

- (b) The unsecured fixed loan of RM50,000,000 (2003: RMNil) represents primary collateralised loan obligations entered by the Company on 21 May 2004. The borrowing is for 5 years with interest to be serviced semi-annually at a fixed interest rate of 8.10% per annum and the principal sum is repayable in one lump sum on the last day of the tenure of the facility. A total of RM5,000,000 out of the above borrowing was used to invest in an unquoted subordinated bonds as disclosed in Note 7 to the financial statements being part of the terms and conditions under the above borrowing arrangement. The balance of the fund was/will be utilised primarily for working capital purposes.

Maturity of borrowings is as follows:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Within one year	53,884,657	47,639,787	-	-
Between one and two years	58,289	54,224	-	-
Between two and five years	50,187,159	164,497	50,000,000	-
After five years	-	57,146	-	-
	104,130,105	47,915,654	50,000,000	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

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18. BANK BORROWINGS (cont'd)

Range of interest rates is as follows:-

	2004 %	2003 %
Project loans	7.75 - 8.00	7.75 - 8.15
Bank overdrafts	7.75 - 8.00	7.75 - 8.15
Bankers' acceptance	3.00 - 5.00	3.00 - 5.00
Fixed loans	7.25 - 8.10	7.25 - 7.75

19. SHARE CAPITAL

	GROUP / COMPANY	
	2004 RM	2003 RM
Ordinary shares of RM0.50 each:-		
Authorised		
At 1 January	100,000,000	100,000
Created during the financial year	-	99,900,000
At 31 December	100,000,000	100,000,000
Issued and fully paid		
At 1 January	45,308,022	2
Issued during the financial year	18,080,700	45,308,020
At 31 December	63,388,722	45,308,022

During the financial year, the issued and paid-up share capital of the Company was increased from RM45,308,022 to RM63,388,722 by issuance of:-

- 66,700 new ordinary shares of RM0.50 each pursuant to the exercise of options under the ESOS at the exercise price of RM1.18 each; and
- 36,094,700 new ordinary shares of RM0.50 each pursuant to the conversion of RM36,094,700 nominal value of ICULS.

20. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (ICULS)

	GROUP / COMPANY	
	2004 RM	2003 RM
Equity instrument		
Nominal value:-		
Irredeemable Convertible Unsecured Loan Stocks 2003/2006	5,300	35,765,741
Liability instrument		
Nominal value:-		
Irredeemable Convertible Unsecured Loan Stocks 2003/2006	-	334,259

20. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (ICULS) (cont'd)

The Company, under a Trust Deed dated 19 November 2003, issued RM36,100,000 of nominal value of RM1.00 each of ICULS as part of the purchase consideration for the Prinsiptek (M) Sdn. Bhd., a subsidiary company incorporated in Malaysia and for the settlement of scheme creditors under the corporate and debt restructuring scheme of L&M Corporation (M) Berhad.

The salient terms of the ICULS are as follows:-

- (a) The ICULS issued in registered form and in multiples of RM1;
- (b) The ICULS bears interest at the rate of 2.0% per annum for the first and second year and 3.0% per annum for the third year, payable in arrears on each anniversary date of issuance of the ICULS based on the amount outstanding at the respective anniversaries;
- (c) RM1.00 nominal value of ICULS is convertible into 1 ordinary share of the Company. The conversion price will be subject to adjustments under certain circumstances in accordance with the provisions of the trust deed;
- (d) The ICULS is convertible into new ordinary shares during the period commencing from and including the date of issue of the ICULS up to the maturity date;
- (e) The ICULS constitutes direct, unconditional and unsecured obligations of the Company ranking pari passu with the unsecured obligations of the Company without any preference or priority amongst themselves;
- (f) The new ordinary shares of the Company issued pursuant to the conversion of the ICULS are rank pari passu in all respects with the existing ordinary shares of the Company in issue at the date of conversion, except that they are not entitled to any dividend, rights, allotments and/or other distributions, the entitlement date of which is prior to such date of allotment of the new ordinary shares of the Company; and
- (g) The ICULS are for a period of 3 years commencing from and including the date of issue of the ICULS.

21. DEFERRED TAX LIABILITIES

	GROUP	
	2004 RM	2003 RM
At 1 January	836,452	655,300
Recognised in income statement	1,597	181,152
At 31 December	838,049	836,452

The components and movements of deferred tax liabilities during the financial year are as follows:-

	ACCELERATED CAPITAL ALLOWANCES RM	TOTAL RM
At 1 January 2004	836,452	836,452
Recognised in income statement	1,597	1,597
At 31 December 2004	838,049	838,049

NOTES TO THE FINANCIAL STATEMENTS (continued)

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22. REVENUE

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Property development	71,557,657	17,986,825	-	-
Construction contracts	209,123,004	161,658,668	-	-
Trading	14,060,172	5,383,046	-	-
Dividend income	-	-	4,800,000	-
Interest income	52,660	12,780	52,660	12,780
	294,793,493	185,041,319	4,852,660	12,780

23. NET PROFIT / (LOSS) FROM OPERATIONS

Net profit/(loss) from operations is derived after charging/(crediting):-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Amortisation of development rights	161,816	-	-	-
Auditors' remuneration	47,800	38,000	8,000	5,000
Directors' remuneration				
- fees	60,000	691,900	60,000	5,000
- salaries, bonus and allowances	1,638,732	307,299	-	-
- contribution to EPF	196,080	26,467	-	-
Depreciation of property, plant and equipment	760,344	385,602	2,527	-
Loss on disposal of property, plant and equipment	-	396	-	-
Property, plant and equipment written off	-	2,237	-	-
Rental of premises	24,000	82,750	-	-
Dividend income	(360)	(240)	-	-
Gain on disposal of property, plant and equipment	(38,923)	(2,595)	-	-
Interest income	(740,878)	(144,829)	(52,660)	(12,780)

24. FINANCE COSTS

	NOTE	GROUP		COMPANY	
		2004 RM	2003 RM	2004 RM	2003 RM
Finance costs on:-					
Fixed and project loans		4,437,402	1,328,428	-	-
Bank overdrafts		1,928,383	1,650,472	-	-
Hire purchase		168,377	83,159	-	-
ICULS					
- current year		-	85,057	-	85,057
- over accrued in prior year		(84,918)	-	(84,918)	-
Bankers' acceptance and bank guarantees		632,793	2,378,096	-	-
Others		97,754	91,302	-	-
		7,179,791	5,616,514	(84,918)	85,057
Less: Finance costs capitalised					
Land and property development costs	6	(711,988)	-	-	-
Amount owing by/to customers on contracts	9	(3,288,145)	(4,359,050)	-	-
		3,179,658	1,257,464	(84,918)	85,057

NOTES TO THE FINANCIAL STATEMENTS (continued)

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24. FINANCE COSTS (cont'd)

Finance costs capitalised in the qualifying assets during the financial year arose on the general borrowing pool and have been calculated by applying a capitalisation rate 3.00% to 8.10% (2003: 3.00% to 8.15%) per annum to expenditure on such assets.

25. TAXATION

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Tax expenses for the year:-				
Current tax provision	9,453,428	6,689,674	1,345,145	3,578
Under/(Over) provision in prior year	98,425	63,813	(358)	-
	9,551,853	6,753,487	1,344,787	3,578
Deferred tax:-				
Relating to original and reversal of temporary differences	123,992	314,056	-	-
Over provision in prior year	(122,395)	(132,904)	-	-
	1,597	181,152	-	-
	9,553,450	6,934,639	1,344,787	3,578

A reconciliation of income tax expense applicable to profit/(loss) 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 are as follows:-

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Profit/(Loss) before taxation	34,287,819	24,354,471	4,589,005	(107,786)
Taxation at statutory tax rate of 28% (2003: 28%)	9,600,589	6,819,252	1,284,921	(30,180)
Tax incentive obtained from differential tax rate of 20% applicable to subsidiary companies	(187,250)	(36,109)	-	-
Expenses not deductible for tax purpose	176,050	220,783	60,224	33,758
Income not subject to income tax	(11,969)	-	-	-
Under provision of taxation in respect of prior years	98,425	63,750	(358)	-
Over provision of deferred taxation in respect of prior years	(122,395)	(132,841)	-	-
Provision for taxation under recognised in current year	-	(196)	-	-
	9,553,450	6,934,639	1,344,787	3,578

26. EARNINGS PER SHARE

(a) Basic earnings per share

The earnings per share has been calculated based on the consolidated profit after taxation and minority interests of RM24,638,307 for the Group and the weighted average number of ordinary shares in issue during the financial year of 114,306,945.

26. EARNINGS PER SHARE (cont'd)**(b) Fully diluted earnings per share**

Fully diluted earnings per share has been calculated based on the adjusted consolidated profit after taxation and minority interests of RM24,638,407 for the Group and the adjusted weighted average number of ordinary shares issued and issuable of 128,367,874 shares. The consolidated profit after taxation and minority interests and weighted average number of ordinary shares in issue and issuable during the financial year have been adjusted for the effects of dilutive potential ordinary shares from conversion of the ICULS and the exercise of options granted under the ESOS.

27. FINANCIAL INSTRUMENTS**(a) Financial risk management objectives and policies**

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including interest rate, credit, liquidity and cash flow risks. The Group does not trade in financial instruments.

(b) Interest rate risk

The Group finances its operation through operating cash flows and borrowings. Interest rate exposure arises from the Group's borrowings and deposits. The Group seeks to achieve the desired interest rate profile by maintaining a prudent mix of fixed and floating rate borrowings.

(c) Credit risk

The Group's exposure to credit risk arises mainly from receivables. Receivables are monitored on an ongoing basis via Group's management reporting procedures and action will be taken for long outstanding debts.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

(d) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and maintains a flexible and cost effective borrowing structure to ensure that all refinancing, repayment and funding needs are met. The Group also maintains a certain level of cash and cash convertible investments to meet its working capital requirements.

(e) Fair values

- (i) The carrying amounts of cash and cash equivalents, receivables, payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.
- (ii) 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. For unquoted bonds in Malaysia, it is not practicable to estimate its fair value because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.
- (iii) It is not practical to estimate the fair values of non-trade intercompany balances as there are no fixed repayment terms between the parties involved and without having to incur excessive costs. However, the Company does not anticipate the carrying amounts recorded at the balance sheets to be significantly different from the values that would eventually be received or settled.
- (iv) The fair values of the long term borrowings are estimated using the discounted cash flow analysis. Based on the prevailing borrowing rates of similar borrowings with the same maturity profile obtainable by the Company and the Group, the carrying values of the long term borrowings approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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28. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2004 RM	2003 RM	2004 RM	2003 RM
Secured guarantees:-				
- as performance guarantees	44,405,840	48,372,598	-	-
- to trade suppliers	2,020,000	4,296,746	-	-
	46,425,840	52,669,344	-	-
Unsecured corporate guarantees given:-				
- to trade suppliers	-	-	10,806,559	-
- to financial institutions	-	-	32,235,836	-
	-	-	43,042,395	-
	46,425,840	52,669,344	43,042,395	-

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP	
	2004 RM	2003 RM
Professional fees payable to Perunding CMF Sdn. Bhd.	284,636	452,293
Purchases from SKC Machinery Sdn. Bhd.	8,782,039	6,565,711
Sales to SKC Machinery Sdn. Bhd.	46,630	113,982

A shareholder and director of Perunding CMF Sdn. Bhd. and SKC Machinery Sdn. Bhd. is the brother of Dato' Foo Chu Jong, Foo Chu Pak and Foo Chew Sam who are the directors of the Company. Dato' Foo Chu Jong and Foo Chu Pak are also the substantial shareholders of the Company.

The Directors of the Company are of the opinion that the related party transactions are carried out in the normal course of business and at terms mutually agreed between the parties.

30. STAFF COSTS

	GROUP	
	2004 RM	2003 RM
Staff costs (excluding directors)	5,713,503	3,504,181

Included in the staff costs above are contributions made to the Employees Provident Fund under a defined contribution plan for the Group amounting to RM462,047 (2003: RM321,627).

The total number of employees (excluding Directors) of the Group and of the Company at the end of the financial year were 191 and Nil (2003: 119 and Nil).

31. SEGMENT INFORMATION - GROUP

Segment information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

Segment revenue, results, assets and liabilities include items directly attributable to a segment and those where a reasonable basis of allocation exists. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used during more than one period.

31. SEGMENT INFORMATION – GROUP (cont'd)

The accounting policies of the segments are consistent with the accounting policies of the Group.

(a) Business segments

The main business segments of the Group comprise the following:-

Property Development	Development of residential and commercial properties.
Construction	Piling and construction work
Trading	Trading in building materials

2004	CONSTRUCTION RM	PROPERTY DEVELOPMENT RM	TRADING AND OTHERS RM	ELIMINATION RM	TOTAL RM
Revenue					
External sales	209,123,004	71,557,656	14,112,833	-	294,793,493
Inter-segment sales	30,840,439	-	42,792,753	(73,633,192)	-
	239,963,443	71,557,656	56,905,586	(73,633,192)	294,793,493
Results					
Segment results	20,347,424	15,657,715	722,259	213	36,727,611
Interest expense	(3,022,542)	-	(157,116)	-	(3,179,658)
Interest income	673,340	14,878	52,660	-	740,878
Share of results of associated company	(1,012)	-	-	-	(1,012)
Profit before tax	17,997,210	15,672,593	617,803	213	34,287,819
Taxation					(9,553,450)
Minority interests					(96,062)
Profit after tax after minority interest					24,638,307
Net profit for the year					24,638,307
Assets					
Segment assets	198,731,044	77,793,325	55,303,799	-	331,828,168
Fixed deposits	24,176,174	-	-	-	24,176,174
Associated company	4,947	-	-	-	4,947
Tax recoverable	4,174	40,874	7,105	-	52,153
Consolidated total assets	222,916,339	77,834,199	55,310,904	-	356,061,442
Liabilities					
Segment liabilities	85,342,275	23,618,798	22,641,198	-	131,602,271
Current and deferred taxation	1,866,253	1,975,917	28,574	-	3,870,744
Borrowings	54,130,105	-	50,000,000	-	104,130,105
Consolidated total liabilities	141,338,633	25,594,715	72,669,772	-	239,603,120
Other information					
Capital expenditure	2,774,494	-	260,989	-	3,035,483
Depreciation	1,636,587	90	64,745	-	1,701,422
Non cash expenses other than depreciation	(37,911)	161,816	-	-	123,905

NOTES TO THE FINANCIAL STATEMENTS (continued)

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31. SEGMENT INFORMATION - GROUP (cont'd)

2003	CONSTRUCTION RM	PROPERTY DEVELOPMENT RM	TRADING AND OTHERS RM	ELIMINATION RM	TOTAL RM
Revenue					
External sales	161,658,668	17,986,825	5,395,826	-	185,041,319
Inter-segment sales	3,206,131	-	22,253,754	(25,459,885)	-
	164,864,799	17,986,825	27,649,580	(25,459,885)	185,041,319
Results					
Segment results	20,350,569	4,276,725	388,372	(1,306)	25,014,360
Interest expense	(1,107,400)	-	(150,064)	-	(1,257,464)
Interest income	595,581	2,748	240	-	598,569
Share of results of associated company	(994)	-	-	-	(994)
Profit before tax	19,837,756	4,279,473	238,548	(1,306)	24,354,471
Taxation					(6,934,639)
Minority interests					(29,173)
Profit after tax after minority interest					17,390,659
Pre-acquisition results					(11,529,513)
Net profit for the year					5,861,146
Assets					
Segment assets	139,302,947	42,306,202	41,448,253	-	223,057,402
Fixed deposits	26,381,200	-	-	-	26,381,200
Associated company	5,959	-	-	-	5,959
Tax recoverable	-	-	26,619	-	26,619
Consolidated total assets	165,690,106	42,306,202	41,474,872	-	249,471,180
Liabilities					
Segment liabilities	82,223,908	15,645,222	9,031,862	-	106,900,992
Current and deferred taxation	2,600,341	521,445	15,873	-	3,137,659
Borrowings	47,926,641	-	334,259	-	48,260,900
Consolidated total liabilities	132,750,890	16,166,667	9,381,994	-	158,299,551
Other information					
Capital expenditure	953,285	-	-	-	953,285
Depreciation	246,596	15	10,368	-	256,979
Non cash expenses other than depreciation	396	-	-	-	396

32. CHANGES IN ACCOUNTING POLICIES

Property Development Costs

During the financial year, the Group and the Company adopted MASB 32, Property Development Activities for the first time. The adoption MASB 32 did not give rise to any adjustments to the opening balances of the retained profits of the prior and current year.

Comparative amounts as at 31 December 2004, however, have been restated as follows:-

GROUP	AS PREVIOUSLY STATED RM	ADJUSTMENT RM	AS RESTATED RM
Balance Sheet			
Property development costs	23,434,134	(11,263,653)	12,170,481
Accrued billings, included in trade receivables	-	11,263,653	11,263,653

33. SIGNIFICANT EVENTS

During the financial year, the following significant events took place for the Company:-

- a) On 28 May 2004, the Company entered into a Sale and Purchase Agreement with the vendors of Strategic Development Sdn. Bhd. (SDSB) for the purpose of acquiring 100% of the entire issued and paid up capital of SDSB comprising 250,000 ordinary shares of RM1.00 each for a total cash consideration of RM2,626,152. The acquisition was completed during the current financial year.
- b) On 6 August 2004, the Company acquired the entire issued and paid up capital of a shelf company known as Magnificent Degree Sdn. Bhd. comprising 2 ordinary shares of RM1.00 each, for a cash consideration of RM2.00.

34. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the presentation of current financial year as disclosed in Note 32.

35. AUTHORISATION FOR ISSUE

The financial statements of the Group and of the Company for the financial year ended 31 December 2004 were authorised for issue in accordance with a resolution of the Board of Directors on 25 March 2005.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the audited financial statements

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

In preparing the financial statements, the Directors have:-

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are prudent and reasonable; and
- ensured applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been followed.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

OTHER COMPLIANCE INFORMATION

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1. UTILISATION OF PROCEEDS RAISED FROM THE PRIVATE PLACEMENT

The Company raised RM10 million from the private placement pursuant to the Corporate and Debt Restructuring Scheme ("CDRS") which resulted in the transfer of listing status of L&M Corporation Berhad (Special Administrators Appointed) ("L&M") to the Company on 10 December 2003.

There is a variation to the previously reported utilisation of the above proceeds as a result of a revision to the listing and CDRS exercise expenses during the current financial year under review.

The variation in the finalised listing and CDRS exercise expenses was adjusted to the amount allocated for working capital in accordance with the Securities Commission's approval vide their letter dated 23 May 2003.

	PREVIOUSLY REPORTED RM'000	RESTATE RM'000	VARIANCE RM'000
Payment to the Special Administrators for the purpose of Debt Settlement pursuant to the CDRS of L&M	2,000	2,000	-
Listing and CDRS exercise expenses	1,500	1,361	(139)
Working capital	6,500	6,639	139
	10,000	10,000	-

2. SHARE BUYBACK

There is no share buyback during the financial year.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year, RM36,094,700 nominal value of ICULS were converted into 36,094,700 new ordinary shares of RM0.50 each.

The Company's Employees' Share Option Scheme ("ESOS") came into effect on 10 March 2004. 66,700 options under the ESOS were exercised into 66,700 ordinary shares of RM0.50 each during the financial year under review.

Save as disclosed above, no other options, warrants or convertible securities of the Company were exercised during the year.

4. AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

The Company did not sponsor any ADR or GDR programme during the financial year.

5. SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiary companies, directors or management by the relevant regulatory bodies.

6. NON-AUDIT FEES

The non-audit fees paid and payable to the external auditors by the Company and its subsidiary companies during the financial year were RM1,800.00.

7. VARIATION IN RESULTS

There is no material variances between the financial results for the financial year and the unaudited financial results announced.

No profit estimates, forecast or projections were published by the Company.

8. PROFIT GUARANTEES

There were no profit guarantees given by the Company during the financial year.

9. REVALUATION POLICY

The Company does not have any revaluation policy on landed properties.

10. MATERIAL CONTRACTS

There were no material contracts (including material contracts relating to loans) entered into by the Company and/or its subsidiary companies which involved its directors' and major shareholders' interest, either still subsisting as at the end of the financial year or which were entered into since the end of the previous financial year.

11. DISCLOSURE ON RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

At the Extraordinary General Meeting held on 25 June 2004, the Company obtained a shareholders' mandate for the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature.

The details of the above recurrent related party transactions conducted during the financial year ended 31 December 2004 are disclosed in Note 29 to the financial statements.

LIST OF PROPERTIES

as at 31 December 2004 2004 annual report

LOCATION	DESCRIPTION	AREA SQ. FEET	TENURE	NET BOOK VALUE RM'000	AGE OF BUILDING YEARS	YEAR OF ACQUISITION
PT 3742 and 3743 H.S. (D) 9104 and 9105 Mukim Damansara Daerah Petaling Selangor Darul Ehsan	Shop offices	4,038	Freehold	1,063	22	1990
PT 45 - 49 H.S. (D) 1389 - 1423 Mukim Pekan Sekinchan Daerah Sabak Bernam Selangor Darul Ehsan	Development land	134,164	Leasehold - expiring 2091	91	-	1991
No. 3, Jalan Kemudi 2C/1, Bernam Jaya Selangor Darul Ehsan	Shop house	1,399	Leasehold - expiring 2103	174	2	2003
No. 25, Jalan CJ 3/13-2 Pusat Bandar Cheras Jaya Selangor Darul Ehsan	Shop house	1,302	Leasehold - expiring 2103	245	1/2	2004
PT 26720 - 26761 Lot 4598, Mukim Batu Daerah Gombak Selangor Darul Ehsan	Development land	177,723	Leasehold - expiring 2092	3,800	-	2004*
PT 1184, H.S. (D) 33859 Kawasan Bandar VI Daerah Melaka Tengah Negeri Melaka	Development land	193,750	Leasehold - expiring 2095	4,000	-	2004

* - Arising from acquisition of subsidiary company during the financial year ended 31 December 2004

ANALYSIS OF SHAREHOLDINGS

as at 5 May 2005

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SHARE CAPITAL

Authorised share capital	:	RM100,000,000.00
Issued and paid-up share capital	:	RM63,388,722
Class of shares	:	Ordinary shares of RM0.50 each
Voting rights	:	One (1) vote per ordinary share
Number of shareholders	:	2,919

ANALYSIS OF SHAREHOLDINGS

SIZE OF HOLDINGS	NUMBER OF SHARE HOLDERS		SHAREHOLDINGS	
		%		%
Less than 100	1,474	50.50	74,280	0.06
100 to 1,000	740	25.35	424,760	0.34
1,001 to 10,000	478	16.38	2,188,430	1.73
10,001 to 100,000	167	5.72	6,260,758	4.94
100,000 to less 5% of issued shares	56	1.92	35,339,891	27.88
5% and above of issued shares	4	0.14	82,489,325	65.07
Total	2,919	100.00	126,777,444	100.00

SUBSTANTIAL SHAREHOLDERS

NAME	SHAREHOLDINGS			
	DIRECT	%	INDIRECT	%
Dato' Foo Chu Jong	14,790,000	11.67	⁽¹⁾ 51,490,625	40.61
Foo Chu Pak	12,925,000	10.20	⁽¹⁾ 51,490,625	40.61
Shariman Bin Zainal Abideen	1,575,000	1.24	⁽¹⁾ 51,490,625	40.61
Daya Setempat Sdn Bhd	51,490,625	40.61		
Artradis Barracuda Fund	⁽²⁾ 8,333,700	6.57		

⁽¹⁾ Deemed interest through shareholdings in Daya Setempat Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.

⁽²⁾ Held via UBS AG which in turn is held via Citicorp Nominees (Asing) Sdn Bhd.

DIRECTORS' INTEREST IN SHARES

NAME	SHAREHOLDINGS			
	DIRECT	%	INDIRECT	%
Dato' Seri Mohamad Noor Abdul Rahim	-	-	-	-
Datuk Nur Jazlan Bin Tan Sri Mohamed	-	-	-	-
Dato' Foo Chu Jong	14,790,000	11.67	⁽¹⁾ 51,490,625	40.61
Foo Chu Pak	12,925,000	10.20	⁽¹⁾ 51,490,625	40.61
Shariman Bin Zainal Abideen	1,575,000	1.24	⁽¹⁾ 51,490,625	40.61
Foo Chew Sam	-	-	-	-

⁽¹⁾ Deemed interest through shareholdings in Daya Setempat Sdn Bhd by virtue of Section 6A of the Companies Act, 1965.

ANALYSIS OF SHAREHOLDINGS

as at 5 May 2005 (continued) 2004 annual report

THIRTY (30) LARGEST SHAREHOLDERS

NO.	NAME	SHAREHOLDINGS	%
1	DAYA SETEMPAT SDN BHD	51,490,625	40.61
2	ECM LIBRA SECURITIES NOMINEES (TEMPATAN) SDN BHD ECM LIBRA SECURITIES LIMITED FOR FOO CHU PAK	11,925,000	9.41
3	ECM LIBRA SECURITIES NOMINEES (TEMPATAN) SDN BHD ECM LIBRA SECURITIES LIMITED FOR FOO CHU JONG	10,740,000	8.47
4	CITICORP NOMINEES (ASING) SDN BHD UBS AG FOR ARTRADIS BARRCUDA FUND	8,333,700	6.57
5	TAN KIM GUAN	4,160,000	3.28
6	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD AMANAH SSCM ASSET MANAGEMENT BERHAD FOR AMANAH SMALL CAP FUNDBERHAD (JM730)	3,299,200	2.60
7	FOO CHU JONG	2,959,375	2.33
8	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	2,653,400	2.09
9	ECM LIBRA SECURITIES NOMINEES (ASING) SDN BHD ECM LIBRA SECURITIES LIMITED FOR ECM LIBRA INVESTMENT BANK LIMITED	1,575,100	1.24
10	SHARIMAN BIN ZAINAL ABIDEEN	1,575,000	1.24
11	MICHEAL LEONG YEW CHEONG	1,501,000	1.18
12	NG YOKE KONG	1,100,400	0.87
13	FOO CHU JONG	1,050,000	0.83
14	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD AUTB PROGRESS FUND	1,008,300	0.80
15	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 2)	1,000,000	0.79
16	FOO CHU PAK	1,000,000	0.79
17	MOHD MUHID BIN SANIB	890,000	0.70
18	AMMB NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR APEX DANA AL-SOFI-I (5/26-4)	733,000	0.58

ANALYSIS OF SHAREHOLDINGS

as at 5 May 2005 (continued)

2004 annual report

THIRTY (30) LARGEST SHAREHOLDERS (cont'd)

NO.	NAME	SHAREHOLDINGS	%
19	WONG FONG KEE @ WONG KUAN YAM	698,000	0.55
20	LAI KENG ONN	637,929	0.50
21	LOONG YIT MING	627,697	0.50
22	WONG CHUI KHENG	541,000	0.43
23	H'NG BAK TEE	522,000	0.41
24	TAN CHEE WAH	515,000	0.41
25	CHIN SOONG JIN	495,063	0.39
26	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PHEIM EMERGING COMPANIES BALANCED FUND (4033)	426,000	0.34
27	RAYMOND FAM CHYE SOON	400,000	0.32
28	HSBC NOMINEES (ASING) SDN BHD HSBC-FS FOR FIVECA HOLDINGS LIMITED	354,900	0.28
29	NBL DEVELOPMENT (M) SDN BHD	345,780	0.27
30	HSBC NOMINEES (ASING) SDN BHD HSBC-FS FOR ASEAN EMERGING COMPANIES GROWTH FUND LTD	330,000	0.26

ANALYSIS OF HOLDINGS IN CONVERTIBLE SECURITIES

as at 5 May 2005 2004 annual report

Type of convertible securities : RM36,100,000.00 Nominal Value of Irredeemable
Convertible Unsecured Loan Stocks 2003/2006 ("ICULS")
Nominal value of ICULS
remaining unexercised : RM5,300.00

ANALYSIS OF ICULS HOLDINGS

SIZE OF HOLDINGS	NUMBER OF ICULS HOLDERS	%	ICULS HOLDINGS	%
Less than 100	0	0.00	0	0.00
100 to 1,000	4	80.00	3,300	62.26
1,001 to 10,000	1	20.00	2,000	37.74
10,001 to 100,000	0	0.00	0	0.00
100,000 to less 5% of issued ICULS	0	0.00	0	0.00
5% and above of issued ICULS	0	0.00	0	0.00
Total	5	100.00	5,300	0.00

THIRTY (30) LARGEST ICULS HOLDERS

NO.	NAME	ICULS HOLDINGS	%
1	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR TAN KOK TEE (AMFINANCE)	2,000	37.74
2	EG KAA CHEE	1,000	18.87
3	ROSHADAH BINTI IBRAHIM	1,000	18.87
4	TAM FOOK CHEONG	1,000	18.87
5	LOH SAI ENG	300	5.66
6	-	-	-
7	-	-	-
8	-	-	-
9	-	-	-
10	-	-	-
11	-	-	-
12	-	-	-
13	-	-	-
14	-	-	-
15	-	-	-

ANALYSIS OF HOLDINGS IN CONVERTIBLE SECURITIES

2004 annual report as at 5 May 2005 (continued)

THIRTY (30) LARGEST ICULS HOLDERS (continued)

NO.	NAME	ICULS HOLDINGS	%
16	-	-	-
17	-	-	-
18	-	-	-
19	-	-	-
20	-	-	-
21	-	-	-
22	-	-	-
23	-	-	-
24	-	-	-
25	-	-	-
26	-	-	-
27	-	-	-
28	-	-	-
29	-	-	-
30	-	-	-
Total		5,300	100.00

I/We _____

of _____
being a member/members of PRINSIPTEK CORPORATION BERHAD ("the Company") hereby

appoint _____

of _____

or failing who _____

of _____

/the Chairman of the Meeting as my/our proxy to attend, speak and vote on my/our behalf at the THIRD ANNUAL GENERAL MEETING of the Company ("the Meeting") to be held at Ivory 10, Level 4, Convention Centre, Holiday Villa Subang, No. 9, Jalan SS12/1, 47500 Subang Jaya, Selangor Darul Ehsan on Friday, 24 June 2005 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder:

		FOR	AGAINST
Ordinary Resolution 1	Consolidated Audited Financial Statements		
Ordinary Resolution 2	Payment of Final Dividend		
RE-ELECTION OF DIRECTORS:			
Ordinary Resolution 3	• Y. Bhg. Dato' Foo Chu Jong		
Ordinary Resolution 4	• Foo Chu Pak		
Ordinary Resolution 5	Payment of Directors' Fees		
Ordinary Resolution 6	Re-appointment of Auditors		
Ordinary Resolution 7	Authority for Directors to allot and issue shares		
Ordinary Resolution 8	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

Dated this _____ day of _____ 2005.

NO. OF SHARES HELD

Signature / common seal of shareholder

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies (but not more than two (2) save for an Authorised Nominee as defined in the Securities Industries (Central Depositories) Act, 1991) to attend and vote in his stead. A proxy may but need not be a member of the Company and Sections 149(1) (a) and (b) of the Companies Act, 1965 shall not apply.
2. This Form of Proxy, in the case of an individual, must be signed by the appointor or by his attorney duly authorised in writing and in the case of a body corporate, it must be given under its common seal or signed on its behalf by an attorney or officer of the body corporate duly authorised in writing.
3. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of shareholdings to be represented by each proxy. Each proxy appointed shall represent a minimum of 100 shares held by the member.
4. Please indicate with an X in the appropriate column as to how you wish your proxy to vote (For or Against) each resolution. If this Form of Proxy is returned without any indication as to how the proxy shall vote, the proxy will be entitled to vote or abstain from voting as he thinks fit.
5. This Form of Proxy must be deposited at the Company's Registered Office, No. 83 & 85, Jalan SS15/4C, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for the holding of the Meeting.

fold this flap for sealing

fold here

Affix
Stamp

The Company Secretary
PRINSIPTEK CORPORATION BERHAD
No. 83 & 85, Jalan SS15/4C
47500 Subang Jaya
Selangor Darul Ehsan

fold here