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| PROXY FORM | [ENCLOSED] |

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **THIRTIETH ANNUAL GENERAL MEETING** of NAIM INDAH CORPORATION BERHAD (FORMERLY KNOWN AS ARUS MURNI CORPORATION BERHAD) will be held at the Function Room 1, Level 4, Dynasty Hotel Kuala Lumpur, 218 Jalan Ipoh, 51200 Kuala Lumpur, on Friday, 27 May 2005 at 10.30 a.m. or at any adjournment thereof to transact the following business:

AGENDA

AS ORDINARY BUSINESS

1. To receive and adopt the Statutory Financial Statements for the year ended 31 December 2004 and the Directors and Auditors Reports thereon. **(Resolution 1)**
2. To re-elect En. Zailan Bin Othman who retires pursuant to Article 79 of the Company's Articles of Association, and being eligible offered himself for re-election. **(Resolution 2)**
3. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorize the Directors to fix their remuneration. **(Resolution 3)**

AS SPECIAL BUSINESS

4. To consider and if thought fit, to pass the following resolution as a Special Resolution in accordance with Section 129(6) of the Companies Act, 1965:

"THAT pursuant to Section 129 of the Companies Act, 1965, Y. Bhg. Dato' Shamsir bin Omar be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting". **(Resolution 4)**
5. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution:

Approval for Issuance of new ordinary shares pursuant to Section 132D of the Companies Act, 1965

"THAT, subject to the Companies Act 1965, the Articles of Association of the Company and the approvals from Bursa Malaysia Securities Berhad and other relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Board of Directors be and are hereby empowered to obtain approval for the listing of and quotation for additional shares so issued on the Bursa Malaysia Securities Berhad". **(Resolution 5)**

NOTICE OF ANNUAL GENERAL MEETING

- 6 To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

YEAP KOK LEONG
MAICSA NO. 0862549
Secretary

KUALA LUMPUR
5 May 2005

Notes:

1. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Act shall not apply to the Company.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities account.
3. Proxy Form duly completed must be deposited with the Company's Share Registrar, Tenaga Koperat Sdn Bhd, 20th Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur, not less than forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.
4. Explanatory Notes on Special Business

Section 132D of the Companies Act, 1965

Resolution pursuant to Section 132D of the Companies Act 1965. The Ordinary Resolution proposed under agenda no. 5, if passed will give the Directors of the Company from the date of the above meeting, authority to allot and issue ordinary shares from the unissued capital of the Company for such purpose as the Directors consider would be in the interest of the Company. The authority will unless revoked or varied by the Company in a General Meeting, expire at the next Annual General Meeting.

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STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to paragraph 8.28(2) of the listing requirements of Bursa Malaysia Securities Berhad appended hereunder are:

□ DIRECTORS STANDING FOR RE-ELECTION

Directors standing for re-election at the Thirtieth Annual General Meeting of the Company which will be held at the Function Room 1, Level 4, Dynasty Hotel Kuala Lumpur, 218 Jalan Ipoh, 51200 Kuala Lumpur, on Friday, 27 May 2005 at 10.30 a.m.

| Name of Director | Details of Board Meeting Attendance | Profile of Director |
|--------------------------------|---------------------------------------|---------------------------------------|
| Y. Bhg. Dato' Shamsir Bin Omar | Refer to Page 13 of the Annual Report | Refer to page 10 of the Annual Report |
| En. Zailan Bin Othman | Refer to Page 13 of the Annual Report | Refer to page 12 of the Annual Report |

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CORPORATE INFORMATION

Board of Directors

Dato' Shamsir Bin Omar
Executive Chairman
Non-Independent Director

Muhammed Bin Abdul Rahman
Deputy Executive Chairman
Non-Independent Director

Tan Lam Hin
Executive Director/Chief Executive Officer
Non-Independent Director

Ramli Bin Harun
Non-Executive Director
Independent Director

Zailan Bin Othman
Non-Executive Director
Independent Director

Company Secretary

Yeap Kok Leong (MAICSA No. 0862549)
Yap Wai Bing (MAICSA No. 7023640)

Registered Office

20th Floor, East Wing
Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur.
Tel: 03-40439411
Fax: 03-40431233

Audit Committee

Ramli Bin Harun
Chairman
Independent Director

Zailan Bin Othman
Non-Executive Director
Independent Director

Dato' Shamsir Bin Omar
Non-Independent Director

Nomination and Remuneration Committee

Zailan Bin Othman
Chairman
Independent Director

Ramli Bin Harun
Independent Director

Registrar

Tenaga Koperat Sdn Bhd (Co. No. 118401-V)
20th Floor, Plaza Permata
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur.
Tel: 03-40416522
Fax: 03-40426352

Principal Place of Business

Suite 12A, 03 – 05, Level 12A
Plaza Permata,
Jalan Kampar, Off Jalan Tun Razak
50400 Kuala Lumpur
Tel: 03- 4041 8288
Fax: 03 - 4045 2471

CORPORATE INFORMATION

| | |
|-----------------------------|---|
| Listing | Main Board Bursa Malaysia Securities Berhad |
| Auditors | Ernst & Young AF:0039 Chartered Accountants Level 23A, Menara Milenium Jalan Damanlela 50490 Kuala Lumpur |
| Principal Banker | Malayan Banking Berhad |
| Principal Solicitors | Gulam & Wong Advocates & Solicitors Suite 1103-6, 11 th Floor Johor Tower (Tropical Inn) 15, Jalan Gereja 80100 Johor Bahru, Johor T.Y. Teh & Partners Advocates & Solicitors Suite E-6-6, Megan Avenue 1 189, Jalan Tun Razak 50400 Kuala Lumpur Peter Cheah & Co. Advocates & Solicitors No. 9, 1 st Floor Jalan SS15/4G Subang Jaya 47500 Selangor Darul Ehsan |

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CORPORATE STRUCTURE

| | | |
|--|------|---|
| Naim Indah Corporation Berhad Investment Holdings | 100% | Kewangan Bersatu Berhad Financial Services |
| | 100% | KBB Nominees (Tempatan) Sdn Bhd Nominee Services |
| | 100% | KBB Properties Sdn Bhd Renting of Properties |
| | 100% | Angkasa Lampiran Sdn Bhd Property Developer |
| | 100% | Bitarex Sdn Bhd Land Owner |
| | 100% | Consistent Harvest Sdn Bhd Property Investment |
| | 100% | Jernih Makmur Sdn Bhd Timber Concessionaire |



CHAIRMAN'S STATEMENT



Dear Shareholders,

It was indeed a challenging year in the history of Naim Indah Corporation Berhad. We can now look back with great pleasure and satisfaction on a successful year with a significant improvement in your company's results.

On behalf of the Board, I am pleased to present the Annual Report and Statutory Financial Statements of Naim Indah Corporation Berhad and its Group of Companies for the financial year ended 31 December 2004.

FINANCIAL REVIEW

For the financial year under review, the Group recorded an increase in revenue from RM7.3 million to RM22.3 million, an improvement of RM15 million as compared to the previous financial year. This was mainly due to income contributed by the active subsidiaries namely Jernih Makmur Sdn Bhd ("JMSB") and Consistent Harvest Sdn Bhd ("CHSB"). As a result, the Group's gross profit (before operating expenses, finance cost and taxation) improved from RM2.1million in the preceding financial year to a gross profit of RM17.5 million.

The net results of the Group for the financial year under review on a consolidated basis recorded a profit after tax of RM6.0 million for the year under review as compared to a net loss of RM1.5 million in the previous financial year. I am also delighted to report that the Earnings Per Share (Basic) improved to 3.0 sen as compared to a Loss Per Share (Basic) of 1.0 sen in the previous year.

A NEW BEGINNING

Your Company's reversal of fortune was the result of a great deal of hard work and commitment on the part of your management and staff. There were two major areas that had to be addressed simultaneously. The first was to put in place adequate experienced staffs to manage the Timber Concession and our Property Investment (Seremban Center Point) and secondly was to put together several corporate plans in place to maximise revenues from the newly acquired assets. As a result of both efforts as well as a dynamic contribution from your Board, I am pleased to report that we have successfully turned the Company around from a loss making entity to a profit making enterprise.

DIVIDEND

Although your company is well on the road to financial recovery, the Board of Directors is of the opinion that it is still necessary to maintain a prudent stance. In order to conserve the Company's cash flow so as to be able to finance the Group's ongoing and future business expansion plans, the Board is recommending that no dividends be declared for the financial year ended 31 December 2004.

APPRECIATION

Our return to profitability would not have been possible if not for the support from our shareholders, bankers, business associates, customers and various government authorities. The support that they have given us made all the difference as we successfully navigated through one of the most difficult periods in the Company's history.

CHAIRMAN'S STATEMENT

I also wish to record my appreciation to my fellow members of the Board. During the year, the Board witnessed a change in its composition, namely the resignation of En. Mohamad Malik Bin Jamal Mohamad. The Board thanks En. Malik for his contribution and wish him every success in his future undertakings.

To all our loyal shareholders, I would like to give you my assurance that we will not slacken our efforts to enhance the value of your Company. I am confident that barring any unforeseen circumstances we would be able to achieve better performance in the coming years.

Dato' Shamsir Bin Omar
Executive Chairman
Kuala Lumpur
5 May 2005

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BOARD OF DIRECTORS AND PROFILE



Dato' Shamsir Bin Omar
Executive Chairman
 Non-Independent Director

A Malaysian aged 70, was appointed as Director and Chairman of the Company on 16 November 1998. He was appointed as the Executive Chairman on 26 August 2002. He is also a member of the Audit Committee. He is a Fellow Member of The Institute of Chartered Accountants in Australia and a member of the Malaysian Institute of Accountants. He commenced his career in 1960 as an Auditor and Accountant in the Department of Co-operative Development. In 1967, he was the Chief Accountant in the Ministry of Education and in 1968, he became the Deputy Accountant General. From 1969 to 1989, he held the position of Accountant General in the Ministry of Finance. He also holds a directorship in Tanah Emas Corporation Berhad

Dato' Shamsir does not hold any shares in the Company or its subsidiaries and does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences

Dato' Shamsir attended four (4) Board meetings of the Company held during the financial year ended 31 December 2004.



Muhamed Bin Abdul Rahman
Deputy Executive Chairman
 Non-Independent Director

A Malaysian aged 60, was appointed as an Executive Director on 16 November 1998. On 26 August 2002 he was appointed as the Deputy Executive Chairman. He graduated from the Royal Military College ("RMC") and after commissioning in December 1965, he served in various parts of Malaysia until his early retirement in mid-1980. While in service, he attended various courses both locally and overseas. From mid-1980's, he has been actively involved in international trading, petroleum, timber and construction industries.

Encik Muhamed does not hold any shares in the Company or its subsidiaries and does not not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences.

Encik Muhamed attended three (3) Board meeting of the Company held during the financial year ended 31 December 2004.

BOARD OF DIRECTORS AND PROFILE



Tan Lam Hin
Executive Director/Chief Executive Officer
 Non-Independent Director

A Malaysian aged 51, was appointed as an Executive Director cum Chief Executive Officer on 30 July 2002 and 13 October 2003 respectively. He graduated from the University of Malaya with a Bachelor of Science (Hons.) degree in 1978. He is a Licentiate Member of the Institute of Chemists. He was involved in the timber industry from 1980 to 1986 and with S.E.A Piling Sdn Bhd before being appointed a Director of Pembinaan Kansalles Sdn Bhd, a development and construction company. He has a strong background in property development and property management skills that he acquired through “hands on” experiences.

Mr. Tan does not hold any shares in the Company or its subsidiaries and does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences.

Mr. Tan attended four (4) Board Meetings of the Company held during the financial year ended 31 December 2004.



Ramli Bin Harun
Non-Executive Director
 Independent Director

A Malaysian aged 47, was appointed as an Independent Non-Executive Director on 30 July 2002. He is the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee. He was a Director of Palembang Usahaniaga Sdn Bhd from 1984 to 1992, managing various large housing projects in Negeri Sembilan Darul Khusus. During his tenure in Palembang Usahaniaga Sdn Bhd, he focused his attention predominantly on project management. Thereby, he has a good working knowledge in property management and property development.

Encik Ramli does not hold any shares in the Company or its subsidiaries and does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences

Encik Ramli attended four (4) Board meetings of the Company held during the financial year ended 31 December 2004.

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BOARD OF DIRECTORS AND PROFILE



Zailan Bin Othman
Non-Executive Director
Independent Director

A Malaysian aged 43, was appointed as an Independent Non-Executive Director on 7 August 2002. He is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee. He was a Director for Kemayan Resources Sdn Bhd, managing project “Rasah Kemayan” from 1995 to 1998. His role then was predominantly in business development. In 1999, he ventured into trading and distribution of branded sports goods where he was the Director in charge of operations. He has a strong background in successful operational business management.

Encik Zailan does not hold any shares in the Company or its subsidiaries and does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interests with the Company. He has had no convictions for offences within the past ten years other than traffic offences.

Encik Zailan attended four (4) Board meetings of the Company held during the financial year ended 31 December 2004.

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Naim Indah Corporation Berhad recognizes the importance of the principles and values embodied in the Malaysian Code on Corporate Governance (“the Code”) as a catalyst towards achieving a greater disclosure based framework as well maximising shareholder value of the Company.

The Company has also adopted as far as practicable the Code’s Best Practices and the Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”).

THE BOARD

The Board’s primary responsibilities are to develop a Company wide Strategic Charter as well as to put in place adequate “check and balances” procedures to ensure that each segment of the business is properly managed.

In accordance with the Best Practices of the Code, the Chairman and the Chief Executive Officer of the Company are different persons with separate defined responsibilities.

The Board currently consists of five (5) Directors, two (2) of whom are Independent Non – Executive Directors. The Board has complied with the listing requirements of Bursa Securities that at least one-third (1/3) of the entire Board should consist of independent directors. The independent directors provide assurance that Board’s decisions are deliberated objectively in the interest of all stakeholders of the Company.

All the members of the Board have attended the Mandatory Accreditation Programme (“MAP”) as per the Bursa Securities’s requirements for all directors of public listed companies. In order to continually upgrade their skills, Board members will be required to select training courses in the coming years to enable them to effectively discharge their duties.

During the financial year ended 31 December 2004, four (4) Board meetings were held.

Details of each Director’s attendance are as follows:

BOARD MEETINGS

| Name | Status | Attendance | % |
|--------------------------|-------------------|------------|-----|
| Dato’ Shamsir Bin Omar | Non – Independent | 4 of 4 | 100 |
| Muhamed Bin Abdul Rahman | Non – Independent | 3 of 4 | 75 |
| Tan Lam Hin | Non – Independent | 4 of 4 | 100 |
| Ramli Bin Harun | Independent | 4 of 4 | 100 |
| Zailan Bin Othman | Independent | 4 of 4 | 100 |

SUPPLY OF INFORMATION

Notice, agenda and all relevant information are circulated to every member of the Board prior to board meetings so as to enable them to have sufficient time to understand issues to be raised. In so doing, all issues can be deliberated at the said meetings and that an informed decision can be arrived at the conclusion of each board meeting.

In addition, all Board members have access to senior management and services of the Company Secretary and may also obtain independent professional advice at the Company’s expense when necessary.

CORPORATE GOVERNANCE STATEMENT

APPOINTMENT TO THE BOARD / NOMINATION AND REMUNERATION COMMITTEE

In accordance with best practices of the Code, the Board established a Nomination and Remuneration Committee on 29 November 2004. The primary responsibilities of this committee are to identify suitable candidates to fill Board vacancies, assessing the effectiveness of the Board and the contribution of each individual director on a progressive basis as well as to assess the adequacy of the directors' remuneration. To date, no meeting has been held as the Board is considered well balanced and adequately remunerated.

MEMBERS OF THE REMUNERATION AND NOMINATION COMMITTEE

Zailan Bin Othman
Chairman, Independent Non Executive Director

Ramli Bin Harun
Member, Independent Non Executive Director

RE-ELECTION

In accordance with the Company's Articles of Association, any director appointed during the year is to retire and seek re-election by the Shareholders at the following Annual General Meeting immediately after his appointment. The Articles also require that one-third (1/3) of the Directors retire by rotation and seek re-election at each Annual General Meeting and each Director shall submit himself for re-election at least once in every three (3) years.

REMUNERATION OF DIRECTORS

Details of the remuneration of each director who served during the financial year ended 31 December 2004 are as follows:

| | RM |
|---|----------------|
| Executive Directors | |
| Salaries and other emoluments | 360,000 |
| Fees | - |
| Pension costs – defined contribution plan | 35,000 |
| Benefits-in-kind | 15,000 |
| | <u>410,000</u> |
| Non – Executive Directors | |
| Allowance | 40,000 |
| Total | <u>450,00</u> |

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CORPORATE GOVERNANCE STATEMENT

Number of directors whose remuneration falls into the following bands:

| | Number of Directors |
|---------------------------------|------------------------|
| Executive Directors | |
| RM50,001 to RM100,000 | 2 |
| RM100,001 to RM150,000 | - |
| RM150,001 to RM200,000 | - |
| RM200,001 to RM250,000 | 1 |
| | 3 |
| Non- Executive Directors | |
| Below RM50,000 | 2 |
| Total | 5 |

DIALOGUE BETWEEN COMPANY AND INVESTORS

The Board has always recognised the importance of an accurate and timely dissemination of information to its shareholders. For this purpose, the Company uses the Annual General Meeting / Extraordinary General Meeting and Public Announcements to provide up-to-date information to explain its business development and financial achievement and to solicit feedback from shareholders and investors.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

In presenting the annual financial statements to the shareholders, investors and regulatory authorities, the Board takes responsibility to present a balanced and clear assessment of the Group's financial position and its future prospects.

STATEMENT OF DIRECTORS' RESPONSIBILITY ON FINANCIAL STATEMENTS

In accordance with the Companies Act, 1965, the directors are responsible to prepare financial statements which give a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flows of the Company and of the Group for the relevant period. While preparing those financial statements, the directors are required to:

- ☐ select suitable accounting policies and apply them consistently;
- ☐ state whether applicable approved accounting standards have been applied, subject to any material departures being disclosed and explained in the financial statements;
- ☐ make judgements and estimates that are prudent and reasonable;
- ☐ prepare the financial statements on an on-going concern basis

The directors are also responsible for keeping the accounting records that disclose with reasonable accuracy the financial position of the Company and of the Group and to ensure that the financial statements also comply with the Companies Act, 1965. In addition, the directors are responsible for safeguarding the assets of the Group and for taking reasonable steps for the detection and prevention of fraud and irregularities.

RELATIONSHIP WITH AUDITORS'

The Board has a transparent relationship with both the Internal Auditors and the External Auditors through the establishment of the Audit Committee. Both the internal and external auditors have complete access to the Audit Committee to present key material issues that require its attention. Furthermore, the Audit Committee through its charter takes responsibility to ensure that adequate resources are available for both the internal and external auditors to perform their duties.

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STATEMENT OF INTERNAL CONTROL

INTRODUCTION

The Statement on Internal Control of the Group is made by the Board of Directors pursuant to the Bursa Securities's Listing Requirements and with regard to the Group's compliance with The Principles and Best Practices provisions relating to internal controls provided in the Malaysian Code on Corporate Governance ("Code").

BOARDS RESPONSIBILITIES

The Board of Directors recognises the importance of sound internal control for good corporate governance. The Board affirms its overall responsibility for the Group's systems on internal control, which include the establishment of an appropriate control environment and framework as well as reviewing the adequacy and integrity of those systems. The Board noted, however, that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. In addition, the Board also noted that these systems could only provide reasonable but not absolute assurance against material misstatement or loss.

Following the issuance of the Code, the Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group that has been put in place for the year and up to the date of approval of the Annual Report and financial statements. The process is regularly reviewed by the Board through its Audit Committee, which is assisted by the Internal Auditors.

CONTROL AND MONITORING PROCESS

The other key elements of the Group's internal control system include:

- ❑ An operational structure with defined line of responsibility and delegation of authority.
- ❑ A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- ❑ A documented delegation of authority with clear lines of responsibility in identifying the approving authority of various transactions;
- ❑ Internal policies and procedures, which are regularly updated to reflect changes, risks or to resolve operational deficiencies. Instances of non-compliance with such policies and procedures are reported by the internal audit function to the Board via the Audit Committee;
- ❑ Effective reporting systems, which monitor performance and highlight significant variances against budget and plan. Key variances are followed up by management and reported to the Board on a quarterly basis;
- ❑ The monitoring of control procedures through management review.
- ❑ Understanding the operations, drafting of controls and reporting systems, formalising reporting format and fixing of reporting deadlines for newly acquired business operations.
- ❑ Identifying resources required for the control environment of newly acquired operations and reporting to the Audit Committee for onward recommendations to the Board.

The system of internal control that is on-going at this point of time has not resulted in any material loss, contingency or uncertainty that would require disclosure in the Group's Annual Report for the financial year under review.

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STATEMENT OF INTERNAL CONTROL

OTHER INFORMATION

SHARE BUYBACK

There was no share buyback in the financial year ended 31 December 2004.

OPTION, WARRANTS OR CONVERTIBLE SECURITIES

The Company did not issue any options, warrants or convertible securities in respect of the financial year ended 31 December 2004. During the year, there was a total conversion of 173,965,996 3 year, 0.5% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") of RM0.20 each into 173,965,996 ordinary shares of the Company with a nominal value of RM0.20 each.

MATERIAL CONTRACTS

During the financial year under review, there were no material contracts entered into by the Company and/or its subsidiary companies which involved Directors' and major shareholders' interest, either still subsisting at the end of the financial year 2004 or which entered into since the end of the previous financial year other than those if any, disclosed in the Statutory Financial Statements.

SANCTION AND/OR PENALTY IMPOSED

There were no sanctions and/or penalties imposed on the Company, Directors or management by the relevant authorities during the financial year ended 31 December 2004.

NON-AUDIT FEES PAID TO EXTERNAL AUDITORS

The amount of non-audit fees paid to the external auditors for the financial year ended 31 December 2004 was RM52,000.

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AUDIT COMMITTEE REPORT

The Audit Committee was established in 2002 and currently comprises the following members: -

MEMBERS

Ramli Bin Harun
Chairman, Independent Non-Executive Director

Zailan Bin Othman
Member, Independent Non-Executive Director

Dato' Shamsir Bin Omar
Member, Non-Independent Executive Director

OBJECTIVE

The primary objective of the Audit Committee (as a standing committee of the Board) is to assist the Board in the effective discharge of its fiduciary responsibilities on financial reporting and internal control in line with the corporate governance.

FREQUENCY OF MEETING

Meetings are required to be held not less than three (3) times a year. The External Auditors may request a meeting if they consider that one is necessary.

The Company Secretary is the Secretary of the Committee.

AUDIT COMMITTEE

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

The Committee will seek approval from the Board to obtain independent legal or other professional advice and to secure the attendance of outsiders with the relevant experience if it considers this necessary.

ROLE AND RESPONSIBILITY

The duties of the Audit Committee include the following:

- ❑ To recommend to the Board the appointment of the External Auditors, the audit fees, and matters of resignation or dismissal of External Auditors;
- ❑ To discuss with the External Auditors before the audit commences, the nature and scope of the audit and to ensure co-ordination where more than one audit firms are involved;
- ❑ To discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss (in the absence of management where necessary);
- ❑ To review the quarterly results and year end financial statements prior to their approval by the Board of Directors focusing particularly on: -
 - Any change in accounting policies and practices;
 - Significant adjustments arising from the audit;
 - The going concern assumption;
 - Compliance with accounting standards and other legal requirements.

AUDIT COMMITTEE REPORT

- ❑ To review the External Auditors' letter to management and management's response thereto;
- ❑ To review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its works;
- ❑ To review the internal audit programme, the results of the internal audit processes or investigation undertaken and to ensure that appropriate action is taken on the recommendations of the internal audit function;
- ❑ To review any appraisal or assessment of the performance of the members of the internal audit function;
- ❑ To approve any appointment or termination of senior staff members of the internal audit function;
- ❑ To inform itself of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
- ❑ To review related party transactions and conflict of interests situation that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
- ❑ To consider major findings of internal investigations and management's response thereto;
- ❑ To review the risk management framework; and
- ❑ To consider other topics as defined by the Board.

DETAILS OF MEETING

The Audit Committee met four (4) times during the financial year ended 31 December 2004 and details of the attendance are as follows:

| Name | Attendance | % |
|------------------------|-------------------|----------|
| Ramli Bin Harun | 4/4 | 100 |
| Dato' Shamsir Bin Omar | 4/4 | 100 |
| Zailan Bin Othman | 4/4 | 100 |

SUMMARY OF AUDIT COMMITTEE ACTIVITIES

During the financial year under review the Audit Committee:

- ❑ Reviewed the quarterly and annual unaudited financial statements of the Group and of the Company prior to their submission to the Board for its consideration and approval with recommendations to the Board;
- ❑ Discussed and reviewed with the external auditors the audit plan, scope and areas of audit;
- ❑ Discussed and reviewed with the external auditors the results of their examination, their audit report and management letters in relation to the audit and accounting issues arising from the audit;
- ❑ Reviewed and assisted in the development and implementation of sound and effective internal controls and business systems within the Group; and
- ❑ Reviewed the Group's compliance with the Revamped Listing Requirements of the Bursa Securities and with applicable Approved Accounting Standards in Malaysia.

SUMMARY OF INTERNAL AUDIT FUNCTION

During the financial year under review the Internal Audit:

- ❑ Reviewed the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work; and
- ❑ Reviewed the Internal Audit Programme.

SHAREHOLDING STRUCTURE

SHAREHOLDING STRUCTURE

as at 1 April 2005

| | | |
|--------------------------|---|--------------------------------|
| Authorised Share Capital | : | RM500,000,000 |
| Issued and fully paid-up | : | RM83,934,739 |
| Class of Shares | : | Ordinary Shares of RM0.20 each |
| Voting Rights | : | One Vote per share |

ANALYSIS OF SHAREHOLDING STRUCTURE

as at 1 April 2005

| Size of Shareholding | No. of Shares | Percentage | No. of Shareholders | Percentage |
|-----------------------|--------------------|---------------|---------------------|---------------|
| Less than 100 | 6,689 | 0.00 | 149 | 1.14 |
| 100 to 1,000 | 2,327,669 | 0.55 | 2,521 | 19.24 |
| 1,001 to 10,000 | 36,044,638 | 8.59 | 7,799 | 59.51 |
| 10,001 to 100,000 | 72,207,212 | 17.21 | 2,349 | 17.92 |
| 100,001 to 20,983,684 | 106,306,095 | 25.33 | 284 | 2.17 |
| 20,983,684 & Above | 202,781,392 | 48.32 | 3 | 0.02 |
| Total | 419,673,695 | 100.00 | 13,105 | 100.00 |

SUBSTANTIAL SHAREHOLDERS

as at 1 April 2005

| Name of Substantial Shareholder | Direct | Percentage of Issued Capital |
|---|------------|------------------------------|
| HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Crest Energy Sdn Bhd | 96,000,002 | 22.87 |
| HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Clear Progress Sdn Bhd | 76,781,390 | 18.30 |
| HDM Nominees (Tempatan) Sdn Bhd Quantum Discovery Sdn Bhd | 30,000,000 | 7.15 |

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SHAREHOLDING STRUCTURE

30 Largest Shareholders
as at 1 April 2005

| No. | Name of Shareholder | No. of Shares | Percentage of Issued Capital |
|-----|---|------------------|---------------------------------|
| 1. | HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Crest Energy Sdn Bhd | 96,000,002 | 22.87 |
| 2. | HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Clear Progress Sdn Bhd | 76,781,390 | 18.30 |
| 3. | HDM Nominees (Tempatan) Sdn Bhd Quantum Discovery Sdn Bhd | 30,000,000 | 7.15 |
| 4. | HDM Nominees (Tempatan) Sdn Bhd Prosperous Court Sdn Bhd | 5,601,300 | 1.33 |
| 5. | Yeoh Kean Hua | 3,330,000 | 0.79 |
| 6. | M & A Securities Sdn Bhd | 2,735,500 | 0.65 |
| 7. | Toh Lay Fan | 2,530,000 | 0.60 |
| 8. | Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Tiong Young Kong | 2,470,800 | 0.59 |
| 9. | Tang Ah Ba & Tan Chai Bee | 2,270,000 | 0.54 |
| 10. | Lim Sin Seong | 2,050,000 | 0.49 |
| 11. | Lim Seng Qwee | 1,927,700 | 0.46 |
| 12. | Mohammad Allaudin Bin Md Ali | 1,900,000 | 0.45 |
| 13. | RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Boon Keong | 1,875,000 | 0.45 |
| 14. | Leam Am Kem | 1,745,600 | 0.42 |
| 15. | Cheah Kok Cheong | 1,646,800 | 0.39 |
| 16. | Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Yew Teong | 1,582,400 | 0.38 |
| 17. | Cimsec Nominees (Tempatan) Sdn Bhd CIMB for Lee Eng Eng | 1,560,000 | 0.37 |
| 18. | Tan Yu Wei | 1,360,800 | 0.32 |
| 19. | JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yee Swee Kuan | 1,295,000 | 0.31 |

SHAREHOLDING STRUCTURE

30 Largest Shareholders
as at 1 April 2005

| No. | Name of Shareholder | No. of Shares | Percentage of Issued Capital |
|--------------|--|--------------------|---------------------------------|
| 20. | M & A Nominee (Tempatan) Sdn Bhd Titan Express Sdn Bhd | 1,273,500 | 0.30 |
| 21. | Lee Soo Ming | 1,200,000 | 0.29 |
| 22. | Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chan Kwai Weng | 1,114,500 | 0.27 |
| 23. | Wei Ah Chuan | 1,100,000 | 0.26 |
| 24. | A.A. Assets Nominees (Tempatan) Sdn Bhd Avenue Asset Management Services Sdn Bhd for Chee Yuet Fang | 1,000,000 | 0.24 |
| 25. | Tan Lay Keow | 1,000,000 | 0.24 |
| 26. | A.A. Asset Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kenny Hoo Khai Meng | 900,900 | 0.21 |
| 27. | Lim Bee San | 865,000 | 0.21 |
| 28. | Lum Wai Peng | 860,000 | 0.20 |
| 29. | Tee Mooi Lan | 855,900 | 0.20 |
| 30. | PM Nominees (Asing) Sdn Bhd Pledged Securities Account for Lim Cheng Pang | 849,000 | 0.20 |
| Total | | 249,681,092 | 59.49 |

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IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (“ICULS”) STRUCTURE

ANALYSIS OF ICULS HOLDING STRUCTURE

0.5%, ICULS 2003/2006

ICULS HOLDERS

as at 1 April 2005

| Size of Holdings | No. of ICULS | Percentage | No. of ICULS Holders | Percentage |
|-----------------------|--------------------|---------------|----------------------|---------------|
| Less than 100 | 0 | 0.00 | 0 | 0.00 |
| 100 to 1,000 | 20,100 | 0.01 | 108 | 28.35 |
| 1,001 to 10,000 | 923,500 | 0.33 | 143 | 37.53 |
| 10,001 to 100,000 | 4,163,700 | 1.47 | 118 | 30.97 |
| 100,001 to 14,118,012 | 4,390,100 | 1.55 | 10 | 2.62 |
| 14,118,012 & Above | 272,862,869 | 96.64 | 2 | 0.53 |
| Total | 282,360,269 | 100.00 | 381 | 100.00 |

30 Largest ICULS Holders

as at 1 April 2005

| No. | Name of ICULS Holders | No. of ICULS | Percentage of ICULS Issued |
|-----|--|--------------|----------------------------|
| 1. | HDM Nominees (Tempatan) Sdn Bhd Quantum Discovery Sdn Bhd | 170,128,560 | 60.25 |
| 2. | HDM Nominees (Tempatan) Sdn Bhd Prosperous Court Sdn Bhd | 102,734,309 | 36.38 |
| 3. | Teoh Cheoh Thin @ Chung Soo Chern | 2,006,800 | 0.71 |
| 4. | Teoh Hunt Thuim | 1,001,900 | 0.35 |
| 5. | Boy Seaw Tong @ Boey Siew Hong | 260,800 | 0.09 |
| 6. | TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lau Kwai Lan | 215,000 | 0.08 |
| 7. | Lai Fee | 210,000 | 0.07 |
| 8. | JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Doh Hui Huat | 172,000 | 0.06 |
| 9. | Ong Chai Lian | 170,000 | 0.06 |
| 10. | Kenneth Kua Kian Seng | 140,000 | 0.05 |
| 11. | Toh Pat Mooi | 113,500 | 0.04 |
| 12. | Tan Auw Hock | 100,100 | 0.04 |

IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (“ICULS”) STRUCTURE

30 Largest ICULS Holders
as at 1 April 2005

| No. | Name of ICUL Holders | No. of ICULS | Percentage of ICULS Issued |
|--------------|---|--------------------|----------------------------|
| 13. | Gan Hiok Kwee | 100,000 | 0.04 |
| 14. | Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tho Tuck Woh | 100,000 | 0.04 |
| 15. | TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Eng Ah Chee @ Ng Chong Min | 100,000 | 0.04 |
| 16. | Tan Chee Kian | 100,000 | 0.04 |
| 17. | TCL Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tong Chai Kuan | 100,000 | 0.04 |
| 18. | Norsalbani Binti Zacharia | 93,000 | 0.03 |
| 19. | Foong Ngoke Len | 90,100 | 0.03 |
| 20. | Yoo Yuet Peng | 85,000 | 0.03 |
| 21. | M & A Nominee (Asing) Sdn Bhd Toh Ah Guan @ Toh Hee Nam | 75,000 | 0.03 |
| 22. | TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Shum Yoke Lan | 72,000 | 0.03 |
| 23. | PB Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Gan Hok Ming | 70,700 | 0.03 |
| 24. | Teng Lung Ming | 70,000 | 0.02 |
| 25. | Chee Chin Cheng | 66,900 | 0.02 |
| 26. | Mustapa Bin Muda | 62,200 | 0.02 |
| 27. | Boo Seong Ngoh | 60,000 | 0.02 |
| 28. | Lim Bee Chee | 60,000 | 0.02 |
| 29. | Mayban Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Abzul Aziz Bin Ismail | 60,000 | 0.02 |
| 30. | Rahimi Binti Ahmad | 60,000 | 0.02 |
| Total | | 278,677,869 | 98.70 |

LIST OF PROPERTIES

| Location | Description / Existing Use | Area | Tenure | Approximate Age of Property | Date Acquired | Net Book Value RM'000 |
|---|---|---|---|--|--------------------------|--------------------------------------|
| Lot No. PT 4611 and PT 4619 in the Municipality and District of Seremban Darul Khusus | 3 ½ Storey Shopping Complex for Rental and Open Air Car Park | 217,096 Sq. Feet (Net lettable Area) 2 Acres | Leasehold (Unexpired period of 89 years) | 9 Years | 25.8.2003 | 81,039 |

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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and the provision of management and administrative services.

The principal activities of the subsidiaries are described in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year except for the disposal of four wholly owned subsidiaries as described in Note 14 to the financial statements.

CHANGE OF COMPANY NAME

On 28 May 2004, the Company changed its name from Arus Murni Corporation Berhad to Naim Indah Corporation Berhad.

RESULTS

| | Group RM'000 | Company RM'000 |
|-------------------------|-------------------------|---------------------------|
| Net profit for the year | <u>6,019</u> | <u>2,837</u> |

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

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

DIVIDENDS

There were no dividends declared or paid since the end at the previous financial year. The directors do not recommend the payment of any dividends in respect of the current financial year.

DIRECTORS

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

Dato'Shamsir bin Omar
 Muhamed bin Abdul Rahman
 Tan Lam Hin
 Ramli bin Harun
 Zailan bin Othman
 Mohamad Malik bin Jamal Mohamed (resigned on 29 June 2004)

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares, Irredeemable Convertible Unsecured Loan Stocks ("ICULS") or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements) by reason of a contract made by the Company or related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of the directors' shareholding, none of the directors holding office at the end of the financial year had any interest in shares in the Company or its subsidiaries and ICULS in the Company during the financial year.

IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

On 25 August 2003, the Company issued RM122,738,611 ICULS comprising 613,693,055 nominal value of 3 year, 0.5 % ICULS at a nominal value of RM0.20 each for the purpose of acquiring Consistent Harvest Sdn Bhd and Jernih Makmur Sdn Bhd. The ICULS are constituted by a Trust Deed dated 14 July 2003 made between the Company and the Trustees for the holders of the ICULS. The ICULS were listed on Bursa Malaysia Securities Berhad on 28 August 2003.

On 14 May 2004, the Company:

- (i) Proposed a share capital reduction pursuant to Section 64(1) of the Companies Act, 1965 (the "Act") involving the cancellation of RM0.80 of the par value of each existing ordinary share of RM1.00 each in issue ("Proposed Par Value Reduction"); and
- (ii) Proposed a reduction of the share premium account of up to RM317,358,000 pursuant to Sections 64(1) and 60(2) of the Act ("Proposed Share Premium Reduction").

(Both proposals are collectively known as the "Capital Reconstruction").

On 17 August 2004, the Company completed the Capital Reconstruction exercise and as a consequence, the main features of the ICULS have been changed from:

- (i) Conversion rights – the registered holders of the ICULS will have the option at any time during the conversion period to convert the ICULS at the conversion rate into new ordinary shares of RM1.00 each in the Company;
- (ii) Conversion rate – on the basis of five (5) ICULS for one (1) new ordinary share of RM1 each in the Company;

to:

- (i) Conversion rights – the registered holders of the ICULS will have the option at any time during the conversion period to convert the ICULS at the conversion rate into new ordinary shares of RM0.20 each in the Company;
- (ii) Conversion rate – on the basis of one (1) ICULS for one (1) new ordinary share of RM0.20 each in the Company;

DIRECTORS' REPORT

while the other main salient features remained the same as follows:

- (i) Conversion period – period commencing from and including 25 August 2003 to maturity date 24 August 2006;
- (ii) All outstanding ICULS will be mandatorily converted in full by the Company on 24 August 2006 into ordinary shares of RM0.20 each in the Company;
- (iii) The ICULS bears an interest of 0.5% per annum payable annually in arrears, with the first payment due on 24 August 2004;
- (iv) The new ordinary shares to be allotted and issued upon conversion of the ICULS will rank pari passu in all respects with the existing ordinary shares of the Company save for and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions prior to the entitlement date which is on or before the date of allotment and issue of the Company's shares pursuant to the conversion of the ICULS.

ISSUE AND CANCELLATION OF SHARES

During the financial year, the Company:

- (i) increased its issued and paid-up capital from RM178,340,909 to RM188,340,909 by way of conversion of 50,000,000 ICULS of nominal value of RM0.20 each. The new ordinary shares rank pari passu in all respects with the existing ordinary shares;
- (ii) via a capital reconstruction scheme, reduced its issued and paid up capital from RM188,340,909 to RM37,668,182 by way of a reduction in the par value of the ordinary share of RM0.80 per share and
- (iii) subsequent to the capital reconstruction scheme, increased its issued and paid up share capital from RM37,668,182 to RM62,461,381 by way of conversion of 123,965,996 ICULS of nominal value of RM0.20 each. The new ordinary shares rank pari passu in all respects with the existing ordinary shares.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provisions had been made for doubtful debts, and;
 - (ii) to ensure that any current assets which were likely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off as bad debts or the amount of the provisions for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the value attributed to current assets in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT

- (c) At the date of this report, the directors are not aware of any circumstance which has arisen which would render adherence to the existing method of valuation of assets and liabilities of the Group and of the Company misleading and inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liabilities of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operation of the Group and of the Company for the financial year on which this report is made.

AUDITORS

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

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

Dato' Shamsir Bin Omar

Muhamed Bin Abdul Rahman

Kuala Lumpur, Malaysia.
25 March 2005

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

We, Dato' Shamsir Bin Omar and Muhamed Bin Abdul Rahman, being two of the directors of Naim Indah Corporation Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 33 to 66 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

Dato' Shamsir Bin Omar

Muhamed Bin Abdul Rahman

Kuala Lumpur, Malaysia.
25 March 2005

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

I, Dato' Shamsir Bin Omar, being the Director primarily responsible for the financial management of Naim Indah Corporation Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 66, are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by the
above named Dato' Shamsir Bin Omar at
Kuala Lumpur in the Federal Territory on
25 March 2005

Dato' Shamsir Bin Omar

Before me,

**REPORT OF THE AUDITORS TO THE MEMBERS OF
NAIM INDAH CORPORATION BERHAD**

(Formerly known as Arus Murni Corporation Berhad)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 33 to 66. These financial statements are the responsibility of the Company's directors.

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

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flow of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
25 March 2005

George Koshy
No.1846/07/05(J)
Partner

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004

| | Note | Group 2004 RM'000 | Group 2003 RM'000 | Company 2004 RM'000 | Company 2003 RM'000 |
|------------------------------------|------|-------------------------|-------------------------|---------------------------|---------------------------|
| Revenue | 3 | 22,299 | 7,280 | 10,648 | 1,465 |
| Cost of sales | 4 | (4,755) | (5,206) | - | - |
| Gross profit | | 17,544 | 2,074 | 10,648 | 1,465 |
| Other operating income | | 29 | 2 | - | - |
| Administrative expenses | | (2,445) | (1,237) | (1,635) | (876) |
| Other operating expenses | | (7,678) | (1,961) | (5,701) | (698) |
| Gain from disposal of subsidiaries | | 253 | - | 4 | - |
| Profit / (loss) from operations | 5 | 7,703 | (1,122) | 3,316 | (109) |
| Finance cost | 8 | (695) | (189) | (479) | (189) |
| Profit / (loss) before taxation | | 7,008 | (1,311) | 2,837 | (298) |
| Taxation | 9 | (989) | (231) | - | - |
| Net profit /(loss) for the year | | 6,019 | (1,542) | 2,837 | (298) |
| Earnings / (loss) per share (sen) | | | | | |
| Basic | 10 | 3 | (1) | | |
| Diluted | 10 | 1 | (0.5) | | |

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

**BALANCE SHEETS
AS AT 31 DECEMBER 2004**

| | | Group | | Company | |
|--|-------------|----------------|----------------|----------------|----------------|
| | Note | 2004 | 2003 | 2004 | 2003 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 11 | 767 | 397 | 762 | 394 |
| Investment property | 12 | 81,039 | 80,495 | - | - |
| Timber concession | 13 | 38,234 | 41,739 | - | - |
| Investment in subsidiaries | 14 | - | - | 73,926 | 78,568 |
| Goodwill on consolidation | 15 | 726 | 816 | - | - |
| Amount due from subsidiaries | 16 | - | - | 49,335 | 52,812 |
| | | <u>120,766</u> | <u>123,447</u> | <u>124,023</u> | <u>131,774</u> |
| Current Assets | | | | | |
| Property development costs | 17 | 7,811 | 7,104 | - | - |
| Inventories | 18 | 59 | 148 | - | - |
| Trade receivables | 19 | 8,322 | 1,834 | 3,544 | - |
| Other receivables | 20 | 279 | 48 | 3,112 | 268 |
| Cash and bank balances | 21 | 2,998 | 1,065 | 2,884 | 238 |
| | | <u>19,469</u> | <u>10,199</u> | <u>9,540</u> | <u>506</u> |
| Current Liabilities | | | | | |
| Borrowings | 22 | 1,292 | 844 | - | - |
| Trade payables | 23 | 596 | 22 | - | - |
| Other payables | 24 | 2,708 | 3,921 | 1,425 | 3,291 |
| Tax payable | | 1,268 | 339 | - | - |
| | | <u>5,864</u> | <u>5,126</u> | <u>1,425</u> | <u>3,291</u> |
| Net Current Assets /(Liabilities) | | <u>13,605</u> | <u>5,073</u> | <u>8,115</u> | <u>(2,785)</u> |
| | | <u>134,371</u> | <u>128,520</u> | <u>132,138</u> | <u>128,989</u> |

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

BALANCE SHEETS
AS AT 31 DECEMBER 2004

| | | Group | | Company | |
|---|-------------|----------------|----------------|----------------|----------------|
| | Note | 2004 | 2003 | 2004 | 2003 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Financed By: | | | | | |
| Share capital | 25 | 62,461 | 178,341 | 62,461 | 178,341 |
| Share premium | | - | 317,358 | - | 317,358 |
| Accumulated losses | | (8,582) | (482,632) | (9,009) | (479,877) |
| Irredeemable convertible loan stocks ("ICULS") | 26 | 77,250 | 111,286 | 77,250 | 111,286 |
| Shareholders' equity | | <u>131,129</u> | <u>124,353</u> | <u>130,702</u> | <u>127,108</u> |
| Borrowings | 22 | 1,806 | 2,286 | - | - |
| ICULS | 26 | 826 | 1,641 | 826 | 1,641 |
| Hire purchase creditors | 27 | 610 | 240 | 610 | 240 |
| Non-current liabilities | | <u>3,242</u> | <u>4,167</u> | <u>1,436</u> | <u>1,881</u> |
| | | <u>134,371</u> | <u>128,520</u> | <u>132,138</u> | <u>128,989</u> |

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2004**

| | | | Non – Distributable | Distributable Retained Profits / (Accumulated losses) | ICULS | Total |
|--|------|----------------------------|----------------------------|--|----------|---------|
| | Note | Share Capital RM'000 | Share Premium RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2003 | | 168,341 | 317,358 | (481,090) | - | 4,609 |
| Equity component of ICULS issued | 26 | - | - | - | 121,286 | 121,286 |
| Conversion of ICULS into share capital | 25 | 10,000 | - | - | (10,000) | - |
| Net loss for the year | | - | - | (1,542) | - | (1,542) |
| At 31 December 2003 | | 178,341 | 317,358 | (482,632) | 111,286 | 124,353 |
| Conversion of ICULS into share capital | | | | | | |
| - Equity component | 25 | 34,036 | - | - | (34,036) | - |
| - Liability component | | 757 | - | - | - | 757 |
| Capital reconstruction | 25 | (150,673) | | 150,673 | - | - |
| Share premium reconstruction | 25 | - | (317,358) | 317,358 | - | - |
| Net profit for the year | | - | - | 6,019 | | 6,019 |
| At 31 December 2004 | | 62,461 | - | (8,582) | 77,250 | 131,129 |

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

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2004**

| | | | Non – Distributable | Distributable Retained Profits / (Accumulated losses) | ICULS | Total |
|--|------|----------------------------|----------------------------|--|----------|---------|
| | Note | Share Capital RM'000 | Share Premium RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2003 | | 168,341 | 317,358 | (479,579) | - | 6,120 |
| Equity component of ICULS issued | 26 | - | - | - | 121,286 | 121,286 |
| Conversion of ICULS | 25 | 10,000 | - | - | (10,000) | - |
| Net loss for the year | | - | - | (298) | - | (298) |
| At 31 December 2003 | | 178,341 | 317,358 | (479,877) | 111,286 | 127,108 |
| Conversion of ICULS into share capital | | | | | | |
| - Equity component | 25 | 34,036 | - | - | (34,036) | - |
| - Liability component | | 757 | - | - | - | 757 |
| Capital reconstruction | 25 | (150,673) | - | 150,673 | - | - |
| Share premium reconstruction | 25 | - | (317,358) | 317,358 | - | - |
| Net profit for the year | | - | - | 2,837 | - | 2,837 |
| At 31 December 2004 | | 62,461 | - | (9,009) | 77,250 | 130,702 |

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

CASH FLOW STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2004**

| | Group 2004 RM'000 | 2003 RM'000 | Company 2004 RM'000 | 2003 RM'000 |
|--|-------------------------|----------------|---------------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit/(loss) before taxation | 7,008 | (1,311) | 2,837 | (298) |
| Adjustment for: | | | | |
| Amortisation of concession rights | 3,505 | 504 | - | - |
| Amortisation of goodwill on consolidation | 90 | 90 | - | - |
| Depreciation | 185 | 15 | 184 | 15 |
| Dividend income | - | (37) | - | (37) |
| Interest expense | 695 | 189 | 479 | 189 |
| Impairment losses on investment in subsidiaries | - | - | 4,642 | - |
| Provision for doubtful debts | 65 | - | - | 4 |
| Bad debts written off | 215 | - | 215 | - |
| Gain on disposal of subsidiaries | (253) | - | (4) | - |
| Loss on disposal of investments | - | 143 | - | 143 |
| Operating profit / (loss) before working capital changes | 11,510 | (407) | 8,353 | 16 |
| (Increase) / decrease in land development costs | (707) | 2,866 | - | - |
| Decrease / (increase) in inventories | 89 | (148) | - | - |
| Increase in receivables | (6,781) | (222) | (3,769) | (418) |
| Decrease in payables | (650) | (1,427) | (1,610) | (118) |
| Net change in amounts due from subsidiaries | - | - | 346 | 278 |
| Cash generated from / (used in) operations | 3,461 | 662 | 3,320 | (242) |
| Interest paid | (686) | (1) | (536) | (1) |
| Tax paid | (60) | - | - | - |
| Net cash generated from/(used in) operating activities | 2,715 | 661 | 2,784 | (243) |

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

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

| | Group | | Company | |
|---|---------------|---------------|----------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Net dividends received | - | 37 | - | 37 |
| Purchase of property, plant and equipment | (70) | (140) | (68) | (137) |
| Purchase of investment property | (544) | - | - | - |
| Proceeds from disposal of marketable securities | - | 579 | - | 579 |
| Net cash (used in) / generated from investing activities | (614) | 476 | (68) | 479 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Repayment of term loan | (98) | (140) | - | - |
| Repayment of hire purchase | (70) | (2) | (70) | (2) |
| Net cash used in financing activities | (168) | (142) | (70) | (2) |
| NET INCREASE IN CASH AND BANK BALANCES | 1,933 | 995 | 2,646 | 234 |
| CASH AND BANK BALANCES AT BEGINNING OF YEAR | 1,065 | 70 | 238 | 4 |
| CASH AND BANK BALANCES AT END OF YEAR | 2,998 | 1,065 | 2,884 | 238 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

1. CORPORATE INFORMATION

The principal activities of the Company are those of investment holding and the provision of management and administrative services. The principal activities of the subsidiaries are described in Note 14. There have been no significant changes in the nature of the principal activities during the financial year except for the disposals of four wholly owned subsidiaries as described in Note 14.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 20th Floor, East Wing, Plaza Permata, No. 6, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur.

The number of employees in the Group and in the Company at the end of the year was 61 (2003:66) and 27 (2003: 21) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 March 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

During the financial year ended 31 December 2004, the Group and the Company adopted MASB 32: Property Development Activities for the first time. The adoption of this standard has not given rise to any adjustments to the opening balances of the retained profits of the prior and current year. Comparatives, however, have been restated as disclosed in Note 17 to conform to the changes in presentation as required that have been applied retrospectively.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries except for a non-consolidated subsidiary namely Kewangan Bersatu Berhad and its subsidiaries, KBB Nominees (Tempatan) Sdn. Bhd. and KBB Properties Sdn. Bhd.

The reasons for the non-consolidation are disclosed in Note 14 (a). Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (p). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill is amortised on a straight-line basis over its estimated useful life of not more than 10 years.

(d) Investments in Subsidiaries

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

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

(e) Property, Plant and Equipment and Depreciation

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

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

| | |
|-------------------------|-----|
| Furniture and fittings | 10% |
| Renovations | 10% |
| Office equipment | 10% |
| Computer equipment | 25% |
| Electrical and fittings | 10% |
| Motor vehicles | 20% |

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

(f) Investment Properties

Investment properties consist of investment in leasehold land and buildings held for investment potential and rental. The related maintenance expenditure is dealt with in the income statement. Investment properties are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (p).

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

(g) Land Held for Property Development and Property Development Costs

(i) Land held for Property Development

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(ii) Property Development Costs

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

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

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

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

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

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

(h) Inventories

Properties held for resale are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and includes costs of land, construction and appropriate development overheads.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and short term deposits which have an insignificant risk of changes in value.

(j) Leases

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

The depreciation policy for lease assets is consistent with that for depreciable property, plant and equipment as described in Note 2 (f).

(k) Provision for Liabilities

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

(l) Income Tax

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

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

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

(m) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(n) Revenue Recognition

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

(i) Sale of Properties

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

(ii) Interest Income

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

(iii) Revenue from Services

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

(iv) Sale of Goods

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

(v) Rental Income

Rental income is recognised on an accrual basis.

(vi) Dividend Income

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

(vii) Commission income

Commission income is recognised on an accrual basis.

(o) Impairment of Assets

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

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

(p) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Receivables

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

(ii) Payables

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

(iii) Interest Bearing Borrowings

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

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

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

(iv) ICULS

ICULS are regarded as equity instruments. Under the effective interest rate method, the interest expense of the ICULS is computed by applying the prevailing market interest rate for a similar redeemable loan stocks to the instrument. The difference between this amount and the interest paid is considered as the liability component of the ICULS.

(v) Equity Instruments

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

(vi) Concession Rights

This represents initial costs incurred in obtaining the exclusive right to fell, extract and harvest merchantable timber logs from the concession area granted. Concession rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement in proportion to timber resources in the concession area based on the amount of tonnes logged every year. The policy for the recognition and measurement of impairment losses is in accordance with Note 2 (p).

3. REVENUE

| | Group | | Company | |
|-----------------------------------|---------------|---------------|----------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Dividend income | - | 37 | - | 37 |
| Commission income | 3,544 | - | 3,544 | - |
| Management fees from subsidiaries | - | - | 7,104 | 1,428 |
| Rental income | 5,169 | 1,849 | - | - |
| Sale of properties | 93 | 3,503 | - | - |
| Sale of goods | 13,493 | 1,891 | - | - |
| | <u>22,299</u> | <u>7,280</u> | <u>10,648</u> | <u>1,465</u> |

4. COST OF SALES

| | Group | | Company | |
|------------------------|---------------|---------------|----------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Development properties | 97 | 4,640 | - | - |
| Sale of goods | 4,658 | 566 | - | - |
| | <u>4,755</u> | <u>5,206</u> | <u>-</u> | <u>-</u> |

5. PROFIT / (LOSS) FROM OPERATIONS

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

| | Group | | Company | |
|---|---------------|---------------|----------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Amortisation of concession rights | 3,505 | 504 | - | - |
| Amortisation of goodwill on consolidation | 90 | 90 | - | - |
| Auditors' remuneration | | | | |
| - statutory audit | 57 | 57 | 30 | 30 |
| - other services | 52 | 29 | 17 | 29 |
| Bad debts written off | 215 | - | 215 | - |
| Depreciation | 185 | 15 | 184 | 15 |
| Gain on disposal of subsidiaries (Note 14) | (253) | - | (4) | - |
| Impairment losses on investment in subsidiaries | - | - | 4,642 | - |
| Loss on disposals of investments | - | 143 | - | 143 |
| Provision for doubtful debts | 65 | - | - | 4 |
| Rental of equipment | 5 | 1 | 5 | 1 |
| Rental of motor vehicles | 120 | - | - | - |

5. PROFIT / (LOSS) FROM OPERATIONS (CONT'D.)

| | Group | | Company | |
|----------------------|---------------|---------------|----------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Rental of premises | 79 | 78 | 79 | 78 |
| Staff costs (Note 6) | 2,259 | 1,222 | 1,451 | 860 |

6. STAFF COSTS

| | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors' remuneration (Note 7) | 435 | 388 | 435 | 388 |
| Wages and salaries | 1,407 | 645 | 759 | 316 |
| Social security costs | 11 | 5 | 11 | 5 |
| Pension costs – defined contribution plans | 121 | 90 | 80 | 57 |
| Other staff related expenses | 285 | 94 | 166 | 94 |
| | 2,259 | 1,222 | 1,451 | 860 |

7. DIRECTORS' REMUNERATION

| | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Directors of the Company | | | | |
| Executive: | | | | |
| Salaries and other emoluments | 360 | 96 | 360 | 96 |
| Fees | - | 280 | - | 280 |
| Pension costs – defined contribution plan | 35 | 12 | 35 | 12 |
| Benefits-in-kind | 15 | - | 15 | - |
| | 410 | 388 | 410 | 388 |
| Non - Executive | | | | |
| Allowance | 40 | - | 40 | - |
| Total | 450 | 388 | 450 | 388 |
| Analysis excluding benefits-in-kind | | | | |
| Total executive directors' remuneration excluding benefits-in-kind | 395 | 388 | 395 | 388 |
| Total non-executive directors' remuneration | 40 | - | 40 | - |
| Total directors' remuneration excluding benefits-in-kind | 435 | 388 | 435 | 388 |

7. DIRECTORS' REMUNERATION (CONT'D.)

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

| | Number of Directors | |
|--------------------------|----------------------------|-------------|
| | 2004 | 2003 |
| Executive: | | |
| RM50,001 to RM100,000 | 2 | - |
| RM100,001 to RM150,000 | - | 2 |
| RM150,001 to RM200,000 | - | 1 |
| RM200,001 to RM250,000 | 1 | - |
| Non-executive directors: | | |
| Below RM50,000 | 2 | - |

8. FINANCE COST

| | Group | | Company | |
|---|---------------|---------------|----------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest expense on hire purchase | 22 | 1 | 22 | 1 |
| Interest expense on ICULS | 457 | 188 | 457 | 188 |
| Interest expense on other borrowings | 216 | 580 | - | - |
| | <u>695</u> | <u>769</u> | <u>479</u> | <u>189</u> |
| Less: Amount capitalised in development expenditure | - | (580) | - | - |
| | <u>695</u> | <u>189</u> | <u>479</u> | <u>189</u> |

9. TAXATION

| | Group | | Company | |
|--------------------------|---------------|---------------|----------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Tax expense for the year | <u>989</u> | <u>231</u> | <u>-</u> | <u>-</u> |

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

9. TAXATION (CONT'D.)

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 the Company is as follows:

| | 2004 RM'000 | 2003 RM'000 |
|--|----------------|----------------|
| Group | | |
| Profit / (loss) before taxation | 7,008 | (1,311) |
| Taxation at Malaysian statutory rate of 28% (2003:28%) | 1,962 | (367) |
| Effect of reduction in income tax from 28% to 20% for the first RM500,000 (2003: RM100,000) chargeable income | (52) | (16) |
| Expenses not deductible for tax purposes | 1,028 | 211 |
| Utilisation of previously unrecognised tax losses | (2,046) | - |
| Utilisation of previously unrecognised unabsorbed capital allowance | (81) | - |
| Deferred tax assets not recognised during the year | 178 | 403 |
| | 989 | 231 |
| Company | | |
| Profit / (loss) before taxation | 2,837 | (298) |
| Taxation at Malaysian statutory rate of 28% (2003:28%) | 794 | (83) |
| Expenses not deductible for tax purposes | 1,333 | 40 |
| Utilisation of previously unrecognised tax losses | (2,046) | - |
| Utilisation of previously unrecognised unabsorbed capital allowance | (81) | - |
| Deferred tax assets not recognised during the year | - | 43 |
| | - | - |

Tax savings during the financial year arising from:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Utilisation of previously unrecognised unabsorbed capital allowance | 81 | - | 81 | - |
| Utilisation of previously unrecognised tax losses | 2,046 | - | 2,046 | - |

10. EARNINGS / (LOSS) PER SHARE**(a) Basic**

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

| | Group | |
|--|--------------|-------------|
| | 2004 | 2003 |
| Net profit / (loss) for the year (RM'000) | 6,019 | (1,542) |
| Weight average number of ordinary shares in issue ('000) | 195,229 | 169,591 |
| Basic earnings / (loss) per share (sen) | <u>3</u> | <u>(1)</u> |

(b) Diluted

For the purposes of calculating diluted earnings per share, the net profit / (loss) for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the effects of dilutive potential ordinary shares from conversion of 0.5% ICULS. The amount of net profit for the year is adjusted by the after-tax effect of interest expense recognised during the financial year which would have been saved on conversion of outstanding ICULS into ordinary shares. The adjusted weighted average number of ordinary shares is the weighted average number of shares in issue during the financial year plus the weighted average number of ordinary shares which would be issued on the conversion of the outstanding ICULS into ordinary shares. The ICULS are deemed to have been converted into ordinary shares at the date of issue of the ICULS (25 August, 2003).

| | Group | |
|--|----------------|----------------|
| | 2004 | 2003 |
| Net profit / (loss) for the year (RM'000) | 6,019 | (1,542) |
| After-tax effect of interest on ICULS (RM'000) | 457 | 188 |
| Adjusted net profit / (loss) for the year (RM'000) | <u>6,476</u> | <u>(1,354)</u> |
| Weight average number of ordinary shares in issue ('000) | 195,229 | 168,341 |
| Assumed conversion of ICULS ('000) | 389,727 | 122,739 |
| Adjusted weighted number of ordinary shares in issue and issuable ('000) | <u>584,956</u> | <u>291,080</u> |
| Diluted earnings / (loss) per share (sen) | <u>1</u> | <u>(0.5)</u> |

11. PROPERTY, PLANT & EQUIPMENT

| Group | Furniture and Fittings RM'000 | Renovations RM'000 | Office Equipment RM'000 | Computer Equipment RM'000 | Electrical Fittings RM'000 | Motor Vehicles RM'000 | Total RM'000 |
|-------------------------------------|-------------------------------------|-----------------------|-------------------------------|---------------------------------|----------------------------------|-----------------------------|-----------------|
| Cost | | | | | | | |
| At 1 January 2004 | 28 | 19 | 28 | 21 | 4 | 312 | 412 |
| Additions | 1 | - | 3 | 7 | - | 544 | 555 |
| At 31 December 2004 | 29 | 19 | 31 | 28 | 4 | 856 | 967 |
| Accumulated Depreciation | | | | | | | |
| At 1 January 2004 | 1 | 1 | 1 | 1 | 1 | 10 | 15 |
| Charge for the year | 2 | 2 | 3 | 6 | 1 | 171 | 185 |
| At 31 December 2004 | 3 | 3 | 4 | 7 | 2 | 181 | 200 |
| Net Book Value | | | | | | | |
| At 31 December 2004 | 26 | 16 | 27 | 21 | 2 | 675 | 767 |
| At 31 December 2003 | 27 | 18 | 27 | 20 | 3 | 302 | 397 |
| Details as at 1 January 2003 | | | | | | | |
| Cost | - | - | - | - | - | - | - |
| Accumulated depreciation | - | - | - | - | - | - | - |
| Depreciation charge for 2003 | 1 | 1 | 1 | 1 | 1 | 10 | 15 |

11. PROPERTY, PLANT & EQUIPMENT (CONT'D.)

| Company | Furniture and Fittings RM'000 | Renovations RM'000 | Office Equipment RM'000 | Computer Equipment RM'000 | Electrical Fittings RM'000 | Motor Vehicles RM'000 | Total RM'000 |
|-------------------------------------|-------------------------------------|-----------------------|-------------------------------|---------------------------------|----------------------------------|-----------------------------|-----------------|
| Cost | | | | | | | |
| At 1 January 2004 | 28 | 19 | 28 | 18 | 4 | 312 | 409 |
| Additions | 1 | - | - | 7 | - | 544 | 552 |
| At 31 December 2004 | 29 | 19 | 28 | 25 | 4 | 856 | 961 |
| Accumulated Depreciation | | | | | | | |
| At 1 January 2004 | 1 | 1 | 1 | 1 | 1 | 10 | 15 |
| Charge for the year | 2 | 2 | 3 | 5 | 1 | 171 | 184 |
| At 31 December 2004 | 3 | 3 | 4 | 6 | 2 | 181 | 199 |
| Net Book Value | | | | | | | |
| At 31 December 2004 | 26 | 16 | 24 | 19 | 2 | 675 | 762 |
| At 31 December 2003 | 27 | 18 | 27 | 17 | 3 | 302 | 394 |
| Details as at 1 January 2003 | | | | | | | |
| Cost | - | - | - | - | - | - | - |
| Accumulated depreciation | - | - | - | - | - | - | - |
| Depreciation charge for 2003 | 1 | 1 | 1 | 1 | 1 | 10 | 15 |

11. PROPERTY, PLANT & EQUIPMENT (CONT'D.)

Included in property, plant and equipment of the Group and of the Company are motor vehicles with net book value of RM675,000 (2003: RM302,000) held under hire purchase arrangements.

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM555,000 (2003: RM412,000) of which RM485,000 (2003: RM272,000) comprising of motor vehicles was acquired by means of hire purchase arrangements.

12. INVESTMENT PROPERTY, AT COST

| | Group | |
|---------------------------|---------------|---------------|
| | 2004 | 2003 |
| | RM'000 | RM'000 |
| As at 1 January | 80,495 | 80,495 |
| Additions during the year | 544 | - |
| As at 31 December | <u>81,039</u> | <u>80,495</u> |

13. TIMBER CONCESSION

| | Group | |
|--------------------------------|----------------|---------------|
| | 2004 | 2003 |
| | RM'000 | RM'000 |
| Timber concession at cost | 42,243 | 42,243 |
| Less: Accumulated amortisation | <u>(4,009)</u> | <u>(504)</u> |
| | <u>38,234</u> | <u>41,739</u> |

14. INVESTMENT IN SUBSIDIARIES

| | Company | |
|-------------------------------------|----------------|------------------|
| | 2004 | 2003 |
| | RM'000 | RM'000 |
| Unquoted shares at cost | 78,568 | 553,047 |
| Less: Accumulated impairment losses | <u>(4,642)</u> | <u>(474,479)</u> |
| | <u>73,926</u> | <u>78,568</u> |

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

(a) The subsidiaries, all of which are incorporated in Malaysia, are as follows

| Name of Subsidiaries | Paid-up Capital RM | Equity Interest (%) 2004 | Held 2003 | Principal Activities |
|--|--------------------------|-----------------------------------|--------------|--|
| Kewangan Bersatu Berhad and its subsidiaries | | | | |
| ❑ Kewangan Bersatu Berhad ("KBB")* | 147,500,000 | 100 | 100 | Financial services |
| ❑ KBB Nominees (Tempatan) Sdn Bhd* | 10,000 | 100 | 100 | Nominee services |
| ❑ KBB Properties Sdn Bhd* | 410,000 | 100 | 100 | Renting of properties |
| Arus Murni Capital Sdn Bhd | 3 | - | 100 | Money lending- dormant |
| Giltedged Options and Futures Sdn Bhd | 2,500,002 | - | 100 | Licensed futures broker - dormant |
| Macbloom Sdn Bhd | 100 | - | 100 | Retailing of rare books – ceased operation |
| Megasanjung Sdn Bhd | 2 | - | 100 | Property management |
| Angkasa Lampiran Sdn Bhd | 300,000 | 100 | 100 | Property developer |
| Bitarex Sdn Bhd | 4,000,000 | 100 | 100 | Investment holding |
| Consistent Harvest Sdn Bhd | 1,000,000 | 100 | 100 | Property management |
| Jernih Makmur Sdn Bhd | 1,000,000 | 100 | 100 | Logging and selling of round end timber logs |

* Audited by firms of auditors other than Ernst & Young

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

On 4 January, 1999, Bank Negara Malaysia ("BNM") assumed control of the whole property, business and affairs of Kewangan Bersatu Berhad ("KBB"), a wholly owned subsidiary of the Company, pursuant to the Banking and Financial Institutions (Kewangan Bersatu Berhad) (Assumption of Control) Order, 1998 issued by the Minister of Finance.

Arising from the above, the financial statements of KBB and its subsidiaries ("KBB Group") have not been consolidated in the preparation of the Group financial statements as the directors are of the opinion that the Company has lost effective control in KBB Group as the control and management of the affairs of KBB Group have been assumed by BNM since 4 January, 1999. Consequently, the audited financial statements of KBB Group for the financial year ended 31 December, 2004 was not annexed to the Group financial statements as exempted by the Assistant Registrar of Companies on 6 January 2005.

It is the intention of the management to dispose of the equity interest in KBB Group to BNM. The management is in the midst of discussions with BNM on the procedures in relation to the intended disposal.

(b) Disposal of Subsidiaries

The Group disposed of its 100% equity interest in Arus Murni Capital Sdn Bhd, Giltedged Options and Futures Sdn Bhd, Macbloom Sdn Bhd and Megasanjung Sdn Bhd, on 30 December 2004 for a total cash consideration of RM4,000.

The disposals had the following effects on the Group's financial results for the year:

| | 2004 RM'000 |
|-----------------------|------------------------|
| Revenue | - |
| Loss from operations | (10) |
| Net loss for the year | <u>(10)</u> |

The disposals had the following effects on the Group's financial position for the year:

| | 2004 RM'000 |
|---|------------------------|
| Other payables | (35) |
| Amount owing to holding company | (222) |
| Net liabilities disposed | <u>(257)</u> |
| Total disposal proceeds | 4 |
| Gain on disposal of subsidiaries | <u>253</u> |
| Disposal proceeds settled by deferred payment | <u>4</u> |

The disposal of subsidiaries had the following effects on the financial results of the Company:

| | 2004 RM'000 |
|---|------------------------|
| Total disposal proceeds | 4 |
| Less: Cost of investments in subsidiaries | - |
| Gain on disposal of subsidiaries | <u>4</u> |

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)**(c) Acquisition of Subsidiaries**

On 25 August 2003, the Group acquired 100% equity interest in Consistent Harvest Sdn Bhd and Jernih Makmur Sdn Bhd for a total consideration of RM122,738,611 satisfied by the issuance of RM122,738,611 nominal value of ICULS at par value of RM0.20 each.

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

| | 2003 RM'000 |
|------------------------|------------------------|
| Revenue | 3,740 |
| Operating cost | (3,359) |
| Profit from operations | 381 |
| Taxation | (157) |
| Profit after taxation | 224 |

The effects of the acquisitions on the financial position for the previous financial year:

| | 2003 RM'000 |
|-------------------------------|------------------------|
| Investment property | 80,495 |
| Timber concession | 41,739 |
| Property, plant and equipment | 3 |
| Trade receivables | 1,264 |
| Cash and bank balances | 640 |
| Trade and other payables | (1,245) |
| Group's share of net assets | 122,896 |

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

| | 2003 RM'000 |
|--|------------------------|
| Net assets acquired | |
| Investment property | 80,495 |
| Timber concession | 42,243 |
| Trade and other payables | (905) |
| Fair value of total net assets | 121,833 |
| Goodwill on acquisition (Note 15) | 906 |
| Total consideration | 122,739 |
| Satisfied by issuance of ICULS | 122,739 |
| Net cash outflow arising on acquisition: | |
| Cash and cash equivalents of subsidiaries acquired | - |

15. GOODWILL ON CONSOLIDATION

| | Group | |
|--|---------------|---------------|
| | 2004 | 2003 |
| | RM'000 | RM'000 |
| At 1 January | 906 | - |
| Arising from acquisition of subsidiaries (Note 14) | - | 906 |
| | <u>906</u> | <u>906</u> |
| Less: Accumulated amortisation | (180) | (90) |
| At 31 December | <u>726</u> | <u>816</u> |

16. AMOUNT DUE FROM SUBSIDIARIES

The amount due from subsidiary companies relates to long term loans for which the amounts are not due for repayment within the next 12 months.

17. PROPERTY DEVELOPMENT COSTS

| | Group | |
|---|---------------|-----------------|
| | 2004 | 2003 |
| | RM'000 | RM'000 |
| Property development costs at 1 January | | |
| Freehold land | 3,021 | 4,930 |
| Development costs | 4,083 | 13,643 |
| | <u>7,104</u> | <u>18,573</u> |
| Costs incurred during the year: | | |
| Freehold land | 96 | - |
| Development costs | 611 | 1,415 |
| | <u>707</u> | <u>1,415</u> |
| Costs recognised in the income statement | | |
| At 1 January | | |
| Freehold land | - | (1,390) |
| Development costs | - | (7,104) |
| Recognised during the year | | |
| Freehold land | - | (459) |
| Development costs | - | (3,783) |
| | <u>-</u> | <u>(12,736)</u> |
| Transfer to inventories | - | (148) |
| Property development costs at 31 December | <u>7,811</u> | <u>7,104</u> |

18. INVENTORIES

| | Group | |
|---|---------------|---------------|
| | 2004 | 2003 |
| | RM'000 | RM'000 |
| Properties held for resale, at net realisable value | <u>59</u> | <u>148</u> |

19. TRADE RECEIVABLES

| | Group | | Company | |
|------------------------------------|---------------|---------------|----------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Trade receivables | 8,387 | 1,834 | 3,544 | - |
| Less: Provision for doubtful debts | (65) | - | - | - |
| | <u>8,322</u> | <u>1,834</u> | <u>3,544</u> | <u>-</u> |

The Group's normal trade credit term is 30 (2003:30) days. Other credit terms are assessed and approved on a case-by-case basis.

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

20. OTHER RECEIVABLES

| | Group | | Company | |
|--|---------------|---------------|----------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Prepayments | 197 | - | 28 | - |
| Deposits | 28 | - | 22 | - |
| Due from subsidiaries | - | - | 3,058 | 4,278 |
| Deposits for proposed acquisition of investments | 39,000 | 39,000 | 39,000 | 39,000 |
| Sundry receivables | 54 | 48 | 4 | 39 |
| Tax refundable / recoverable | 2,715 | 2,715 | 2,715 | 2,715 |
| | <u>41,994</u> | <u>41,763</u> | <u>44,827</u> | <u>46,032</u> |
| Less: Provision for doubtful debts | (41,715) | (41,715) | (41,715) | (45,764) |
| | <u>279</u> | <u>48</u> | <u>3,112</u> | <u>268</u> |

In prior years, the Group and the Company commenced legal action to recover the deposits paid in the previous years amounting to RM39,000,000 for the proposed acquisition of investments which were mutually aborted. This amount has been fully provided for in the financial statements in the prior years. Subsequent to the appointment of the new solicitors, the Company has re-filed the legal suits for the recovery of the deposit amounts. There has been no further development on this matter subsequent to the re-filing of the legal action with the High Court.

Apart from the above, the Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk that may arise from exposure to a single debtor or groups of debtors.

21. CASH AND BANK BALANCES

Included in the cash and bank balances of the Group is RM61,000 (2003: RM9,000) maintained pursuant to the Housing Developers (Housing Development Account) Regulations, 1991.

22. BORROWINGS

| | Group | |
|---|---------------|---------------|
| | 2004 | 2003 |
| | RM'000 | RM'000 |
| Secured: | | |
| Term loans | <u>3,098</u> | <u>3,130</u> |
| Maturity of borrowings: | | |
| Within one year | 1,292 | 844 |
| More than 1 year and less than 2 years | 979 | 2,084 |
| More than 2 years and less than 5 years | <u>827</u> | <u>202</u> |
| | <u>3,098</u> | <u>3,130</u> |

The weighted average effective interest rate at the balance sheet date for borrowings was 8.4% (2003: 9.4%). The loans are secured on the following:

- (i) A first and third party legal charge created on the land owned by a subsidiary, Bitarex Sdn. Bhd.
- (ii) A debenture incorporating a fixed and floating charge over all present and future assets of Angkasa Lampiran Sdn. Bhd.
- (iii) Joint and several guarantee by all the directors of Angkasa Lampiran Sdn. Bhd.

23. TRADE PAYABLES

The normal trade credit term granted to the Group is 30 (2003: 30) days.

24. OTHER PAYABLES

| | Group | | Company | |
|----------------------------------|---------------|---------------|----------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits received | 558 | - | - | - |
| Sundry payables | 697 | 2,964 | 578 | 2,188 |
| Accruals | 1,038 | 587 | 60 | 60 |
| Amount due to subsidiary | - | - | 372 | 673 |
| Hire purchase payables (Note 27) | <u>415</u> | <u>370</u> | <u>415</u> | <u>370</u> |
| | <u>2,708</u> | <u>3,921</u> | <u>1,425</u> | <u>3,291</u> |

The amount due to a subsidiary is unsecured, interest free and have no fixed terms of repayment.

25. SHARE CAPITAL

| | Number of Ordinary shares | | Amount | |
|-------------------------------|--------------------------------|--------------------------------|----------------|----------------|
| | RM0.20 each 2004 '000 | RM1.00 each 2003 '000 | 2004 RM'000 | 2003 RM'000 |
| Authorised | 2,500,000 | 500,000 | 500,000 | 500,000 |
| Issued and fully paid: | | | | |
| At the beginning of year | 178,341 | 168,341 | 178,341 | 168,341 |
| Reduction in par value | - | - | (150,673) | - |
| Conversion of ICULS (Note 26) | 133,966 | 10,000 | 34,793 | 10,000 |
| At end of year | 312,307 | 178,341 | 62,461 | 178,341 |

During the financial year, the Company:

- (i) increased its issued and paid-up capital from RM178,340,909 to RM188,340,909 by way of conversion of 50,000,000 ICULS of nominal value of RM0.20 each. The new ordinary shares rank pari passu in all respects with the existing ordinary shares;
- (ii) via a capital reconstruction scheme, reduced its issued and paid up capital from RM188,340,909 to RM37,668,182 by way of a reduction in the par value of the ordinary share of RM0.80 per share and
- (iii) subsequent to the capital reconstruction scheme, increased its issued and paid up share capital from RM37,668,182 to RM62,461,381 by way of conversion of 123,965,996 ICULS of nominal value of RM0.20 each. The new ordinary shares rank pari passu in all respects with the existing ordinary shares.

26. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

On 25 August 2003, the Company issued RM122,738,611 ICULS comprising 613,693,055 nominal value of 3 year, 0.5 % ICULS at a nominal value of RM0.20 each for the purpose of acquiring Consistent Harvest Sdn Bhd and Jernih Makmur Sdn Bhd. The ICULS are constituted by a Trust Deed dated 14 July 2003 made between the Company and the Trustees for the holders of the ICULS. The ICULS were listed on Bursa Malaysia Securities Berhad on 28 August 2003.

On 14 May 2004, the Company:

- (i) Proposed a share capital reduction pursuant to Section 64(1) of the Companies Act, 1965 (the "Act") involving the cancellation of RM0.80 of the par value of each existing ordinary share of RM1.00 each in issue ("Proposed Par Value Reduction"); and
- (ii) Proposed a reduction of the share premium account of up to RM317,358,000 pursuant to Sections 64(1) and 60(2) of the Act ("Proposed Share Premium Reduction").

(Both proposals are collectively known as the "Capital Reconstruction").

On 17 August 2004, the Company completed the Capital Reconstruction exercise and as a consequence, the main features of the ICULS have been changed from:

- (i) Conversion rights – the registered holders of the ICULS will have the option at any time during the conversion period to convert the ICULS at the conversion rate into new ordinary shares of RM1.00 each in the Company;
- (ii) Conversion rate – on the basis of five (5) ICULS for one (1) new ordinary share of RM1 each in the Company;

26. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (CONT'D.)

to:

- (iii) Conversion rights – the registered holders of the ICULS will have the option at any time during the conversion period to convert the ICULS at the conversion rate into new ordinary shares of RM0.20 each in the Company;
- (iv) Conversion rate – on the basis of one (1) ICULS for one (1) new ordinary share of RM0.20 each in the Company;

while the other main salient features remained the same as follows:

- (i) Conversion period – period commencing from and including 25 August 2003 to maturity date 24 August 2006;
- (ii) All outstanding ICULS will be mandatorily converted in full by the Company on 24 August 2006 into ordinary shares of RM0.20 each in the Company;
- (iii) The ICULS bears an interest of 0.5% per annum payable annually in arrears, with the first payment due on 24 August 2004;
- (iv) The new ordinary shares to be allotted and issued upon conversion of the ICULS will rank pari passu in all respects with the existing ordinary shares of the Company save for and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions prior to the entitlement date which is on or before the date of allotment and issue of the Company's shares pursuant to the conversion of the ICULS.

The ICULS are regarded as equity instruments. Under the effective interest rate method, the interest expense of the ICULS is computed by applying the prevailing market interest rate for a similar non-redeemable loan stocks to the instrument. The difference between this amount and the interest paid is considered as the liability component of the ICULS. The ICULS are accounted for in the balance sheet of the Group and of the Company as follows:

| | Group/Company | |
|---|----------------------|---------------|
| | 2004 | 2003 |
| | RM'000 | RM'000 |
| Nominal value of ICULS at 1 January | 112,739 | 122,739 |
| Nominal value of ICULS converted into share capital (Note 25) | (34,794) | (10,000) |
| Nominal value of ICUSLS outstanding at balance sheet date | 77,945 | 112,739 |
| Equity component | 77,250 | 111,286 |
| Liability component at date of issue | 695 | 1,453 |
| Interest expense accrued | 131 | 188 |
| Liability component at 31 December | 826 | 1,641 |

Interest expense on the ICULS is calculated on the effective yield basis by applying the coupon interest rate of 8% for an equivalent non-redeemable ICULS on the equity component of the convertible ICULS.

27. HIRE PURCHASE PAYABLES

| | Group / Company | |
|--|------------------------|---------------|
| | 2004 | 2003 |
| | RM'000 | RM'000 |
| Minimum lease payments: | | |
| Not later than 1 year | 489 | 418 |
| Later than 1 year and not later than 2 years | 111 | 40 |
| Later than 2 years and not later than 5 years | 333 | 121 |
| Later than 5 years | 355 | 157 |
| | <u>1,288</u> | <u>736</u> |
| Less: Future finance charges | (263) | (126) |
| Present value of finance lease liabilities | <u>1,025</u> | <u>610</u> |
| Present value of finance lease liabilities | | |
| Not later than 1 year | 415 | 370 |
| Not later than 1 year and not later than 2 years | 76 | 30 |
| Later than 2 years and not later than 5 years | 229 | 90 |
| Later than 5 years | 305 | 120 |
| | <u>1,025</u> | <u>610</u> |
| Analysed as: | | |
| Due within 12 months (Note 24) | 415 | 370 |
| Due after 12 months | 610 | 240 |
| | <u>1,025</u> | <u>610</u> |

At the end of the previous financial year, two motor vehicles acquired under hire purchase facilities were surrendered to the hire purchase companies. No payment was made in the current year in relation to these hire purchase facilities, as the Company has not been informed as to the actual amount owing net of the surrendered value of the assets.

28. PROFIT GUARANTEE

Pursuant to a Profit Guarantee Agreement, Arus Murni Sdn. Bhd. ("AMSB"), a shareholder of the Company guaranteed that the profit before taxation of KBB shall not be less than RM30,192,000 per annum for each of the financial years ended 31 December, 1997 to 1999. As at 31 December 1997, 1998 and 1999, there was a shortfall in the guaranteed profit amounting to RM134,321,000, RM359,286,000 and RM102,948,000 respectively.

The Company initiated legal action for the recovery of the shortfall in the guaranteed profit of RM134,321,000 for the financial year ended 31 December 1997 and obtained judgement from the High Court in favour of the Company. The Company's solicitors have served the judgement on AMSB on 15 January, 2003 and the solicitors have been requested to carry out a search on the AMSB to ascertain whether or not AMSB is in a financial position to honour the judgement sum. Upon establishing this, the Group and the Company will decide as to the next course of action to be taken for the recovery of the judgement sum. On a prudent basis, the recovery of the judgement sum will be included in the financial statements of the Group and the Company on a receipt basis.

As at to date, no action has been initiated in relation to the shortfall in the guaranteed profits for the financial years ended 31 December 1998 and 1999.

29. COMMITMENTS

The Group and the Company have a lease commitment for 5 years in respect of a rented photocopier. The non-cancellable long-term commitment is as summarised below:

| | Group / Company | |
|---|------------------------|---------------|
| | 2004 | 2003 |
| | RM'000 | RM'000 |
| Not later than 1 year | 5 | 5 |
| Later than 1 year and not later than 2 years | 5 | 5 |
| Later than 2 years and not later than 5 years | <u>7</u> | <u>12</u> |

30. FINANCIAL INSTRUMENTS

(i) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate, liquidity and credit risks. The Group operates within clearly defined guidelines that are established by the Audit Committee and approved by the Board.

(ii) Interest Rate Risk

The Group's exposure to market risks for changes in interest rate risk relate primarily to the Group's borrowing arrangement. The Group's policy is to borrow only from large financial institutions with a "fixed" base lending rate ("BLR") as determined by Bank Negara Malaysia and an agreed spread above the BLR in order to determine the maximum exposure of the Group to interest rate risk. This strategy allows the Group to protect its interest exposure against interest rate hikes.

Any surplus funds of the Group will be placed with licensed financial institutions to generate interest income.

(iii) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

(iv) Credit Risk

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

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(v) Fair Values

The carrying amounts of the financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values except for the amounts due from subsidiaries, principally due to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

31. BUSINESS SEGMENTS

(a) Business Segments

The Group is organised into four major business segments:

- (i) Property development – the development of residential properties
- (ii) Timber concessionaire – logging and selling of round end timber logs.
- (iii) Investment property holding
- (iv) Investment holding

The other business segments are of insufficient size to be reported separately.

(b) Geographical Segments

No segmental information is provided on a geographical basis as the activities of the Group are carried out predominantly in Malaysia.

31. BUSINESS SEGMENTS (CONT'D.)

| | Property Development | | Timber Concessionaire | | Investment Property Holding | | Investment Holding | | Others | | Eliminations | | Consolidated | |
|------------------------------------|-------------------------|---------|--------------------------|--------|--------------------------------|--------|-----------------------|--------|--------|--------|--------------|--------|----------------|----------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| REVENUE AND EXPENSES | | | | | | | | | | | | | | |
| Revenue | | | | | | | | | | | | | | |
| External revenue | 93 | 3,503 | 13,493 | 1,891 | 5,169 | 1,849 | 3,544 | 37 | - | - | - | - | 22,299 | 7,280 |
| Intersegment revenue | - | - | - | - | - | - | 7,104 | 1,428 | - | - | 7,104 | 1,428 | - | - |
| | | | | | | | | | | | | | <u>22,299</u> | <u>7,280</u> |
| Results | | | | | | | | | | | | | | |
| Segment results | (446) | (1,285) | (105) | (79) | 145 | 460 | 3,316 | (109) | (10) | (22) | 4,803 | 87 | 7,703 | (1,122) |
| Finance cost | | | | | | | | | | | | | <u>(695)</u> | <u>(189)</u> |
| Profit / (loss) before taxation | | | | | | | | | | | | | 7,008 | (1,311) |
| Taxation | | | | | | | | | | | | | <u>(989)</u> | <u>(231)</u> |
| Profit / (loss) after taxation | | | | | | | | | | | | | <u>6,019</u> | <u>(1,542)</u> |
| ASSETS AND LIABILITIES | | | | | | | | | | | | | | |
| Segment assets | 8,103 | 8,018 | 41,912 | 42,495 | 82,251 | 81,645 | 7,969 | 1,488 | - | - | | | <u>140,235</u> | <u>133,646</u> |
| Segment liabilities | 3,741 | 3,308 | 1,404 | 247 | 1,471 | 997 | 2,490 | 4,501 | - | 240 | | | <u>9,106</u> | <u>9,293</u> |

31. BUSINESS SEGMENTS (CONT'D.)

| Property Development | | Timber Concessionaire | | Investment Property Holding | | Investment Holding | | Others | | Eliminations | | Consolidated | |
|----------------------|--------|-----------------------|--------|-----------------------------|--------|--------------------|--------|--------|--------|--------------|--------|--------------|--------|
| 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |

OTHER INFORMATION

| | | | | | | | | | | | | | |
|---|---|---|-------|-----|---|---|-------|-----|---|---|-------|-------|-----|
| Amortisation of goodwill | - | - | - | - | - | - | 90 | 90 | - | - | | 90 | 90 |
| Amortisation of timber concession | - | - | 3,505 | 504 | - | - | - | - | - | - | | 3,505 | 504 |
| Depreciation | - | - | - | - | 7 | - | 178 | 15 | | | | 185 | 15 |
| Impairment losses | - | - | - | - | - | - | 4,642 | - | - | - | 4,642 | - | - |
| Non cash expenses other than amortisation, depreciation and impairment losses | - | - | - | - | - | - | - | 143 | - | - | - | - | 143 |

PROXY FORM

I/We _____
 of _____
 being a member/members of Naim Indah Corporation Berhad hereby appoint

_____ or failing him the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Thirtieth Annual General Meeting of the Company to be held the Function Room 1, Level 4, Dynasty Hotel Kuala Lumpur, 218 Jalan Ipoh, 51200 Kuala Lumpur, on Friday, 27 May 2005 at 10.30 a.m. or at any adjournment thereof.

My/our proxy is to vote as indicated below:

| No | Resolution | For | Against |
|----|---|-----|---------|
| 1. | Approval and Adoption of the Statutory Financial Statements for the Year ended 31 December 2004 | | |
| 2. | Re-election of En. Zailan Bin Othman as a Director of the Company | | |
| 3. | To re-appoint Messrs. Ernst & Young as Auditors and to authorise Directors to fix their remuneration. | | |
| 4. | Special Business Re-election of Y. Bhg. Dato' Shamsir Bin Omar as a Director of the Company | | |
| 5. | Special Business Approval of Ordinary Resolution pursuant to Section 132D of the Companies Act, 1965 | | |

Please indicate with "X" how you wish to cast your vote.

| | |
|--------------------------------|--|
| Number of Ordinary Shares Held | |
|--------------------------------|--|

 Date

 Signature / Seal of Shareholders

Notes:

1. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(a) and (b) of the Companies Act shall not apply to the Company.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industries (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities account it holds with ordinary shares of the Company standing to the credit of the said Securities account.
3. This proxy form, duly signed or sealed, must be deposited at the office of the Company's Share Registrar listed on the reverse side of the form not less than 48 hours before the time fixed for the meeting.
4. A Corporation must complete the proxy form under its common seal or under the hand of a duly authorised officer or attorney. A proxy need not be a member of the company. The instrument appointing a proxy shall be deemed to confer authority to join in demanding a poll.
5. Unless voting instructions are indicated in the spaces provided the proxy may vote as he thinks fit.

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Stamp

TENAGA KOPERAT SDN BHD
20th Floor, Plaza Permata,
Jalan Kampar, Off Jalan Tun Razak,
50400 Kuala Lumpur

Fold Here