



Annual Report **2004**





High Pressure Scrubber

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# CORPORATE INFORMATION

## Board of Directors

Yap Kow @ Yap Kim Fah  
*Chairman/ Managing Director*

Tan Teng Khuan  
*Executive Director/ Chief  
Operating Director*

Lim Lye Hock  
*Executive Director*

Cheong Boon Yu  
*Executive Director*

Johari Low Bin Abdullah @  
Low Han Hing  
*Non-Executive Director*

Yap Kau @ Yap Yeow Ho  
*Non-Executive Director*

Mak Fong Ching  
*Independent Non-Executive  
Director*

Muhayuddin Bin Musa  
*Independent Non-Executive  
Director*

Chua Eng Seng  
*Independent Non-Executive  
Director*

### Audit Committee

Mak Fong Ching *Chairperson*

Muhayuddin Bin Musa  
Chua Eng Seng  
Tan Teng Khuan  
Johari Low Bin Abdullah @  
Low Han Hing

### Company Secretary

Cheok Kim Chee (LS000012)  
Chua Cheng Poh (MAICSA  
7017041)

### Auditors

KPMG (AF0758)  
Wisma KPMG  
Jalan Dungun  
Damansara Heights  
50490 Kuala Lumpur  
Tel No.: 03 - 2095 3388

### Remuneration Committee

Muhayuddin Bin Musa *Chairman*

Yap Kow @ Yap Kim Fah  
Tan Teng Khuan  
Mak Fong Ching  
Chua Eng Seng

### Registered Office

D12, Tingkat 1,  
Plaza Pekeliling  
No. 2 Jalan Tun Razak  
50400 Kuala Lumpur  
Tel No.: 03 - 4042 3041  
Fax No.: 03 - 4042 3422

### Principal Bankers

Affin Bank Berhad  
Bumiputra - Commerce Bank  
Berhad  
HSBC Bank Malaysia Berhad  
UOB Berhad  
Ambank Berhad

### Nomination Committee

Chua Eng Seng *Chairman*

Muhayuddin Bin Musa  
Mak Fong Ching

### Share Registrar

Symphony Share Registrars Sdn.  
Bhd. (378993-D)  
Level 26, Menara Multi-Purpose,  
Capital Square  
No.8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel No.: 03 - 2721 2222  
Fax No.: 03 - 2721 2530/31

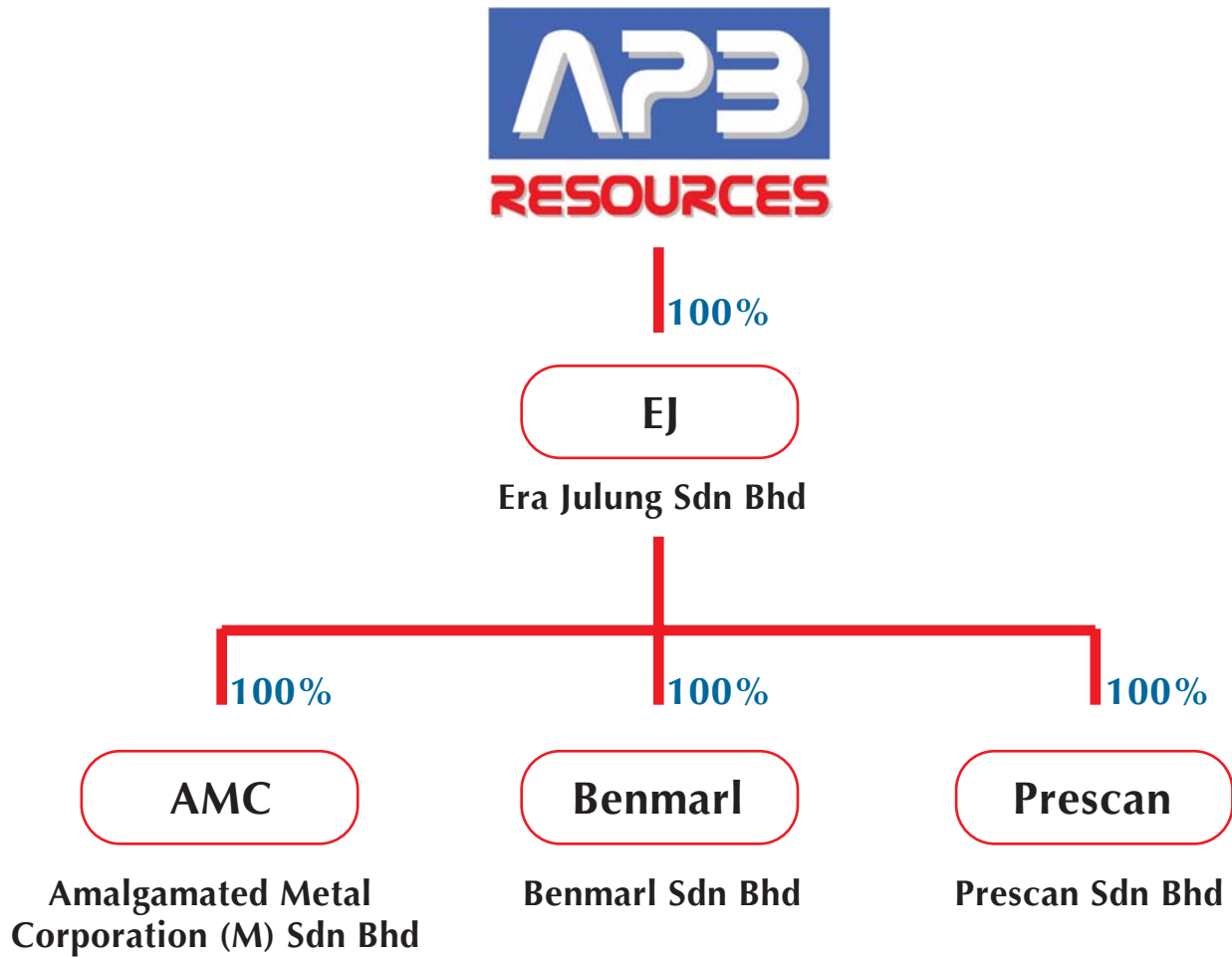
### Stock Exchange Listing

Main Board of the Bursa  
Malaysia Securities Berhad  
(formerly known as Malaysia  
Securities Exchange Berhad)

Stock Code - 5568

# CORPORATE STRUCTURE

The corporate structure of the APB Group is set out below:



Pressure Vessel



Heat Exchanger



Heat Recovery Steam  
Generator for Power Plant

# DIRECTORS' PROFILE

## Yap Kow @ Yap Kim Fah

- : 60 years of age, Malaysian
- Chairman / Managing Director
- Member of the Remuneration Committee

Mr. Yap was appointed to the Board on 30 March 2004. He is the founder and Managing Director of AMC. His working career started in 1968 as a welder at Brown & Root / McDermott Ltd, one of the largest engineering, construction and maintenance companies in the world. He left Brown & Root in 1974 and joined Industrial Boiler Allied Equipment Sdn Bhd, a company dealing in the manufacture of process equipment and boilers and held the position of Workshop Superintendent for fabrication works. In 1979, he founded Peng Fah Engineering Sdn. Bhd., a company involved in the fabrication, welding and provision of engineering services. With his vast experience and technical expertise in the manufacture of process equipment in the oil and gas industry, Mr. Yap set up AMC in 1989 and was instrumental in the growth of the company from its early years, providing strategic directions and leadership for the company, thus establishing the company as one of the major players in the industry. He is also a Director of several other private companies. His current responsibilities include providing strategic directions and leadership for the Group.

Mr. Yap is not a director of any other public companies.

His brother, Mr. Yap Kau @ Yap Yeow Ho, is the Non-Executive Director.

## Tan Teng Khuan

- : 49 years of age, Malaysian
- Chief Operating Officer / Executive Director
- Member of the Audit Committee
- Member of the Remuneration Committee

Mr. Tan was appointed to the Board on 30 March 2004. His current responsibilities include overseeing all corporate, strategic, financial, personnel and investment matters of the Group. He is also one of the key personnel dealing with the corporate affairs and investment relation of the Group. Mr. Tan has over twenty (20) years of experience in banking, equity research and the corporate sector. He received an Honours Degree in Bachelor of Technology in Industrial Engineering & Management and Master of Business Studies in Business Administration & Finance in New Zealand. He later obtained a Diploma in Banking from the New Zealand Bankers Institute and the Diploma in Management from the New Zealand Institute of Management. His working career began in 1979 as a Development Engineer at New Zealand Aluminium Smelters Ltd, a wholly owned subsidiary company of Comalco Australia Ltd. He was later employed as a Research Analyst at Westpac Banking Corporation, New Zealand in 1980. In 1982, he joined W R Grace (New Zealand) Ltd, a wholly-owned subsidiary of W R Grace Inc. of USA as a Financial Analyst before being promoted to Chief Accountant. Upon his return to Malaysia in 1985, he worked as Credit & Marketing Officer at Lee Wah Bank Limited, Malaysia and subsequently promoted to Senior Credit Officer in 1987 and Deputy Manager in 1988 at the same establishment. He left the bank in 1988 and joined Asia Commercial Finance (M) Berhad as Loans Supervision Manager and in 1990, he was with Metroplex Berhad as Senior Corporate Investment and Planning Manager. Mr. Tan moved from the corporate sector to equity market in 1992 as a Senior Investment Analyst with GK Goh Research Pte Ltd where he undertook equity research on the banking, gaming and property sectors. In January 1995, he was Deputy Head of Research at Credit Lyonnais Securities Research. He joined Deutsche Morgan Grenfell, Malaysia in September 1995 as Director of Research, managing the research team and was responsible for strategy equity research on the banking and finance sectors and macro research on Malaysia. He was subsequently promoted to Chief Representative for Malaysia in 1997. In 1999, he was the Senior Vice President, Business Development at Hwang-DBS Securities Berhad and in 2001, he was with SJ Asset Management Sdn. Bhd. as Senior Vice-President, Private Equity and also became the Managing Partner at SJAM Capital Partners Sdn. Bhd. that same year.

Mr. Tan is not a director of any other public companies.

## Directors' Profile (Cont'd)

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### Lim Lye Hock

- : 49 years of age, Malaysian
- Executive Director

Mr. Lim was appointed to the Board on 30 March 2004. He is the founder and Project Director of Benmarl. His career started in 1983 as a Project Executive at Group Associated Engineers, an air conditioning contractor mainly involved tendering of projects and project management. He has been the Managing Director of Benmarl since its establishment in September 1986 and has been responsible for the overall management of the company. Mr. Lim attended product and technical training with air-conditioning equipment manufacturers including Daikin (Japan), Trane (USA) and York (Malaysia) on equipment and design applications. He also undertook courses conducted by Flanders Precision Aire (USA) and FARR Company (USA) on clean room air filtration systems, and courses for Indoor Air Quality (IAQ) requirements. He was also a Director of several private companies.

Mr. Lim is not a director of any other public companies.

His brother, Mr. Lim Hong Liang, is a substantial shareholder of the Company.

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### Cheong Boon Yu

- : 49 years of age, Malaysian
- Executive Director

Mr. Cheong was appointed to the Board on 30 March 2004. He is the founder and Director of Prescan, a company established in July 1988. He has been awarded the Certificate of Proficiency from the Atomic Energy Licencing Board and also certified as a Radiographic Interpreter, Radiation Protection Officer and SIRIM Radiographic Tester Level II. Other qualifications include an ASNT Level II in Radiographic Testing, Magnetic Particle Testing, Liquid Penetrant Testing in 1999. His working career started in 1974 as a trainee radiographer at Independent Testing Co. Sdn Bhd and in 1975, joined United Testing Co. Sdn Bhd as a NDT Technician responsible for radiography and stress relieving work at the Johor Bahru Power Station, the Port Dickson Power Station as well as involved in radiography work on the ammonia sphere tank at the Chemical Company of Malaysia, Malaysian Electro-Chemical Industries and the Grik Dam. In 1979, Mr. Cheong joined Maju Timor Sdn. Bhd. and was responsible for MPI and stress relieving work at Prai Power Station before returning to United Testing Co. Sdn Bhd in 1981 as Technical Supervisor and later as Manager. He was responsible for performing NDT work on various fabrication establishments.

Mr. Cheong is not a director of any other public companies.

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### Johari Low Bin Abdullah @

#### Low Han Hing

- : 55 years of age, Malaysian
- Non-Executive Director
- Member of the Audit Committee

Encik Johari was appointed to the Board on 30 March 2004. He is a Fellow Member of The Institute of Chartered Accountants (England & Wales), and a member of the Malaysian Institute of Certified Public Accountants (MICPA), the Malaysian Institute of Accountants (MIA) and MENSA International. He was an Executive Director of the Arab-Malaysian Group in 1984 to 1987, Chief Executive Officer of Raleigh Berhad in 1987, Group Managing Director of Berjaya Group Berhad from 1989 to 1992, Managing Director of Agate Duty Free (BB) Sdn Bhd and Advisor to the Lion Group from 1992 to 1993, Chief Executive Director of KFC (M) Holdings Berhad from 1993-1994, Executive Director of Metroplex Bhd and Deputy Chairman of Anglo Eastern Plantations Plc from 1994 until 1998. He currently runs his own consultancy practices.

He also sits on the Boards of BHLB Trustee Bhd, Nam Fatt Corporation Bhd, Hirota Holdings Bhd, I-Berhad, Kumpulan Powernet Berhad and Global Carriers Berhad.

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### Yap Kau @ Yap Yeow Ho

- : 62 years of age, Malaysian
- Non-Executive Director

Mr. Yap was appointed to the Board on 30 March 2004. He started his career in the transportation sector and served as an Operation Manager at TTS Transportation Sdn Bhd from 1977 to 1984. He has been a Director of TTS Transportation Sdn Bhd since 1984. He had been conferred the titles of Pingat Jasa Khidmat, Ahli Mahkota Pahang and Setia Mahkota Pahang by Duli Yang Maha Mulia Sultan Pahang in year 1990, 1996 and 1999 respectively.

Mr. Yap is not a director of any other public companies.

His brother, Mr. Yap Kow @ Yap Kim Fah, is the Chairman and Managing Director.

## Directors' Profile (Cont'd)

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### Mak Fong Ching

- : 49 years of age, Malaysian
- Independent Non-Executive Director
- Chairperson of the Audit Committee
- Member of the Remuneration Committee
- Member of the Nomination Committee

Miss Mak was appointed to the Board on 27 January 2004. She is a member of the Australian Chartered Public Accountant and the Malaysian Institute of Certified Public Accountants (MICPA). Ms Mak started her career in the government service, in the Inland Revenue Department, as a Tax Examiner from 1977 to 1980. She then went on to further her education in the University of Malaya where she graduated with an Honours Degree (Second Class Upper) in Bachelor of Accounting in 1984. Ms Mak joined a top five (5) accounting firm in Kuala Lumpur as a Tax/Audit Senior from 1984 to 1987. She worked in a local bank as an officer and subsequently as an Assistant Manager in the Loans Recovery Division of another financial institution before pursuing her studies in Australia in 1991. She joined JB Were & Sons, Australia from 1993 to 1995 as an Assistant to the Group Management Accountant. From 1995 to 1998, she was an Investment Analyst in Deutsche Securities specialised in the banking, finance, insurance and stockbroking sectors. Thereafter, she worked briefly as a Group Accountant in a housing construction group before attaching to Danaharta Urus Sdn Bhd in 1999 to undertake a role in loan rehabilitation and recovery. She is currently employed as a vice president in the investment research division of a licenced asset management company.

Miss Mak is not a director of any other public companies.

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### Muhayuddin Bin Musa

- : 43 years of age, Malaysian
- Independent Non-Executive Director
- Chairman of Remuneration Committee
- Member of Audit Committee
- Member of Nomination Committee

Encik Muhayuddin was appointed to the Board since 10 December 2001. He graduated with a Bachelor of Commerce (Honours) degree from Carlton University, Ottawa, Canada in 1985. Encik Muhayuddin joined as a Financial Officer in the Chief Accountant's Department, Kuala Lumpur of Lembaga Letrik Negara ("LLN") and subsequently he was made Consumer Accountant of the LLN District Office in Johor Bahru. He left to join the private sector in 1987 with his appointment as Senior Credit Officer in Chung Khiaw Bank Ltd (now known as United Overseas Bank (Ltd)). This marked his period of tenure in the banking industry, which included stints with local and foreign banks in various positions. Encik Muhayuddin then joined the commercial sector in 1993. He served with Federal Furniture Holdings (M) Bhd as Corporate Affairs Manager, as well as Managing Director of one of its subsidiaries. He also sits on the Board of several other private limited companies.

Encik Muhayuddin is presently the Executive Director of Computer Forms (M) Bhd and a director of Kumpulan Powernet Berhad.

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### Chua Eng Seng

- : 60 years of age, Malaysian
- Independent Non-Executive Director
- Chairman on the Nomination Committee
- Member of the Audit Committee
- Member of the Remuneration Committee

Mr. Chua was appointed to the Board on 30 January 2004. He graduated with a Bachelor of Engineering (Honours) from the University of Malaya. He served with the Malaysian Industrial Development Authority ("MIDA") from 1971 to 2000, during which time, he held such senior positions as Director of Tariff Division and Director of Metal and Engineering Industries Division. His last position before retirement from Government was that of Deputy Director General of MIDA.

Mr. Chua is also the Independent Non-Executive Director of Hirota Holdings Berhad.

#### Note:

- None of the directors other than Mr. Yap Kow @ Yap Kim Fah, Mr. Yap Kau @ Yap Yeow Ho and Mr. Lim Lye Hock, have any family relationship with any director and/or major shareholders of the Company.
- The Group has entered into recurrent related party transactions with parties in which the directors of the Company, namely Mr. Yap Kow @ Yap Kim Fah and Mr. Yap Kau @ Yap Yeow Ho have direct and/or indirect interest in Note 21 in the accompanying financial statements. Save as disclosed above, none of the other directors have any conflict of interest with the Group.
- None of the directors have been convicted of any offences within the past ten (10) years other than traffic offences, if any.

# CHAIRMAN'S STATEMENT



Splitting Column for oleochemical plant, China

## Dear Valued Shareholders

On behalf of the Board of Directors, I have the pleasure of presenting the annual report and financial statements of APB Resources Berhad and its subsidiary Companies ("Group") for the financial year ended 30 September 2004.

## THE LISTING EXERCISE

In many respects, 2004 marks the cornerstone of the Group's expansion with the acquisition of the Listing Status of former NCK Corporation Berhad from Danaharta and successful completion of the Reverse Takeover Exercise followed by listing under the new entity of APB Resources Berhad on **6th May 2004**. Total issued capital was expanded to 87,875,000 shares of RM1.00 each with another 25,000,000 Irredeemable Convertible Preference Shares of 5.5% coupon were issued. The Public Issue was 138 times oversubscribed. The Company's share made its debut with a modest 20% premium over its Initial Public Offer price of RM1.00 on Bursa Malaysia amidst weak market sentiment plagued by concerns of a global slowdown resulting from escalating crude oil prices and the possibility of a hard landing in China.

In any case, the listing has raised the Group's profile in both the local and the international arena and is expected to raise awareness of our capability among potential overseas clients. Furthermore, it has also enhanced the availability of funds to the Group and strengthened its financial position substantially.

## FINANCIAL REVIEW

The Group recorded a fairly satisfactory performance for the financial year ended 30 September 2004, considering a very difficult operating environment in the 1st Half. After writing off the acquisition costs for "transfer of listing status" of RM15.036 million and listing expenses of RM1.414 million, the Group posted an audited after tax loss of RM13.50 million. The Group's operating profit was RM5.86 million (before write-offs, interest expenses and tax). However, when the financial result is reflected on a 12-month pro-forma basis (i.e. adjusted for pre-acquisition profit contribution for the six months period, from 1 October 2003 to 30 March 2004) the Group's operating profit increased to RM10.01 million for the financial year ended 30 September 2004. There are no comparative figures for the consolidated financial statements as the reverse takeover exercise was only completed on 30 March 2004 and current consolidated reporting commenced from 1 April 2004.

The Group's fabrication division, the principal revenue and profit contributor, was affected by a very volatile and uncertain operating environment in 2003, especially in the first half. The Iraqi war triggered volatility in oil prices and this resulted in oil and petrochemical companies holding back their capital expenditure spending. Although the Group achieved a satisfactory turnover, overall margins were slightly below expectations. Other related sectors also experienced the knock-on effect with a slow-down of projects flows. The situation then was further exacerbated by the SARS outbreak in the Asian region, and the subsequent sudden sharp increase in metal prices made worse by an uncertain supply situation. As availability of projects slumped, competition to fill available capacity resulted in margin squeeze.



## CHAIRMAN'S STATEMENT (Cont'd)



Carbon Steel Column for  
Petroleum Refinery



Column erected at  
Shell Refinery, Port Dickson



Waste Treatment Tank

### FINANCIAL REVIEW (Cont'd)

The 2nd half of the financial year saw a significant improvement in the operating environment as the situation in Iraq stabilized and this time, the continued surge in oil prices drove up capital expenditure in the sector. Furthermore, the pent-up capital spending from first half led to a surge. As a result, competition gradually subsided and margins moved up in the metal fabrication sector. However, this was not sufficient to fully offset against the slack in the 1st half. On a positive note, 2004 was a major performance landmark for the Group as its overseas orders outstripped the domestic portion by a significant margin - further raising its status in the international market.

The Group's Non-destructive Testing division performed above expectations with a contribution of about 6% to the Group's operating profit for the financial year ended 30 September 2004. The unit benefited from fairly strong project flows particularly in the 2nd half of the year in tandem with that in the metal fabrication sector.

The Group's Mechanical, Electrical and Industrial Air-conditioning division continued to operate in an extremely difficult environment. The sector is afflicted by massive excess capacity which slowed project flows. Margin is razor thin and the sector is fairly cash-strapped with rising risk of bad debt. Escalating raw material prices compounded the sector's woes. Cognizant of such risks, the Group was extremely selective of projects in this sector, and instead, focused on trimming costs and redeploying resources to other parts of the Group. The division contributed less than 1% to the Group's operating profit for the financial year.

The Group's strong financial position is reflected in our balance sheet as at 30 September 2004 where our net cash position was approximately RM14.8million or net cash per share of 16.8sen, derived from both our operations and the listing.

### PROSPECTS

For the financial year ended 30 September 2004, over 90% of the Group's earnings came from the metal fabrication division. We anticipate this division to continue to dominate the Group's profit contribution at least in the near to medium term. We are cautiously optimistic on the outlook for the sector.

Currently, we are witnessing continuing, strong momentum in project flows from the 2nd half of calendar year 2004, primarily from overseas orders. Our metal fabrication division is driven by capital expenditure in three main sectors: oil & gas (petrochemical), oleo-chemicals and power.

While local orders flows from the petrochemical sector in 2004 had been rather slow, there is renewed optimism arising from recent new oil reserve discoveries in Malaysia. We expect this to translate into increased capital expenditure in the coming years. The rapid increase in production of crude palm oil particularly in East Malaysia should raise demand for downstream oleo-chemical capacity in the coming years. However, local capital expenditure spending in the power sector will continue to dip as the current excess capacity situation persists.

## CHAIRMAN'S STATEMENT (Cont'd)

### PROSPECTS (Cont'd)

The overseas market will remain the principal growth driver. We expect China's insatiable demand and emerging India to continue to drive demand for crude oil and keep prices at an attractive level, enough to attract high global capital expenditure in both exploration and downstream activities. Huge capital investment in the power sector is expected in the Asian region in the coming years, particularly in China, India and Indonesia. The fast maturing acreage of palm oil investment in recent years in Indonesia will require significant downstream processing capacity going forward. These should augur well for the metal fabrication sector at least for the medium term. The current capacity shortage in the sector is expected to continue.

The nagging concern continues to be the supply and price volatility of steel plates, the primary raw material. Increased raw material prices can generally be passed on. However, bottlenecks in steel capacity and logistic will continue to pose a major challenge to the sector. Nevertheless, there are emerging indications that some normalcy is returning to the steel and the transportation sectors.

The metal testing business will continue to ride on the anticipated strong capital expenditure spending in the fabrication sector.

Given massive excess capacity and limited anticipated spending, the mechanical, electrical and industrial air-conditioning sector is expected remain difficult. Existing resources in the division will continue to be deployed to develop the mini-hydro power business. While progress is being made towards securing the power purchase agreements with the utility company, the outcome has been relatively slow. However, we have built strong capability and expertise in this area since we embarked on the projects. We hope to achieve better progress moving forward.

The rapid regional economic recovery is offering opportunities, particularly in setting up operations in some of these countries. We can assure you that the Group is putting significant effort in exploring potential opportunities. Moreover, we are in a fairly strong financial position to embark on a good investment. Nevertheless, the group is adopting a cautious strategy as strong growth can still be achieved from our existing local base alone. We strongly believe that overseas expansion, like any other investments, must be synergistic to our existing business and most importantly, be capable of enhancing shareholder value.

### DIVIDEND

The Board does not recommend a dividend for the year ended 30 September 2004 due to the Group's audited after tax loss of RM13.50 million, as explained in the first page of my Statement.

### ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our appreciation to all employees for their dedication and contribution to the Group.

I would also like to extend my gratitude to our customers, business partners and investing community, including our shareholders, for their continued support and confidence in the Group.

Finally, to my fellow Board members, I extend my appreciation and thanks for their continued support, guidance and contributions.



Low Pressure Separator



Falling Film Evaporator



Reactor

# STATEMENT ON CORPORATE GOVERNANCE



Carbon Steel Tray Column for  
Petroleum Refinery, Pakistan

The Board of Directors of APB Resources Berhad (the Board) is committed to the standard of corporate governance as prescribed in the Malaysian Code on Corporate Governance (the Code). The Board is committed to ensure that the highest standards of corporate governance are practiced throughout the Group to protect and enhance shareholder value and the financial performance of the Group.

## THE BOARD OF DIRECTORS

The Group is controlled and led by a Board of Directors which has the overall responsibility for the corporate governance, the strategic direction, major capital expenditure, investment and the consideration of significant financial matters. The Board comprises members from diverse professional backgrounds with vast experience of a mixture of technical, entrepreneurial and financial skills.

The Board is well balanced with Executive and Non-Executive Directors to meet the requirement of the Group. There are currently nine (9) members on the Board, comprising four (4) Executive Directors, two (2) Non-Executive Non-Independent and three (3) Independent Directors.

The roles of the Chairman and the Managing Director are combined as he possesses the intimate knowledge and experience in the core business activities of the Group. Notwithstanding this, the functionality of the Board is not compromised as the five Non-Executive Directors on the Board are respected professionals in their own rights who have demonstrated their continued professionalism in the discharge of their duties.

During the financial year, the Board met two (2) times. The number of meetings attended by each director is as follows:

Name of Directors	No. of Meetings Held	No. of Meetings Attended
Yap Kow @ Yap Kim Fah (Chairman/Managing Director)	2	1
Tan Teng Khuan (Chief Operating Officer/Executive Director)	2	2
Lim Lye Hock (Executive Director)	2	2
Cheong Boon Yu (Executive Director)	2	2
Johari Low bin Abdullah @ Low Han Hing (Non-Executive Non-Independent)	2	2
Yap Kau @ Yap Yeow Ho (Non-Executive Non-Independent)	2	2
Mak Fong Ching (Independent Non-Executive Director)	2	2
Muhayuddin bin Musa (Independent Non-Executive Director)	2	2
Chua Eng Seng (Independent Non-Executive Director)	2	2

Meetings are scheduled in advance for sufficient notice to be given and information to be prepared and circulated in a timely manner. Members have unrestricted access to timely and accurate information, which is not confined to quantitative but also other qualitative information as required. All Board members in discharging their respective duties, exercise balanced and independent judgments when deliberating on matters concerning strategies, operations, financials and investments in relation to the Group.

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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### RE-ELECTION OF DIRECTORS

In accordance with the articles of Association of the Company, at least one-third of the Directors will retire by rotation at each Annual General Meeting and all the Directors will retire from office at least once every three years. Directors scheduled for retirement shall be eligible for re-election.

### SUB-COMMITTEES

To ensure the most effective and professional discharge of duties, three (3) sub-committees were formed to focus on specific areas, namely, the Audit Committee, Nomination Committee and Remuneration Committee, each operating within clearly defined terms of references. The details of these committees are set below. These committees are empowered to examine specific issues under their respective purview and to henceforth, make recommendations to the Board accordingly. However, the ultimate responsibilities and final decisions rest with the Board.

### AUDIT COMMITTEE

The Audit Committee assists the Board to meet its responsibilities regarding financial reporting and strengthens the Independence of external auditors through the ability to communicate with Non-Executive Directors. Its role also includes monitoring the works of the internal audit unit.

The Audit Committee comprises three (3) Independent Non-Executive directors, one (1) Non-Executive Non-Independent and another Executive director. The composition of the Committee is as follows:

Mak Fong Ching (Miss) - Chairman (Independent Non-Executive Director)  
Muhayuddin Bin Musa - (Independent Non-Executive Director)  
Chua Eng Seng - (Independent Non-Executive Director)  
Johari Low Bin Abdullah @ Low Han Hing - (Non-Executive Non-Independent)  
Tan Teng Khuan - (Chief Operating Officer/Executive Director)

The Report of the Audit Committee for the financial year is set out on pages 14 to 16.

### NOMINATION COMMITTEE

The nomination Committee comprises three (3) members of the Board, all of whom are Independent Non-Executive Directors. The members of the committee are as follows:

Chua Eng Seng - Chairman  
Muhayuddin Bin Musa  
Mak Fong Ching

The Nomination Committee's roles are as follows:

- assessment and recommendation of new directors to the Board and Board Committees;
- annual assessment on the effectiveness of the Board, the various Board Committees and the contribution of individual Board members; and
- annual review on the composition of skills, experience and balance of Board members, in particular, the composition of non-executive directors, to ensure the effectiveness of the Board as a whole.

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

### REMUNERATION COMMITTEE

The Remuneration Committee is made up of five (5) members of the Board, comprising three (3) Independent Non-Executive Directors and two (2) Executive Directors. The composition of the Committee is as follows:

Muhayuddin bin Musa - Chairman  
(Independent Non-Executive Director)  
Chua Eng Seng  
(Independent Non-Executive Director)  
Mak Fong Ching  
(Independent Non-Executive Director)  
Yap Kow @ Yap Kim Fah  
(Chairman/Managing Director)  
Tan Teng Khuan  
(Chief Operating Officer/Executive Director)

The main roles of the Remuneration Committee are as follows:

- to make the necessary recommendations to the Board in regard to executive remuneration, in particular, remuneration packages pertaining to the Executive Directors and
- to review and recommend the annual salary increments of the Executive Directors to ensure that the remunerations commensurate to performance and market rates.

However, the Board ultimately determines the remuneration packages of the Executive and the Non-Executive Directors and Members are required to abstain from participating in any deliberations regarding their own remuneration.

### DIRECTORS' REMUNERATION

The aggregate of the Directors' remuneration received and/or receivable from the Group for the full twelve (12) months during the financial year ended 30 September 2004 are as follows:

	Executive RM	Non-Executive RM
Salaries and bonuses	169,916	-
Directors' fees	454,600	25,000
Audit Committee fees	-	60,000
Other remuneration	33,000	-
EPF contributions	18,684	-
Benefits-in-kind	63,000	13,325
	739,200	98,325

Number of Directors whose remuneration falls within the respective bands is as follows:

	Executive	Non-Executive
Below RM50,000	-	5
RM50,001 - RM100,000	2	-
RM100,001 - RM250,000	1	-
RM250,001 - RM400,000	1	-

## STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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### SHAREHOLDER COMMUNICATION AND INVESTOR RELATIONS

The Board recognizes the need and importance for the shareholders to be adequately informed of all material business matters pertaining to the company. It values regular communication with the shareholders. Various regular and timely announcements to will be made throughout the year, including quarterly results and Annual Report which will provide an overview of the Group business operations and financial performance. The Group will also use the Company's Annual General Meeting as a forum to further communicate to the shareholders, where such issues like the group's strategies, goals, business and financial performances and major developments within the Group can be discussed.

Additionally, the Group's Corporate & Finance Division will be available to meet institutional investors and investment analysts from time to time to explain and provide information pertaining to the Group's direction and performance.

Mr. Tan Teng Khuan, the Executive Director/Chief Operating Officer has been designated as the Group's principal investor relations officer. Investors can direct their queries to him.

### ANNUAL GENERAL MEETING

The Board recognises that the Annual General Meeting ("AGM") is an important forum for the shareholders, regardless of their stature, to keep abreast of the Group's performance and direction. The Company will hold its Third AGM on 24 March 2005 at 10.00 a.m.

At the AGM, the Board will present the progress and performance of the Group's businesses as contained in the annual report and provide opportunity for shareholders to raise questions pertaining to the business activities of the Group. All Directors are available to respond to shareholders' questions during the meeting.

### FINANCIAL REPORTING

The Group's financial statements were prepared in accordance to the Companies Act with the approved accounting standards so as to give a true and fair view of the state of affairs of the Group at the end of the financial year. In preparation of the financial statements, the Directors aim to present a balanced and accurate assessment of the Group's financial position and prospects. The Group's financial statements and quarterly announcements are reviewed and deliberated by the Audit Committee in the presence of the external auditor, internal auditors and senior staff members of the Corporate and Finance Division every quarter.

All financial statements and quarterly announcements have to be adopted by the Audit Committee first before commending them for adoption by the Board of Directors. The Audit Committee Chairman will brief the Board of any significant matters including material changes that need to be made to the financial statements and quarterly announcements.

### INTERNAL CONTROL

The Board has the overall responsibility for monitoring a sound system of internal control to safeguard shareholders' investment and the Group's assets by identifying principal risks and ensuring the implementation of appropriate systems to manage these risks. The Board working together with the management is committed to the continuous process of enhancing the Group's system of internal controls, which takes into account the changes in the external and internal environment of the Group.

The Group's Internal Control Statement is set out on page 13.

### RELATIONSHIP WITH THE AUDITORS

The Board maintains a close and transparent professional relationship with the Group's external auditors through the Audit Committee where full assistance is extended to enable them to discharge their duties effectively. The Group's external auditors report independently to the shareholders of the Company in accordance to statutory requirements. The external auditors are invited to attend all Audit Committee meetings held from time to time, and will highlight to the Committee, significant matters requiring deliberation and attention.

The role of the Audit Committee in relation to the external auditors is stated on pages 14 to 16.

This Corporate Governance Statement has been approved and signed on behalf of the Board of Directors in accordance with the resolution dated 19 January 2005.

# STATEMENT OF INTERNAL CONTROL

## INTRODUCTION

The Malaysia Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and Group's assets. Bursa Malaysia Securities Berhad's Listing Requirements require directors of the listed companies to include, in annual reports, a statement on the state of their internal controls.

## RESPONSIBILITY

The Board is aware of its responsibility for maintaining a sound system of internal control that would provide reasonable assurance in ensuring the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The Board also recognizes that reviewing the adequacy of the Group's system of internal control is a concerted and continuous process, and the systems put in place are designed to manage rather than to eliminate risks. Therefore, internal controls can only provide reasonable but not absolute assurance against material misstatement or loss.

## KEY PROCESSES OF INTERNAL CONTROL

The key processes that the Board has established to review the adequacy and integrity of the system of internal control are as follows:

1. A formal organization structure for the individual key operating companies in the Group defining main job functions and lines of responsibilities.
2. The Board meets quarterly, since the listing of the Company on 6 May 2004 to deliberate on the Group's financial performance, business development, management and corporate issues.
3. In addition to the Board, the Group has also set up an Executive Committee ("EXCO") on 30 July 2004 comprising key members of senior management. The EXCO principal role is to deliberate on strategic matters, capital expenditures, investment matters, remunerations and other major corporate and operational issues. Issues deliberated at the EXCO are subsequently tabled to the Board for final approval.
4. The Environment, Safety and Health ("ESH") Committee at a major subsidiary comprising representatives from various departments meet periodically to deliberate on staff safety and health issue to ensure compliances with the ESH Policy.



Special Coil Heater

5. One of the subsidiary company was recently accredited with ISO9001:2000. Documented internal procedures and standard operating procedures have been put in place.
6. The centralized control of key functions such as corporate affairs, finance, tax, and human resources.
7. The Board of Directors in agreement with the Audit Committee has decided to outsource the Internal Audit function. The Group is in the midst of identifying a suitable consulting firm for the function. The establishment of the Internal Audit Function will further enhance the internal control environment via the review, assessment and continuous development of the Group's business processes, policies and procedures.

## CONCLUSION

The Board confirms that there is an ongoing process of identification, assessment and management of significant business issues and risks facing the Group.

The Board, working together with the management, is committed to the continuous process of enhancing the Group's system of internal controls, which takes into account the changes in the external and internal environment of the Group.

This statement is made in accordance with a resolution of the Board dated 19 January 2005.

# AUDIT COMMITTEE REPORT



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## Membership and Meetings

The Audit Committee comprises of five (5) members. Three (3) members of the Committee are independent non-executive directors, one (1) non-executive non-independent director and another executive director.

The members of the Committee are:-

- Miss Mak Fong Ching - Chairman (Independent Non-Executive Director)
- Encik Muhayuddin bin Musa (Independent Non-Executive Director)
- Mr. Chua Eng Seng (Independent Non-Executive Director)
- Encik Johari Low bin Abdullah @ Low Han Hing (Non-Independent Non-Executive Director)
- Mr. Tan Teng Khuan (Executive Director)

Two meetings were held during the financial year and the record of attendance for each member of the Audit Committee is as follow:-

Name of Directors	No. of Meetings Held	No. of Meetings Attended
Mak Fong Ching (Independent Non-Executive Director)	2	2
Muhayuddin bin Musa (Independent Non-Executive Director)	2	2
Chua Eng Seng (Independent Non-Executive Director)	2	2
Johari Low bin Abdullah @ Low Han Hing (Non-Executive Non-Independent)	2	1
Tan Teng Khuan (Chief Operating Officer/Executive Director)	2	2

The Group's external auditors, Messrs KPMG, attended all two meetings held during the year.

## TERMS OF REFERENCE

### COMPOSITION

The Audit Committee shall consist of not less than three (3) members, the majority of whom shall comprise independent directors, one of whom shall be in compliance with Part C - 15.10 (c) of the Bursa Malaysia Berhad (BMB) Listing Requirement. The Chairman of the Committee shall be an independent director.



## AUDIT COMMITTEE REPORT (Cont'd)

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### MEETINGS

Meetings shall be held not less than four (4) times a year. The external auditor may request a meeting if he considers that one is necessary to discuss matters which he believes should be brought to the attention of the Committee.

The external auditor shall appear before the Committee when required to do so. The external auditor shall have a right to appear and be heard at any meeting of the Committee. At least once a year, the Committee shall meet with the external auditor without any executive Board member present.

The Company Secretary shall be the Secretary of the Committee.

### QUORUM

The quorum for each meeting shall be a majority of members who are independent directors.

### OBJECTIVES

The primary objectives of the Audit Committee are:

- a) to act as a committee of the full Board to assist in discharging the Board's responsibilities as they relate to the Company's management and internal controls, accounting policies and financial reporting;
- b) to provide, by way of regular meetings, a line of communication between the Board and the auditors;
- c) to enhance the perceptions held by other interested parties (such as shareholders, regulators and creditors) of the credibility and objectivity of financial reports.

### AUTHORITY

The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee.

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

### RESPONSIBILITIES

The Audit Committee shall have the following responsibilities:

- 1 to review with the external auditors:
  - the audit plan
  - their evaluation of the system of internal controls;
  - the audit report on the financial statements; and
  - the assistance given by the Company's officers to the auditors;
- 2 to review the quarterly and year-end financial statements with management and the auditors prior to them being approved by the full Board;
- 3 to review any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- 4 to review any letter of resignation from the external auditors;
- 5 to nominate external auditors for the Company;
- 6 to review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- 7 to review the internal audit programme, processes, and the results of the internal audit programme, processes or investigation undertaken and whether management has taken appropriate actions;
- 8 to review the effectiveness of management information and other systems of control within the Company;
- 9 to review arrangements established by management for compliance with any regulatory or other external reporting requirements;
- 10 to review the accounting policies adopted, any changes in accounting principles or practices, and level of prudence applied in areas requiring judgment;
- 11 to review interim financial information and press releases relating to financial matters of importance;
- 12 to review any significant transactions which are not a normal part of the Company's business;
- 13 to review the co-ordination of audit approach between the external and internal auditors;
- 14 to confirm that management has placed no restrictions on the scope of audits; and
- 15 to perform such other functions as may be agreed to by the Audit Committee and the Board of Directors

## AUDIT COMMITTEE REPORT (Cont'd)

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### SUMMARY OF ACTIVITIES

The Audit Committee met at scheduled times; with due notices of meetings issued, and with agendas planned so that issues raised in respect of financial statements were deliberated and discussed in a focused and detailed manner.

In line with the term of reference of the Committee, the following activities were carried out during the year:-

- review of the external auditors' appointment, scope of work and their audit plan.
- review with the external auditors, the results of their audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of audit.
- review the quarterly unaudited financial results announcements prior to recommending the same for the approval of the Board.
- deliberate on the Group's financial performance, business development, management and corporate issues and recommend for approvals any key business strategies and actions that may affect the Group.
- review of the Company's compliance with the Listing Requirements, the applicable approved accounting standards issued by the Malaysian Accounting Standards Board and other relevant legal and regulatory requirements.

### INTERNAL AUDIT FUNCTION

The Board of Directors in agreement with the Audit Committee has decided to outsource the Internal Audit function. The Group is in the midst of identifying a suitable consulting firm for the function. The establishment of the Internal Audit Function will further enhance the internal control environment via the review, assessment and continuous development of the Group's business processes, policies and procedures.

## DISCLOSURE REQUIREMENT PURSUANT TO THE LISTING REQUIREMENT OF BURSA MALAYSIA

### REMUNERATION OF DIRECTOR

The details of remuneration of directors are stated on Page 11.

### UTILISATION OF PROCEEDS

The gross proceeds amounted to RM21.002 million arising from the corporate exercise of the Company as disclosed in Note 23.1 and 23.2 to the financial statements would be utilised by the Company over the two (2) financial years ending 30 September 2004 to 2005.

During the financial year, the proceeds have been utilized as follows:

Utilisation of Proceeds	Forecast RM'000	Revised RM'000	Actual RM'000
Capital expenditure	4,860	4,860	-
Repayment of bank borrowings	3,481	8,626	5,351
Repayment of hire purchase facilities	1,913	-	-
Listing expenses	2,000	2,613	2,613
Working capital	8,748	4,903	4,446
<b>Total</b>	<b>21,002</b>	<b>21,002</b>	<b>12,410</b>

The Board of Directors of APB has approved the Revision and Extension of Time on 26 November 2004. Since the change to the utilisation of proceeds do not involve utilisation for non-core business activities, the Securities Commission's approval for the Revision and Extension of Time is not required. In addition, shareholder's approval is also not required for the Revision and Extension of Time as the changes to the utilisation of proceeds do not exceed twenty-five percent (25%) from the original utilisation of proceeds as stated in the Prospectus.

### SHARE BUY-BACK

The Company has not undertaken any share buy-back exercise for the financial year ended 30 September 2004.

### OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

During the financial year, an amount of 197,207 Irredeemable Convertible Preference Shares was converted into 197,207 ordinary shares of RM1.00 each in the Company. These additional shares arising was subsequently listed on the Main Board of Bursa Malaysia Securities Berhad.

### AMERICAN DEPOSITORY RECEIPT (ADR) / GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMMES

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

### IMPOSITION OF SANCTIONS / PENALTIES

There was no public imposition of sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the regulatory bodies during the financial year.

### NON-AUDIT FEES

During the financial year ended 30 September 2004, the non-audit fees paid to external auditors by the Company and its subsidiaries amounted to RM42,000.

## Disclosure Requirement Pursuant to the Listing Requirement of Bursa Malaysia (Cont'd)

### PROFIT FORECAST

The Company released a profit forecast in the prospectus issued during the financial year. Below is the explanation of the variances between the proforma audited results and the forecast results.

	Proforma Actual for 12 months ended 30-09-2004	Proforma Forecast for 12 months ended 30-09-2004	Variance
	RM'000	RM'000	RM'000
Profit from operations	10,006	11,920	(1,914)
Listing expenses written off	(1,415)	(802)	(613)
Loss on transfer of NCK	(15,036)	(15,036)	-
Finance costs	(2,081)	(1,073)	(1,008)
Gain on disposal of associate	183	-	183
Profit from associate	-	450	(450)
Loss before taxation	(8,343)	(4,541)	(3,802)
Taxation	(2,560)	(2,568)	(8)
Loss after taxation	(10,903)	(7,109)	(3,810)
Pre-acquisition profits	(2,594)	(2,119)	(475)
Loss after pre-acquisition	(13,497)	(9,228)	(4,285)

Profit from operations was RM1.914million short of forecast largely due to the unexpected sharp increases in steel prices and shortage of supply in the second quarter period. Since then, the Group has taken the appropriate measures to mitigate against the volatility of prices and supply by incorporating allowances in the contracts and matching material prices against cost of contracts.

Listing expenses written off was RM0.613million above forecasts as a result of higher fee of RM0.427million incurred for the delay in completion of the restructuring scheme and another RM0.186million for stamp duties incurred where anticipated waiver was not approved.

Finance costs was RM1.008million higher than forecast due to the delay in receipt of the listing proceeds and the planned repayment of borrowings materialised only at a later date hence higher financial charges were incurred during the interim period. Moreover, the documentations required for prepaying outstanding borrowings took much longer than anticipated to complete hence there were less savings of interests than forecast.

The projected RM0.45million contribution was not forthcoming as the completion of the acquisition of Konsep Realiti Sdn. Bhd. was delayed due to an unexpected pro-longed delay in the completion of the counter-parties' own restructuring exercise (which is a "condition precedent" before the completion of the acquisition by APB). Contribution from this associate company will only commence upon the completion of the acquisition.

The shortfall of the pre-acquisition profits of RM0.475million was due to the timing difference between the earlier forecast submission and the actual pre-acquisition profits calculated as at the date of acquisition of the subsidiaries.

There were no variances of 10% or more between the audited results for the financial year and the unaudited results previously announced.

### PROFIT GUARANTEE

The Company did not give any profit guarantee to any parties during the financial year.

### MATERIAL CONTRACTS AND CONTRACTS RELATING TO LOAN

There were no material contracts of the Company and subsidiary companies involving directors and substantial shareholders. There were no contracts relating to loan entered into by the Company and its subsidiaries which involve the Directors' and major shareholders' interests since the previous financial year ended 30 September 2004.

### RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE

At the forthcoming Annual General Meeting to be held on 24 March 2005, the Company intends to seek its shareholders' approval to ratify the related party transactions and secure a new shareholders' mandate for recurrent related party transactions of a revenue or trading nature. The details of the shareholders' mandate to be sought will be furnished in the Circular to Shareholders dated 1 March 2005 attached to this Annual Report.

The details of related party transactions are stated in Note 21 to the Financial Statements.

### REVALUATION POLICY ON LANDED PROPERTIES

The Group does not adopt a policy on regular revaluation of its landed properties.

## Statement of Directors Responsibility for Preparing the Financial Statement

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

In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgment and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared the financial statement on a going concern basis.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that financial statements comply with the Companies Act 1965 and applicable approved accounting standards.

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

The Statement of Directors pursuant to Section 169 of the Companies Act, 1965 is set out on Page 26.



## Financial Statements

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## Directors' report for the year ended 30 September 2004

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 30 September 2004.

### Principal activities

The Company is principally engaged in investment holding, whilst the principal activities of its subsidiaries, which were acquired during the financial year, are stated in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### Results

	Group RM	Company RM
Net loss for the year	<u>13,497,181</u>	<u>16,784,315</u>

The Group's net loss for the year represents the results of the Group following the completion of the acquisition of the subsidiaries on 30 March 2004.

### Dividend

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

### Reserves and provisions

There were no material transfers to or from reserves and provisions during the year under review except as disclosed in the financial statements.

### Directors of the Company

Directors who served since the date of the last report are:

Muhayuddin Bin Musa  
 Mak Fong Ching  
 Yap Kow @ Yap Kim Fah (appointed on 30.3.2004)  
 Yap Kau @ Yap Yeow Ho (appointed on 30.3.2004)  
 Tan Teng Khuan (appointed on 30.3.2004)  
 Lim Lye Hock (appointed on 30.3.2004)  
 Cheong Boon Yu (appointed on 30.3.2004)  
 Johari Low Bin Abdullah @ Low Han Hing (appointed on 30.3.2004)  
 Chua Eng Seng (appointed on 30.3.2004)

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

## Directors' report for the year ended 30 September 2004 (Cont'd)

### Directors of the Company (Cont'd)

	At 1.10.2003/ date of appointment	Number of ordinary shares of RM1.00 each					At 30.9.2004
		Allotted	Bought	Gross balance before sale	Transfer *	Sold	
<i>Direct interest in the Company</i>							
Muhayuddin Bin Musa	1	-	-	1	-	-	1
Yap Kow @ Yap Kim Fah	-	16,500,518	6,300,000	22,800,518	(8,259,137)	(4,100,000)	10,441,381
Yap Kau @ Yap Yeow Ho	-	-	33,000	33,000	-	-	33,000
Tan Teng Khuan	-	851,871	-	851,871	(349,878)	(400,000)	101,993
Lim Lye Hock	-	3,092,157	-	3,092,157	(1,545,591)	(97,600)	1,448,966
Cheong Boon Yu	-	1,248,182	-	1,248,182	(624,038)	-	624,144
Johari Low Bin Abdullah	-	1,646,952	-	1,646,952	(676,430)	-	970,522
<i>Indirect interest in the Company</i>							
Yap Kow @ Yap Kim Fah	-	32,825,044	-	32,825,044	(3,452,787)	-	29,372,257
Yap Kau @ Yap Yeow Ho	-	6,905,044	-	6,905,044	(3,452,787)	-	3,452,257

	At 1.10.2003 / date of appointment	Number of irredeemable convertible preference shares of RM1.00 each		
		Allotted	Transfer *	At 30.9.2004
<i>Direct interest in the Company</i>				
Muhayuddin Bin Musa	-	-	-	-
Yap Kow @ Yap Kim Fah	-	7,957,886	(3,982,863)	3,975,023
Yap Kau @ Yap Yeow Ho	-	-	-	-
Tan Teng Khuan	-	410,841	(168,739)	242,102
Lim Lye Hock	-	1,491,288	(745,409)	745,879
Cheong Boon Yu	-	601,975	(300,962)	301,013
Johari Low Bin Abdullah	-	794,293	(326,230)	468,063
<i>Indirect interest in the Company</i>				
Yap Kow @ Yap Kim Fah	-	15,830,171	(1,665,213)	14,164,958
Yap Kau @ Yap Yeow Ho	-	3,330,171	(1,665,213)	1,664,958



## Directors' report for the year ended 30 September 2004 (Cont'd)

### Directors of the Company (Cont'd)

\* Certain shareholders consolidated their shareholdings in the Company by assigning a total of 25,920,000 ordinary shares in the Company representing approximately 26.87% of the enlarged issued and paid-up share capital of the Company and 12,500,000 ICPS representing approximately 50.00% of the ICPS to Ikram Pintas Sdn. Bhd., a private investment holding company incorporated in Malaysia.

By virtue of their interest in the Company, the above Directors are also deemed to have interest in its wholly owned subsidiaries.

None of the other Directors holding office at 30 September 2004 had any interest in the ordinary shares of the Company and of its related corporation during the financial year.

### Directors' benefits

Since the end of the previous financial period, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of related companies) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who may be deemed to derive a benefit by virtue of trading transactions in the ordinary course of business between the Company or its related corporations and companies in which the Directors have interests as disclosed in Note 21 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Issue of shares or debentures

On 25 March 2004, the Company had increased its authorised share capital from RM100,000 comprising 100,000 ordinary shares of RM1.00 each to RM200,000,000 by the creation of 174,900,000 new ordinary shares of RM1.00 each and 25,000,000 new irredeemable convertible preference shares ("ICPS") of RM1.00 each.

During the financial year, the Company had increased its issued and paid-up share capital as follows:-

#### (i) Ordinary shares of RM1.00 each

Date of allotment	Number of shares	Terms of issue	Purpose of issue
30.3.2004	934,000	At par	Full consideration for acquisition of NCK Corporation Berhad (Special Administrators Appointed)
30.3.2004	51,837,000	At par	Part consideration for acquisition of Era Julung Sdn. Bhd.
30.3.2004	14,102,000	At par	Part settlement of the liabilities of NCK Corporation Berhad (Special Administrators Appointed)
16.4.2004	2,802,000	At par for cash	Restricted issue
16.4.2004	16,200,000	At par for cash	Special issue
16.4.2004	2,000,000	At par for cash	Public issue
3.8.2004	197,207	At par	Conversion from ICPS

## Directors' report for the year ended 30 September 2004 (Cont'd)

### Issue of shares or debentures (Cont'd)

#### (ii) *Irredeemable Convertible Preference Shares of RM1.00 each*

Date of allotment	Number of shares	Terms of issue	Purpose of issue
30.3.2004	25,000,000	At par	Part consideration for acquisition of Era Julung Sdn. Bhd.

The above shares were issued in conjunction with the restructuring exercise of NCK Corporation Berhad (Special Administrators Appointed) and the Company's listing on the Main Board of the Bursa Malaysia Securities Berhad.

There were no debentures issued during the financial year.

### Significant events during the year

#### (i) *Restructuring exercise of NCK Corporation Berhad*

The Company was involved in the restructuring exercise of NCK Corporation Berhad which was implemented during the year.

Details of the restructuring exercise are set out in Note 23.1 to the financial statements.

#### (ii) *Flotation of the issued and paid up share capital of the Company*

On 6 May 2004, the entire enlarged issued and paid-up share capital of APB comprising 87,875,002 ordinary shares of RM1.00 each was admitted to the Official List of the Exchange and the listing of and quotation for these shares on the Main Board of Bursa Malaysia Securities Berhad was thereon completed.

#### (iii) *Disposal of associate*

On 1 July 2004, a wholly owned subsidiary of the Company, Amalgamated Metal Corporation (M) Sdn. Bhd., had disposed its interest in an associate, Kanon Loading Equipment (M) Sdn. Bhd. ("KLEMSB"), for a consideration of RM235,463 on a willing buyer willing seller basis after taking into account the audited net tangible assets of KLEMSB as at 31 December 2003.

### Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year.

### Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

## Directors' report for the year ended 30 September 2004 (Cont'd)

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### Other statutory information (Cont'd)

- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or in the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, other than the loss on transfer of NCK Corporation Berhad and the listing expenses written off as disclosed in the Income Statement, the results of the operations of the Group and of the Company for the financial year ended 30 September 2004 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

### Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

.....  
**Yap Kow @ Yap Kim Fah**

.....  
**Tan Teng Khuan**

Kuala Lumpur,

Date: 19 January 2005

## Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965/ Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

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### Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 28 to 61 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 September 2004 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

.....  
**Yap Kow @ Yap Kim Fah**

.....  
**Tan Teng Khuan**

Kuala Lumpur,

Date: 19 January 2005

### Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Yap Wan Ting**, the Officer primarily responsible for the financial management of APB Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 28 to 61 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed in Kuala Lumpur on 19 January 2005.

.....  
**Yap Wan Ting**

Before me:  
No. W334  
WONG AH YING  
Commissioner for Oaths  
Kuala Lumpur

## Report of the auditors to the members of APB Resources Berhad

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We have audited the financial statements set out on pages 28 to 61. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 30 September 2004 and the results of their operations and cash flows for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements 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 audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Lim Hun Soon @ David Lim**  
Partner  
Approval Number: 1514/05/06(J)

Kuala Lumpur,  
Date: 19 January 2005

## Balance sheets at 30 September 2004

	Note	Group 2004 RM	2004 RM	Company 2003 RM
<b>Property, plant and equipment</b>	2	43,541,720	-	-
<b>Investments in subsidiaries</b>	3	-	76,837,000	-
Other investments	4	129,585	-	-
Goodwill on consolidation	5	15,209,905	-	-
		<u>58,881,210</u>	<u>76,837,000</u>	<u>-</u>
<b>Current assets</b>				
Inventories	6	2,907,910	-	-
Trade and other receivables	7	41,655,693	8,151,289	1,000,000
Cash and cash equivalents	8	26,391,992	15,132,786	2
		<u>70,955,595</u>	<u>23,284,075</u>	<u>1,000,002</u>
<b>Current liabilities</b>				
Trade and other payables	9	15,518,752	5,713,448	2,214,890
Borrowings (secured)	10	6,571,828	-	-
Taxation		1,366,973	22,000	-
		<u>23,457,553</u>	<u>5,735,448</u>	<u>2,214,890</u>
<b>Net current assets/(liabilities)</b>		<u>47,498,042</u>	<u>17,548,627</u>	<u>(1,214,888)</u>
		<u>106,379,252</u>	<u>94,385,627</u>	<u>(1,214,888)</u>
<b>Financed/(Represented) by:-</b>				
<b>Capital and reserves</b>				
Share capital	11	107,727,172	107,727,172	2
Accumulated losses		(15,202,241)	(18,489,375)	(1,214,890)
<b>Surplus/(Deficit) in shareholders' funds</b>		<u>92,524,931</u>	<u>89,237,797</u>	<u>(1,214,888)</u>
<b>Long term and deferred liabilities</b>				
Borrowings (secured)	10	5,041,991	-	-
Deferred tax liabilities	12	3,664,500	-	-
Irredeemable Convertible Preference Shares	11	5,147,830	5,147,830	-
		<u>13,854,321</u>	<u>5,147,830</u>	<u>-</u>
		<u>106,379,252</u>	<u>94,385,627</u>	<u>(1,214,888)</u>

The financial statements were approved and authorised for issue by the Board of Directors on 19 January 2005.

The notes set out on pages 34 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

## Income statements for the year ended 30 September 2004

	Note	Group Year ended 30.9.2004 RM	Year ended 30.9.2004 RM	Company 9 months ended 30.9.2003 RM
<b>Revenue</b>	13	47,395,250	-	-
Cost of sales		(37,029,781)	-	-
<b>Gross Profit</b>		10,365,469	-	-
Other operating income		1,158,047	157,437	-
Distribution costs		(245,921)	-	-
Administration expenses		(5,421,570)	(271,670)	(3,151)
<b>Operating profit/(loss)</b>	13	5,856,025	(114,233)	(3,151)
Loss on transfer of NCK Corporation Berhad	15	(15,036,000)	(15,036,000)	-
Listing expenses written off		(1,414,752)	(1,414,752)	(1,197,792)
Gain on disposal of associate		6,577	-	-
Finance costs	16	(1,074,786)	(197,330)	-
<b>Loss before taxation</b>		(11,662,936)	(16,762,315)	(1,200,943)
Tax expense	17	(1,834,245)	(22,000)	-
<b>Net loss for the year</b>		(13,497,181)	(16,784,315)	(1,200,943)
Basic loss per ordinary share (sen)	19	(32.31)		
Diluted loss per ordinary share (sen)	19	*		

\* The conversion of the ICPS is expected to have an anti-dilutive effect on the loss per share ("LPS") for 30 September 2004; accordingly, the fully diluted LPS is not computed.

The full-year Proforma results of the Group for the year ended 30 September 2004 is presented in Note 24.

The notes set out on pages 34 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

## Statement of changes in equity for the year ended 30 September 2004

	Note	Ordinary share capital RM	Irredeemable convertible preference shares - equity component RM	Accumulated losses RM	Total RM
<b>Group</b>					
At 1 October 2003		2	-	(1,214,890)	(1,214,888)
Issue of shares:					
- Acquisition of subsidiaries		66,873,000	25,000,000	-	91,873,000
- Restricted issue		2,802,000	-	-	2,802,000
- Special issue		16,200,000	-	-	16,200,000
- Public issue		2,000,000	-	-	2,000,000
- Conversion from ICPS		197,207	(197,207)	-	-
ICPS					
- reclassified to liability component		-	(5,638,000)	-	(5,638,000)
- capitalisation of liability component on dividend	18	-	490,170	-	490,170
Net loss for the year		-	-	(13,497,181)	(13,497,181)
Dividend on ICPS - equity component		-	-	(490,170)	(490,170)
<b>At 30 September 2004</b>		<b>88,072,209</b>	<b>19,654,963</b>	<b>(15,202,241)</b>	<b>92,524,931</b>
		Note 11	Note 11		



## Statement of changes in equity for the year ended 30 September 2004 (Cont'd)

### Company (Cont'd)

	Note	Ordinary share capital RM	Irredeemable convertible preference shares - equity component RM	Accumulated losses RM	Total RM
<b>Company</b>					
At 1 January 2003		2	-	(13,947)	(13,945)
Net loss for the period		-	-	(1,200,943)	(1,200,943)
At 30 September 2003/ 1 October 2003		2	-	(1,214,890)	(1,214,888)
Issue of shares:					
- Acquisition of subsidiaries		66,873,000	25,000,000	-	91,873,000
- Restricted issue		2,802,000	-	-	2,802,000
- Special issue		16,200,000	-	-	16,200,000
- Public issue		2,000,000	-	-	2,000,000
- Conversion from ICPS		197,207	(197,207)	-	-
ICPS					
- reclassified to liability component		-	(5,638,000)	-	(5,638,000)
- capitalisation of liability component on dividend	18	-	490,170	-	490,170
Net loss for the year		-	-	(16,784,315)	(16,784,315)
Dividend on ICPS - equity component		-	-	(490,170)	(490,170)
<b>At 30 September 2004</b>		<b>88,072,209</b>	<b>19,654,963</b>	<b>(18,489,375)</b>	<b>89,237,797</b>
		Note 11	Note 11		

The notes set out on pages 34 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

## Cash flow statements for the year ended 30 September 2004

	Note	Group Year ended 30.9.2004 RM	Year ended 30.9.2004 RM	Company 9 months ended 30.9.2003 RM
<b>Cash flows from operating activities</b>				
Loss before taxation		(11,662,936)	(16,762,315)	(1,200,943)
Adjustments for:				
Depreciation		2,061,608	-	-
Gain on disposal of property, plant and equipment		(124,049)	-	-
Gain on foreign exchange- unrealised		(15,794)	-	-
Loss on transfer of NCK		15,036,000	15,036,000	-
Listing expenses written off		1,414,752	1,414,752	-
Gain on disposal of associate		(6,577)	-	-
Interest expense		708,697	-	-
Interest income		(316,922)	(157,437)	-
Dividend on ICPS		197,330	197,330	-
		<hr/>	<hr/>	<hr/>
Operating profit/(loss) before working capital changes		7,292,109	(271,670)	(1,200,943)
Changes in working capital:				
Inventories		(769,432)	-	-
Trade and other receivables		(7,517,765)	(7,151,289)	1,055,314
Trade and other payables		(654,097)	2,811,058	145,629
		<hr/>	<hr/>	<hr/>
Cash used in operations		(1,649,185)	(4,611,901)	-
Income taxes paid		(571,682)	-	-
Interest paid		(44)	-	-
Interest received		316,922	157,437	-
		<hr/>	<hr/>	<hr/>
<b>Net cash used in operating activities</b>		(1,903,989)	(4,454,464)	-
		<hr/>	<hr/>	<hr/>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(i)	(587,580)	-	-
Proceeds from disposal of property, plant and equipment		149,698	-	-
Acquisition of subsidiaries, net of cash acquired (Note 24)		21,279,019	-	-
Proceeds from disposal of associate		235,463	-	-
Pledged deposits with licensed banks		(2,363,195)	-	-
		<hr/>	<hr/>	<hr/>
<b>Net cash generated from investing activities</b>		18,713,405	-	-
		<hr/>	<hr/>	<hr/>

## Cash flow statements for the year ended 30 September 2004 (Cont'd)

	Note	Group Year ended 30.9.2004 RM	Year ended 30.9.2004 RM	Company 9 months ended 30.9.2003 RM
<b>Cash flows from financing activities</b>				
Repayment of trust receipts and bankers' acceptance		(4,509,957)	-	-
Interest paid on trust receipts and bankers' acceptance		(188,792)	-	-
Repayment of term loans		(6,456,574)	-	-
Interest paid on term loans		(444,176)	-	-
Repayment of hire purchase and finance leases		(692,685)	-	-
Interest paid on hire purchase and finance leases		(75,685)	-	-
Proceed from issuance of shares		21,002,000	21,002,000	-
Listing expenses		(1,414,752)	(1,414,752)	-
<b>Net cash generated from financing activities</b>		<b>7,219,379</b>	<b>19,587,248</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>24,028,795</b>	<b>15,132,784</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of year/period</b>		<b>2</b>	<b>2</b>	<b>2</b>
<b>Cash and cash equivalents at end of year/period</b>	(ii)	<b>24,028,797</b>	<b>15,132,786</b>	<b>2</b>

### Notes to cash flow statements

#### *i) Purchase of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM647,580, of which RM60,000 was acquired by means of hire purchase.

#### *ii) Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group 2004 RM	Company 2004 RM	2003 RM
Cash and bank balances	21,913,022	14,132,786	2
Deposits with licensed banks (net of pledged deposits)	2,115,775	1,000,000	-
	<b>24,028,797</b>	<b>15,132,786</b>	<b>2</b>

The notes set out on pages 34 to 61 form an integral part of, and should be read in conjunction with, these financial statements.

## Notes to the financial statements

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### 1. Summary of significant accounting policies

The following accounting policies are adopted by the Group and by the Company.

#### (a) Basis of accounting

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

#### (b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. 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 from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

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

#### (c) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies.

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

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

Goodwill on acquisition is calculated based on the fair value of net assets acquired.

#### (d) Property, plant and equipment

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

The Group revalues its properties comprising land and buildings every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. Additions subsequent to the date of valuation are stated at cost until the next revaluation exercise.

Surpluses arising from revaluation are dealt with in the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

## Notes to the financial statements (Cont'd)

### 1. Summary of significant accounting policies (Cont'd)

#### (d) Property, plant and equipment (Cont'd)

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment loss, if any.

#### *Depreciation*

Long-term leasehold land are amortised in equal instalments over the respective lease periods ranging from 57 to 63 years while buildings are depreciated on a straight line basis over the shorter of 50 years or the lease periods. The straight-line method is used to write off the cost of the other property, plant and equipment over the term of their estimated useful lives at the following principal annual rates:

Buildings	2%
Furniture, fittings, office equipment and renovation	10% - 20%
Motor vehicles	20%
Plant and machinery and testing equipment	10%

#### (e) Intangible asset

#### *Goodwill*

Goodwill on consolidation represents the excess of the cost of acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated impairment losses (refer Note 1(f)).

Goodwill is not amortised.

#### (f) Impairment

The carrying amount of assets, other than inventories, deferred tax assets, amount due from contract customers and financial assets (other than investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

## Notes to the financial statements (Cont'd)

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### 1. Summary of significant accounting policies (Cont'd)

#### (g) Investments in subsidiaries

Investments in subsidiaries are stated at cost in the Company, less impairment loss, where applicable.

#### (h) Other investments

Other investments are held for long term and are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

#### (i) Inventories

Inventories are stated at the lower of cost and net realisable value with first-in-first-out method being the main basis for cost.

#### (j) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

Known bad debts are written off and specific allowances are made for debts considered doubtful.

#### (k) Amount due from contract customers

Amount due from contract customers on fixed price contracts is stated at cost plus attributable profits less foreseeable losses and less progress billings. Cost includes all direct contract costs and other related costs. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is shown in trade and other payables as amount due to contract customers.

#### (l) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of pledged deposits.

#### (m) Liabilities

Borrowings and trade and other payables are stated at cost.

#### (n) Finance lease

Leases in which the Group assume substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not the Group's incremental borrowing rate is used.

#### (o) Hire purchase arrangements

Property, plant and equipment acquired under hire purchase arrangements are capitalised at the purchase costs and are depreciated over their estimated useful lives in accordance to the policy set out in Note 1(d). The corresponding obligation relating to the remaining capital payments are treated as a liability. The interest element of the hire purchase arrangements is amortised over the period of the hire purchase and accounted for on the sum of digits method.

## Notes to the financial statements (Cont'd)

### 1. Summary of significant accounting policies (Cont'd)

#### (p) Irredeemable Convertible Preference Shares

The Irredeemable Convertible Preference Shares issued by the company comprises both liability and equity components. The components are derived using the Residual Value of Equity Component Method.

#### (q) Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

#### (r) Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	<b>2004</b>	<b>2003</b>
USD 1.00	RM3.775	RM3.800
SGD 1.00	RM2.224	RM2.173
BND 1.00	RM2.224	RM2.173
EURO 1.00	RM4.640	RM4.364

## Notes to the financial statements (Cont'd)

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### 1. Summary of significant accounting policies (Cont'd)

#### (s) Revenue recognition

##### *i) Fixed price contract*

Revenue from fixed price contracts is recognised on the percentage of completion method, measured by reference to the proportion that contract costs incurred for contract work performed to date that reflect work performed bear to the total estimated contract costs.

When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable and contract costs are recognised as an expense in the period in which they are incurred.

An expected loss on a contract is recognised immediately in the income statement.

##### *ii) Goods sold and services rendered*

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to services performed to date as a percentage of total services to be performed.

#### (t) Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

#### (u) Financing costs

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of finance lease payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

#### (v) Employee benefits

##### *(i) Short term benefits*

Wages, salaries and bonuses are recognised as an expense in the year in which the associated services are rendered by the 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 absences occur.

##### *(ii) Defined contribution plans*

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.



## Notes to the financial statements (Cont'd)

### 2. Property, plant and equipment

	Long term leasehold land RM	Freehold buildings RM	Leasehold buildings RM	Furniture, fittings, office equipment and renovation RM	Motor vehicles RM	Plant and machinery and testing equipment RM	Total RM
<b>Group</b>							
<b>Cost</b>							
Acquisition of subsidiaries	9,373,000	1,770,000	16,785,901	3,029,569	5,027,448	29,836,870	65,822,788
Additions	-	-	96,247	244,361	202,912	104,060	647,580
Disposal	-	-	-	-	(315,739)	-	(315,739)
At 30 September 2004	9,373,000	1,770,000	16,882,148	3,273,930	4,914,621	29,940,930	66,154,629
<b>Accumulated Depreciation</b>							
Acquisition of subsidiaries	334,101	80,650	485,073	1,940,433	3,621,016	14,380,118	20,841,391
Charge for the year	76,371	16,700	139,697	101,048	276,666	1,451,126	2,061,608
Disposal	-	-	-	-	(290,090)	-	(290,090)
At 30 September 2004	410,472	97,350	624,770	2,041,481	3,607,592	15,831,244	22,612,909
<b>Net book value</b>							
At 30 September 2004	8,962,528	1,672,650	16,257,378	1,232,449	1,307,029	14,109,686	43,541,720

## Notes to the financial statements (Cont'd)

### 2. Property, plant and equipment (Cont'd)

#### 2.1 Security

- i) Land and buildings at cost charged to licensed banks as securities for borrowings (see Note 10) are as follows:

	Group 2004 RM
Long term leasehold land	9,373,000
Buildings	17,292,149
	<u>26,665,149</u>

- ii) Plant and machinery at net book value of RM3,052,500 of a subsidiary were charged to licensed banks as securities for credit facilities granted to the subsidiary (see Note 10).

#### 2.2 Assets under hire purchase and leases

The net book value of plant and equipment acquired under hire purchase and finance lease arrangements included in the above are as follows:

	Group 2004 RM
Office equipment	81,333
Motor vehicles	972,480
Plant and machinery and testing equipment	2,014,437
	<u>3,068,250</u>

#### 2.3 Titles

- i) Included in buildings are properties at valuation of RM1,360,000 for which the strata titles for the buildings have yet to be issued to the respective subsidiaries.
- ii) Buildings at cost of RM540,000 and motor vehicles with net book value of RM55,000 in a subsidiary are registered in the name of a Director who hold them in trust for the subsidiary.

### 3. Investments in subsidiaries

	Company	
	2004 RM	2003 RM
Unquoted shares, at cost	<u>76,837,000</u>	<u>-</u>

## Notes to the financial statements (Cont'd)

### 3. Investments in subsidiaries (Cont'd)

The details of the subsidiaries all of which are incorporated in Malaysia, are as follows:-

Name	Principal activities	Company Effective ownership interest	
		2004 %	2003 %
<i>Subsidiary of APB Resources Berhad</i>			
Era Julung Sdn. Bhd.	Investment holding	100	-
<i>Subsidiaries of Era Julung Sdn. Bhd.</i>			
Amalgamated Metal Corporation (M) Sdn. Bhd.	Fabrication of specialised design and manufacturing of engineering equipment	100	-
Benmarl Sdn. Bhd.	Contractors in air-conditioning and related engineering services and trading of uninterrupted power supply equipment	100	-
Prescan Sdn. Bhd.	Provision of Non-Destructive Testing services and other related services	100	-

### 4. Other investments

	Group 2004 RM
Other investments, at cost	210,000
Less: Allowance for diminution in value	(84,115)
	<hr/>
Quoted shares, at cost	125,885
	3,700
	<hr/>
	129,585
	<hr/>
Market value of quoted shares at 30 September 2004	1,120
	<hr/>

## Notes to the financial statements (Cont'd)

### 5. Goodwill on consolidation

	Group 2004 RM
Acquisition of subsidiaries (Note 24)	15,209,905
At 30 September 2004	<u>15,209,905</u>

### 6. Inventories

	Group 2004 RM
At cost	
Consumables	2,834,410
Merchandised inventories	73,500
	<u>2,907,910</u>

### 7. Trade and other receivables

	Group 2004 RM	2004 RM	Company 2003 RM
Trade receivables	31,913,263	-	-
Less: Allowance for doubtful debts	(1,987,109)	-	-
	<u>29,926,154</u>	-	-
Amount due from contract customers	8,541,085	-	-
Amount due from subsidiary	-	8,134,649	-
Other receivables, deposits and prepayments	3,188,454	16,640	1,000,000
	<u>41,655,693</u>	<u>8,151,289</u>	<u>1,000,000</u>

#### 7.1 Retention sums

	Group 2004 RM
Retention sums included in trade receivables	<u>3,166,960</u>

## Notes to the financial statements (Cont'd)

### 7. Trade and other receivables (Cont'd)

#### 7.2 Amount due from contract customers

	<b>Group 2004 RM</b>
Aggregate costs incurred to date	28,375,504
Attributable profits	5,760,069
	<hr/>
	34,135,573
Less: Progress billings	(30,646,503)
	<hr/>
	3,489,070
Amount due to contract customers	5,052,015
	<hr/>
Amount due from contract customers	<u>8,541,085</u>
Additions to aggregate costs incurred during the year include:	
Depreciation	1,285,157
Hire of machinery	32,786
Rental of factory	6,000
	<hr/>

#### 7.3 Amount due from subsidiaries

The amount due from subsidiaries are non-trade in nature, unsecured, interest free and have no fixed term of repayment.

#### 7.4 Other receivables, deposits and prepayments

Included in other receivables, deposits and prepayments of the Group are:

- i) an amount of RM1,710,000 due from a third party in respect of the sale of an associate of the subsidiary in 2002. Subsequent to the financial year end, RM855,000 has been received and the remaining balance is expected to be fully settled by the first quarter of 2005.
- ii) an amount of RM500,000 due from a third party in respect of management fees receivable for professional services rendered. The amount has been fully settled subsequent to the financial year.
- iii) advances to EPIC Constant Sdn. Bhd. amounting to RM412,760 for working capital purposes to carry out preliminary works at their hydro power project site.

Other receivables, deposits and prepayments of the Company in 2003 included an amount of RM1,000,000 relating to deposit payments made to the Special Administrators of NCK Corporation Berhad ("NCK") pursuant to the restructuring exercise of NCK as detailed in Note 23 for the transfer of NCK's listing status on the Main Board of the Bursa Malaysia Securities Berhad to the Company. The amount has been fully refunded to the Company during the year.

## Notes to the financial statements (Cont'd)

### 8. Cash and cash equivalents

	Group 2004 RM	2004 RM	Company 2003 RM
Deposits with licensed banks	4,478,970	1,000,000	-
Cash and bank balances	21,913,022	14,132,786	2
	<u>26,391,992</u>	<u>15,132,786</u>	<u>2</u>

Deposits of the Group amounting to RM2,363,195 are pledged to licensed banks for credit facilities granted to the subsidiaries (Note 10).

Deposits of a subsidiary held in the name of a Director and a third party amounted to RM1,099,662. These deposits were pledged to a licensed bank for credit facilities granted to the subsidiary prior to the acquisition of the subsidiary by the Company.

### 9. Trade and other payables

	Group 2004 RM	2004 RM	Company 2003 RM
Trade payables	8,635,124	-	-
Amount due to contract customers (Note 7.2)	5,052,015	-	-
Amount due to subsidiaries	-	4,730,608	-
Other payables and accruals	1,144,113	295,340	2,214,890
Dividend payable	687,500	687,500	-
	<u>15,518,752</u>	<u>5,713,448</u>	<u>2,214,890</u>

#### 9.1 Trade payables

Included in trade payables of the Group is an amount of RM384,992 owing to companies in which the Directors have interest.

#### 9.2 Amount due to subsidiaries

The amount due to subsidiaries are non-trade in nature, unsecured, interest free and have no fixed terms of repayment.

#### 9.3 Other payables and accruals

Included in other payables and accruals:

- i) of the Group is an amount of RM56,603 owing to a company in which the Directors have interest; and
- ii) of the Company in 2003 are advances of RM2,167,974 owing to the companies acquired during the year. The advances were made in respect of the listing expenses and deposits for the transfer of listing status as described in Note 23.

## Notes to the financial statements (Cont'd)

### 10. Borrowings (secured)

	Group 2004 RM
Current:	
Bankers' acceptances	273,000
Trust receipts	4,008,842
Term loans	1,508,071
Hire purchase and finance lease liabilities	781,915
	<u>6,571,828</u>
Non-current:	
Term loans	4,546,247
Hire purchase and finance lease liabilities	495,744
	<u>5,041,991</u>

#### 10.1 Terms and debt repayment schedule

	Total RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM
<b>Group</b>				
Bankers' acceptances - fixed at 0.75% above money market discount rate	273,000	273,000	-	-
Trust receipts - variable at 1.5% to 2.5% above BLR	4,008,842	4,008,842	-	-
Term loans - variable at 1.25% to 1.5% above BLR	6,054,318	1,508,071	1,591,736	2,954,511
Hire purchase and finance lease liabilities - fixed at 3.5% to 6.2%	1,277,659	781,915	317,402	178,342
	<u>11,613,819</u>	<u>6,571,828</u>	<u>1,909,138</u>	<u>3,132,853</u>

The borrowings are secured by:

- i) fixed charge over certain land and buildings of a subsidiary (Note 2);
- ii) fixed and floating charge over plant and equipment of a subsidiary;
- iii) pledge over certain fixed deposits of the subsidiaries (Note 8); and
- iv) joint and several guarantees by the Directors of the Company.

## Notes to the financial statements (Cont'd)

### 10. Borrowings (secured) (Cont'd)

#### 10.2 Hire purchase and finance lease liabilities

Hire purchase and finance lease liabilities are payable as follows:-

	<-----2004----->		
	Payments RM	Interest RM	Principal RM
<b>Group</b>			
Less than one year	853,633	(71,718)	781,915
Between one and five years	536,258	(40,514)	495,744
	1,389,891	(112,232)	1,277,659

### 11. Share capital

	Group and Company	
	2004 RM	2003 RM
<b>Authorised</b>		
Ordinary shares of RM1.00 each:		
At 1 October 2003 / 1 January 2003	100,000	100,000
Created during the year	174,900,000	-
	175,000,000	100,000
At 30 September	175,000,000	100,000
5.5% Irredeemable Convertible Preference Shares 2004/2009 of RM1.00 each:		
At 1 October 2003 / 1 January 2003	-	-
Created during the year	25,000,000	-
	25,000,000	-
At 30 September	25,000,000	-
<b>Total</b>	200,000,000	100,000
<b>Issued and paid up</b>		
Ordinary shares of RM1.00 each:		
At 1 October 2003 / 1 January 2003	2	2
Issued during the year via		
- Acquisition of subsidiaries	66,873,000	-
- Restricted issue	2,802,000	-
- Special issue	16,200,000	-
- Public issue	2,000,000	-
- Conversion from ICPS	197,207	-
	88,072,209	2
At 30 September	88,072,209	2



## Notes to the financial statements (Cont'd)

### 11. Share capital (Cont'd)

	Group and Company	
	2004 RM	2003 RM
5.5% Irredeemable Convertible Preference Shares 2004/2009 of RM1.00 each:		
At 1 October 2003 / 1 January 2003	-	-
Issued during the year via - Acquisition of subsidiaries	25,000,000	-
Conversion to ordinary shares during the year	(197,207)	-
	24,802,793	-
Classified as liability component	(5,147,830)	-
	19,654,963	-
At 30 September	19,654,963	-
Total	107,727,172	2

The salient features of the Irredeemable Convertible Preference Shares ("ICPS") are as follows:

- (i) issued for a period of five (5) years from the date of issuance and maturing upon the expiry of the five (5) year period being 30 March 2009;
- (ii) convertible into new ordinary shares of RM1.00 each in APB at any time throughout the remaining tenure during which the ICPS are outstanding at the rate of one (1) ICPS for one (1) APB ordinary share;
- (iii) not redeemable for cash. All outstanding ICPS will be mandatorily converted into new ordinary shares of RM1.00 each in APB on the maturity date at the conversion rate stated.
- (iv) The ICPS holders are entitled to receive a fixed cumulative dividend of 5.5% per annum and payable annually in arrears on 31 December each year during the five (5) year period the ICPS remain outstanding;
- (v) The 25,000,000 new ordinary shares to be issued upon conversion of the ICPS will upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company except that such shares will not be entitled to any dividends, rights, allotments and/or distributions, the entitlement date of which is prior to the allotment of the said shares;
- (vi) The ICPS is entitled to a return in capital in preference to holders of ordinary shares when APB is wound up but shall not be entitled to any further participation in profit or assets.
- (vii) The ICPS holders do not carry any rights to vote at any general meetings of the Company except in matters that would affect the rights and privileges of the ICPS holders.

## Notes to the financial statements (Cont'd)

### 12. Deferred tax liabilities

Group  
2004  
RM

The recognised deferred tax liabilities are as follows:

Property, plant and equipment - capital allowances in excess of depreciation	4,310,000
Provisions	(673,500)
Others	28,000
	<u>3,664,500</u>

### 13. Operating profit/(loss)

	Group Year ended 30.9.2004 RM	Year ended 30.9.2004 RM	Company 9 months ended 30.9.2003 RM
Revenue - contract revenue	44,750,020	-	-
- sale of goods and services rendered	2,645,230	-	-
	<u>47,395,250</u>	-	-
Contract costs recognised as an expense	(34,992,633)	-	-
Cost of goods sold and services rendered	(2,037,148)	-	-
	<u>(37,029,781)</u>	-	-
Gross profit	<u>10,365,469</u>	-	-
Operating profit is arrived at after crediting:			
Allowance for doubtful debts written back	54,167	-	-
Gain on disposal of property, plant and equipment	124,049	-	-
Interest income on deposits	316,922	157,437	-
Rental income	10,500	-	-
Realised gain on foreign exchange	259,231	-	-
Unrealised gain on foreign exchange	15,794	-	-

## Notes to the financial statements (Cont'd)

### 13. Operating profit/(loss) (Cont'd)

	Group Year ended 30.9.2004 RM	Year ended 30.9.2004 RM	Company 9 months ended 30.9.2003 RM
and after charging:			
Allowance for doubtful debts	70,046	-	-
Auditors' remuneration	52,500	12,500	2,000
Depreciation	2,061,608	-	-
Directors' fees	138,000	138,000	-
Directors' remuneration			
Directors of the Company	288,036	-	-
Other Directors	115,392	-	-
Hire of machinery	32,786	-	-
Rental of land and building	44,160	-	-
Rental of crane	81,775	-	-
Rental of factory	6,000	-	-
Rental of motor vehicle	7,606	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>

The estimated monetary value of Directors' benefits-in-kind for the Group is RM41,412.

### 14. Employee information

	Group Year ended 30.9.2004 RM
Staff costs	<u>2,849,959</u>

14.1 The number of employees of the Group (including Directors) at the end of the year was 249.

14.2 Staff costs include contributions to Employees' Provident Fund of RM217,481.

## Notes to the financial statements (Cont'd)

### 15. Loss on transfer of NCK Corporation Berhad

	Group and Company Year ended 30.9.2004 RM	9 months ended 30.9.2003 RM
The loss on transfer of NCK Corporation Berhad ("NCK") arose from the following:-		
Consideration for acquisition of NCK	934,000	-
Consideration for the settlement of the liabilities of NCK	14,102,000	-
	<u>15,036,000</u>	<u>-</u>

### 16. Finance costs

	Group Year ended 30.9.2004 RM	Year ended 30.9.2004 RM	Company 9 months ended 30.9.2003 RM
Interest payable on:			
Bank overdraft	44	-	-
Trust receipts and bankers' acceptance	188,792	-	-
Term loans	444,176	-	-
Hire purchase and finance leases	75,685	-	-
	<u>708,697</u>	<u>-</u>	<u>-</u>
Dividend on ICPS	197,330	197,330	-
Other bank charges	168,759	-	-
	<u>1,074,786</u>	<u>197,330</u>	<u>-</u>

### 17. Tax expense

	Group Year ended 30.9.2004 RM	Year ended 30.9.2004 RM	Company 9 months ended 30.9.2003 RM
Income tax expense			
- current year	1,191,373	22,000	-
- overprovision in prior years	(280,997)	-	-
	<u>910,376</u>	<u>22,000</u>	<u>-</u>

## Notes to the financial statements (Cont'd)

### 17. Tax expense (Cont'd)

	Group Year ended 30.9.2004 RM	Year ended 30.9.2004 RM	Company 9 months ended 30.9.2003 RM
Deferred tax expense			
- origination and reversal of temporary differences	142,869	-	-
- underprovision in prior years	781,000	-	-
	923,869	-	-
	1,834,245	22,000	-

#### Reconciliation of effective tax expense

	Group Year ended 30.9.2004 RM	Year ended 30.9.2004 RM	Company 9 months ended 30.9.2003 RM
Loss before taxation	(11,662,936)	(16,762,315)	(1,200,943)
Income tax using Malaysian tax rate	(3,265,623)	(4,693,448)	(336,264)
Effect on changes in tax rate	(12,007)	-	-
Non-deductible expenses	5,052,382	4,735,786	336,264
Tax incentives	(342,898)	-	-
Non-taxable income	(97,612)	(20,338)	-
	1,334,242	22,000	-
Underprovision in prior years	500,003	-	-
	1,834,245	22,000	-

### 18. Dividends

	Group Year ended 30.9.2004 RM	Year ended 30.9.2004 RM	Company 9 months ended 30.9.2003 RM
Preference dividend			
Current year	687,500	687,500	-
Less : Amount relating to liability component	(197,330)	(197,330)	-
	490,170	490,170	-

## Notes to the financial statements (Cont'd)

### 19. Loss per ordinary share - Group

The calculation of basic loss per share is based on the net loss attributable to ordinary shareholders of RM13,987,351 and the weighted average number of ordinary shares outstanding during the year of 43,291,268.

The net loss attributable to ordinary shareholders is calculated as follows:-

	Year ended 30.9.2004 RM
Net loss for the year	(13,497,181)
Less : Dividends on ICPS - equity component	(490,170)
Net loss attributable to ordinary shareholders	<u>(13,987,351)</u>
Weighted average number of ordinary shares is calculated as follows:-	
Issued ordinary shares at beginning of the year	2
Effect of shares issued on 30 March 2004	33,619,213
Effect of shares issued on 16 April 2004	9,640,263
Effect of shares converted on 3 August 2004	31,790
	<u>43,291,268</u>

The conversion of the ICPS is expected to have an anti-dilutive effect on the loss per share ("LPS") for 30 September 2004; accordingly, the fully diluted LPS is not computed.

### 20. Segmental information

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

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

#### **Business segments**

The Group comprises the following main business segments:-

Engineering	Fabrication of specialised design and manufacturing of engineering process equipment.
Air-conditioning	Contractors for industrial air-conditioning and related services and trading of uninterrupted power supply equipment.
Non-Destructive Testing	Provision of Non-Destructive Testing Services.

## Notes to the financial statements (Cont'd)

### 20. Segmental information (Cont'd)

#### *Geographical segments*

All activities of the Group are located within Malaysia. Accordingly, segment information based on geographical segments are not presented.

<b>Business Segments 2004</b>	<b>Fabrication RM</b>	<b>Air- conditioning RM</b>	<b>Non- Destructive Testing RM</b>	<b>Elimination RM</b>	<b>Consolidation RM</b>
Revenue from external customers	44,050,294	1,322,562	2,022,394	-	47,395,250
Inter-segment revenue	-	720	436,873	(437,593)	-
<b>Total revenue</b>	<b>44,050,294</b>	<b>1,323,282</b>	<b>2,459,267</b>	<b>(437,593)</b>	<b>47,395,250</b>
Segment results	5,549,333	10,452	255,255	-	5,815,040
Unallocated expenses					(275,937)
Interest income					316,922
Operating profit					5,856,025
Loss on transfer of NCK					(15,036,000)
Listing expenses written off					(1,414,752)
Gain on disposal of associate					6,577
Finance costs					(1,074,786)
Loss before tax					(11,662,936)
Tax expense					(1,834,245)
<b>Net loss for the year</b>					<b>(13,497,181)</b>
Segment assets	90,737,298	4,118,164	4,544,519	-	99,399,981
Unallocated assets					30,436,824
<b>Total assets</b>					<b>129,836,805</b>
Segment liabilities	13,618,500	531,156	381,592	-	14,531,248
Unallocated liabilities					22,780,626
<b>Total liabilities</b>					<b>37,311,874</b>
Capital expenditure	507,687	115,839	24,054	-	647,580
Depreciation	1,772,352	62,859	226,397	-	2,061,608
Non-cash expenses/(income) other than depreciation	(123,665)	(58,646)	58,347	-	(123,964)

## Notes to the financial statements (Cont'd)

### 21. Significant transactions with related parties

Controlling related party relationships are as follows:-

- i) Its subsidiaries as disclosed in Note 3; and
- ii) Companies in which the Directors have interest.

Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

	<b>Group Year ended 30.9.2004 RM</b>
With companies in which Mr. Yap Kow @ Yap Kim Fah and Mr. Yap Kau @ Yap Yeow Ho, have interests	
Peng Fah Engineering Sdn. Bhd. Rental expenses	6,000
Technical Resources Sdn. Bhd. Purchases of welding consumables material	293,254
TTS Insu-Write Services Sdn. Bhd. General and marine cargo insurance	91,332
TTS Enterprise Sdn. Bhd. Maintenance of lorries	10,460
TTS Transport Sdn. Bhd. Transportation services	323,177
TTS Engineering Sdn. Bhd. Minor fabrication works	15,280
TTS Teknik Sdn. Bhd. Machining and processing works	3,080

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been made at arms length, on the Group's normal commercial terms and on terms not more favourable to the related parties than those generally available to the public.

### 22. Financial instruments

#### Financial risk management objectives and policies

Exposure to credit, interest rate, currency and liquidity risks arise in the normal course of the Group's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below:



## Notes to the financial statements (Cont'd)

### 22. Financial instruments (Cont'd)

#### Credit risk

Management carries out a continuous review over the Group's exposure to credit risk, which is monitored on an ongoing basis. Fixed deposits are placed only with licensed banks.

At balance sheet date, concentrations of credit risk arose from trade receivables net carrying amounts of RM21,147,336 due from certain major customers of the Group. The maximum exposure to credit risk for the Group is represented by the carrying amount of the financial assets.

#### Currency risk

Foreign currency risk arise on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is US Dollars, Singapore Dollars, Euro Dollars and Brunei Dollars. The Group mitigate their foreign currency risk through utilisation of trade facilities such as bankers' acceptance, trust receipts and letter of credit, thereby limiting the foreign currency exposure during the tenure of the credit period given.

The Group does not view the exposure to US Dollars to be significant given that the Ringgit has been pegged to US Dollar at RM3.80 to USD1. However, the Directors monitor the Group's exposure to foreign currency risk on an ongoing basis.

#### 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 repayments and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

#### Interest rate risk

The Group's primary interest rate risk arises from interest bearing borrowings. The effective interest rates at balance sheet date of interest-earning assets and interest-bearing liabilities, and the periods in which they reprice, are as follows:

	Effective interest rates %	Total RM	Within 1 year RM
<b>Group</b>			
<b>2004</b>			
<b>Financial assets</b>			
Deposits with licensed banks	3.14%	4,478,790	4,478,790
<b>Financial liabilities</b>			
Secured term loans	7.33%	6,054,318	6,054,318
Secured bankers' acceptances	4.15%	273,000	273,000
Secured trust receipts	7.50%	4,008,842	4,008,842

## Notes to the financial statements (Cont'd)

### 22. Financial instruments (Cont'd)

	Effective interest rates %	Total RM	Within 1 year RM
<b>Company</b>			
<b>2004</b>			
<b>Financial assets</b>			
Deposits with licensed banks	3.00%	1,000,000	1,000,000

#### Fair values

#### Recognised financial instruments

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

The aggregate fair values of other financial assets and liabilities carried on the balance sheet as at the year/period end date are shown below:

	Carrying amount RM	Group 2004 Fair value RM
<b>Financial assets</b>		
Other investments	129,585	126,925
<b>Financial liabilities</b>		
Secured term loans	6,054,318	6,054,318

The basis used in determining the fair value of the financial instruments:-

- i) The fair value of quoted shares is their quoted bid price at the balance sheet date.
- ii) Other investments represent golf club memberships whereby the carrying amount and fair value were determined based on the current price of the membership.
- iii) The fair value of the secured term loan has been determined by discounting the relevant cash flows using the current market rates for similar instrument at the balance sheet date.

## Notes to the financial statements (Cont'd)

### 23. Corporate exercise

The Company was involved in the following corporate exercise during the financial year.

#### 23.1 Restructuring exercise of NCK Corporation Berhad

The Company is a party to the restructuring exercise of NCK Corporation Berhad ("NCK"). The restructuring exercise, which was completed during the financial year, involved the following:

i) Acquisition of NCK

Acquisition by APB Resources Berhad ("APB") of the entire issued and paid-up share capital of NCK comprising 37,360,005 ordinary shares of RM1.00 each in NCK for a purchase consideration of RM934,000 satisfied by the issuance of 934,000 ordinary shares of RM1.00 each in APB at par to the existing shareholders of NCK.

The above acquisition was completed on 30 March 2004.

ii) Corporate exercise of Era Julung Sdn. Bhd. ("EJSB")

The corporate exercise by EJSB involved the following:

a) Renounceable rights issue of 4,700,000 new ordinary shares of RM1.00 each in EJSB at par to Johari Low bin Abdullah @ Low Han Hing, Loo Pak Soon and Tan Teng Khuan.

b) The acquisitions by EJSB of:

i) the entire issued and paid-up share capital of Amalgamated Metal Corporation (M) Sdn. Bhd. ("AMC") comprising 3,000,000 ordinary shares of RM1.00 each in AMC for a purchase consideration of RM33,159,848 satisfied by the issuance of 33,159,848 new ordinary shares of RM1.00 each in EJSB at par;

ii) the entire equity issued and paid-up share capital of Benmarl Sdn. Bhd. ("BSB") comprising 400,004 ordinary shares of RM1.00 each in BSB for a purchase consideration of RM5,444,764 satisfied by the issuance of 5,444,764 new ordinary shares of RM1.00 each in EJSB at par;

iii) the entire issued and paid-up share capital of Prescan Sdn. Bhd. ("PSB") comprising 1,600,000 ordinary shares of RM1.00 each in PSB for a purchase consideration of RM2,333,471 satisfied by the issuance of 2,333,471 new ordinary shares of RM1.00 each in EJSB at par.

The above acquisitions were completed on 30 March 2004.

iii) Acquisition of EJSB by APB

Acquisition by APB of the entire enlarged issued and paid up share capital of EJSB comprising 45,638,085 ordinary shares of RM1.00 each for a purchase consideration of RM76,837,000 satisfied as follows:

a) issuance of 51,837,000 new ordinary shares of RM1.00 each in APB at par; and

b) issuance of 25,000,000 5.5% 2004/2009 Cumulative Irredeemable Convertible Preference Shares ("ICPS") of RM1.00 each in APB at par.

The acquisition was completed on 30 March 2004.

## Notes to the financial statements (Cont'd)

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### 23. Corporate exercise (Cont'd)

iv) Assignment of APB shares and ICPS

After the completion of the Acquisition of EJSB by APB, certain vendors of EJSB has consolidated their shareholdings in APB by assigning a total of 25,920,000 ordinary shares in APB representing approximately 26.87% of the enlarged issued and paid-up share capital of APB and 12,500,000 ICPS representing approximately 50.00% of the ICPS to Ikram Pintas Sdn. Bhd., a private investment holding company incorporated in Malaysia.

v) Transfer of listing status

Transfer of the listing status of NCK on the Main Board of the Bursa Malaysia Securities Berhad ("BMSB") (formerly known as Malaysian Securities Exchange Berhad) to APB with all rights attached thereto.

NCK has been delisted from the Official List of the Main Board of the BMSB and APB has been admitted to the Official List of the BMSB in place of NCK, with the listing of the entire enlarged issued and paid-up share capital of APB on the Main Board of the BMSB.

vi) Transfer of NCK

Transfer by APB of the entire issued and paid-up share capital of NCK comprising 37,360,005 ordinary shares of RM1.00 each in NCK to a nominee/nominees of the Special Administrators for a nominal consideration of RM1.00. As part settlement of the liabilities of NCK, APB had issued 14,102,000 new ordinary shares of RM1.00 each in APB at par to NCK, its assigns and/or Creditors' Agent.

The transfer of NCK was completed on 30 March 2004.

vii) Restricted issue

Restricted issue of 2,802,000 new ordinary shares of RM1.00 each in APB to the existing shareholders of NCK on the basis of three (3) new ordinary shares of RM1.00 each in APB for every one (1) share in APB held pursuant to the Acquisition of NCK.

The restricted issue was completed on 16 April 2004.

viii) Public issue

Public issue of 2,000,000 new ordinary shares of RM1.00 each in APB at par.

The public issue was completed on 16 April 2004.

ix) Special issue

Special issue of 16,200,000 new ordinary shares of RM1.00 each in APB at par to Bumiputera investors approved by the Ministry of International Trade and Industry.

The special issue was completed on 16 April 2004.

## Notes to the financial statements (Cont'd)

### 23. Corporate exercise (Cont'd)

The following segments of the restructuring exercise has yet to be completed as at the year end date:

- i) Proposed acquisition of EPIC Constant Sdn. Bhd. ("ECSB") by APB

Proposed acquisition by APB of 4,900 ordinary shares of RM1.00 each in ECSB representing 49% equity interest in ECSB and 4,300,000 Redeemable Convertible Preference Shares ("RCPS") of RM0.10 each in ECSB from Musteq Energy Services Sdn. Bhd. for a purchase consideration of RM4,304,900 to be satisfied by the issuance of 4,300,000 new ordinary shares of RM1.00 each in APB at par and RM4,900 cash.

- ii) Proposed acquisition of Konsep Realiti Sdn. Bhd. ("KRSB") by APB

Proposed acquisition by APB of 4,900 ordinary shares of RM1.00 each in KRSB representing 49% equity interest in KRSB and 4,300,000 RCPS of RM0.10 each in KRSB from Projass Engineering Sdn. Bhd. for a purchase consideration of RM4,304,900 to be satisfied by the issuance of 4,300,000 new ordinary shares of RM1.00 each in APB at par and RM4,900 cash.

The delay in the completion of the proposed acquisitions is due to:-

- i) delay in the completion of the Power Purchase Agreement between Musteq Energy Services Sdn. Bhd. together with its related company Musteq Engineering Sdn. Bhd. and Tenaga Nasional Berhad for the procurement of the issuance of the generation license to ECSB; and
- ii) delay in the completion of the restructuring exercise of Projass Engineering Sdn. Bhd. which is under the purview of Section 176 of the Companies Act, 1965. The delay in the restructuring had precluded Projass Engineering Sdn. Bhd. from being able to obtain an extension of the tenure of the Mini-Hydro Gas Station Agreement with Tenaga Nasional Berhad, the works of which is to be novated to KRSB.

The above proposed acquisitions are expected to be completed in mid 2005.

#### 23.2 Flotation of the issued and paid-up share capital of APB

On 6 May 2004, the entire enlarged issued and paid-up share capital of APB comprising 87,875,002 ordinary shares of RM1.00 each was admitted to the Official List of the Exchange and the listing of and quotation for these shares on the Main Board of Bursa Malaysia Securities Berhad was thereon completed.

#### 23.3 Disposal of Kanon Loading Equipment (M) Sdn. Bhd.

On 1 July 2004, a wholly owned subsidiary of the Company, Amalgamated Metal Corporation (M) Sdn. Bhd., had disposed its interest in an associate, Kanon Loading Equipment (M) Sdn. Bhd. ("KLEMSB"), for a consideration of RM235,463 on a willing buyer willing seller basis after taking into account the audited net tangible assets of KLEMSB as at 31 December 2003.

### 24. Acquisition of subsidiaries - Group

On 30 March 2004, the Group acquired all the shares in Era Julung Sdn. Bhd. ("EJSB") for purchase consideration of RM76,837,000 satisfied by the issuance of ordinary shares and preference shares in APB as disclosed in Note 23.1(iii).

The acquisition of EJSB, together with its subsidiaries, was accounted for using the acquisition method of accounting. For the six months ended 30 September 2004, the subsidiaries contributed a net profit of RM3,287,134 against the consolidated net loss for the year.

The effect of the acquisition on the Group's results and financial position as at 30 September 2004 are as follows:-

## Notes to the financial statements (Cont'd)

### 24. Acquisition of subsidiaries - Group (Cont'd)

	Year ended 30.9.2004 RM
<b>Income statement:</b>	
Revenue	47,395,250
Cost of sales	(37,029,782)
Gross profit	10,365,468
Other operating income	1,000,610
Administration expenses	(5,395,820)
Operating profit	5,970,258
Gain on disposal of associate	6,577
Finance costs	(877,456)
Profit before taxation	5,099,379
Tax expense	(1,812,245)
Decrease in Group's net loss at the end of financial year	3,287,134

	2004 RM
<b>Balance sheet:</b>	
Property, plant and equipment	43,541,720
Other investments	129,585
Current assets	55,806,169
Current liabilities	(22,452,713)
Long term liabilities	(8,706,491)
Group's share of net assets	68,318,270
Goodwill on acquisition	15,209,905
Increase in Group's net assets	83,528,175

The fair values of assets and liabilities assumed in the acquisition of EJSB and its subsidiaries and its cash flow effects are as follows:-

	2004 RM
Property, plant and equipment	44,981,397
Investment in associate	228,886
Other investments	129,585
Current assets	56,555,425
Current liabilities	(27,386,836)
Long term and deferred liabilities	(12,881,362)

## Notes to the financial statements (Cont'd)

### 24. Acquisition of subsidiaries - Group (Cont'd)

	<b>2004 RM</b>
Net assets of subsidiaries acquired	61,627,095
Goodwill on consolidation	15,209,905
Purchase consideration	76,837,000
Purchase consideration settled via issuance of shares:	
- Ordinary shares	(51,837,000)
- ICPS	(25,000,000)
Purchase consideration settled by cash	-
Less: cash and cash equivalents of subsidiaries acquired	(21,279,019)
Net cash inflow on acquisition, net of cash acquired	21,279,019

The full-year Profoma results of the Group for the year ended 30 September 2004 are as follows:

	<b>Year ended 30.9.2004 RM</b>
<b>Revenue</b>	89,700,420
Cost of sales	(70,938,477)
<b>Gross Profit</b>	18,761,943
Other operating income	1,418,340
Distribution costs	(496,280)
Administration expenses	(9,678,070)
<b>Operating Profit</b>	10,005,933
Loss on transfer of NCK Corporation Berhad	(15,036,000)
Listing expenses written off	(1,414,752)
Gain on disposal of associate	182,963
Finance costs	(2,081,004)
<b>Loss before taxation</b>	(8,342,860)
Tax expense	(2,560,668)
<b>Net loss for the year</b>	(10,903,528)
Less: Pre-acquisition profits	(2,593,653)
<b>Post-acquisition net loss for the year</b>	(13,497,181)

### 25. Comparative figures

There are no comparative figures for the consolidated financial statements as this is the first set of consolidated financial statements prepared by the Company.

In year 2003, the Company changed its accounting year end from 31 December to 30 September. The comparatives for the Income Statement, Statement of Changes in Equity and Cash Flow Statement as well as comparatives in the notes to the financial statements relating to the Income Statement for the previous nine-months period ended 30 September 2003 are hence not comparable to that for the current twelve months ended 30 September 2004.

## List of Properties as at 30 September 2004

Property (Individual/ Master/Strata title no.)	Tenure	Description (approximate age of building) / Existing use	Land area / Built-up area (square metres / Certificate of Fitness Date	NBV as at 30.9.2004	Open market value RM	Date of valuation
<b>AMC</b>						
1. No. 69, Jalan Kapal, Off Jalan Chain Ferry 12100 Butterworth (HS(D)7241, PT 290 Seksyen 4, Bandar Butterworth, Daerah Seberang Perai Utara)	Freehold	Intermediate double storey shoplot (22 years) / Tenanted	1,400 / 2,500 N/A.	207,900	220,000	17.06.02
2. No 167-04-03, Gurney Park, Persiaran Gurney, 10250 Penang. Master Title Nos.: GRN 60550 (formerly Geran 16514) 7 (Lot 2641 Seksyen 1, Bandar Georgetown, Daerah Timor Laut, Pulau Pinang)	Freehold	Apartment (5 years) / Staff amenities	- / 856 N/A.	236,250	250,000	20.06.02
3. Lot No. 23-C Kawasan Perindustrian Gebeng, 26080 Kuantan (HS(D) 18127, PT 7533 Mukim Sungai Karang, Daerah Kuantan, Pahang Darul Makmur)	Leasehold 66 years expiring on 23 August 2064	Two (2) workshop (2 years) / Factory Operations	26,110 / 36,747 8.06.2003	4,701,800	2,800,000 (Land only)	10.06.02
4. Lot No. 109B Kawasan Perindustrian Gebeng, 26080 Kuantan (HS(D)17909, PT 7494 Mukim Sungai Karang, Daerah Kuantan, Pahang Darul Makmur)	Leasehold 66 years expiring on 26 May 2064	Factory and office (5 years) / Factory Operations	39,250 / 179,541.2 12.06.1995	13,424,218	14,000,000	10.06.02
5. Lot 540, Jalan Batu Tiga - TUDM, Subang New Village, 40150 Shah Alam, Selangor. H.S.(D) 116988, Lot PT540, Mukim of Pekan Subang, District of Petaling, Selangor	Leasehold 60 years expiring on 13 January 2058	Workshop and 3-storey office (1 ½ years) / Factory and office operation	8,094 / 4,597 29.03.2004	6,999,390	2,373,000 (Land only)	17.06.02



## List of Properties as at 30 September 2004 (Cont'd)

Property (Individual/ Master/Strata title no.)	Tenure	Description (approximate age of building) / Existing use	Land area / Built-up area (square metres / Certificate of Fitness Date	NBV as at 30.9.2004	Open market value RM	Date of valuation
<b>Benmarl</b>						
1. Parcel No. 45-10-14 Forum Condominium Off Jalan Tun Razak Kuala Lumpur. Strata Title No. : Geran 23892/M1/11/170. Lot 1253, Section 67, Kuala Lumpur, Wilayah Persekutuan.	Freehold	Condominium (11 years) / Tenanted	- / 1,238 11.08.1995	330,750	350,000	17.06.02
2. Wira Court Shoplots Lot No. 23 Level 1 Wira Court Shopping Complex, No. 35 Jalan Kuning, Taman Bukit Pasar, 83000 Batu Pahat, Johor Master Title Nos.: (H.S.(D) 16797 PTD 10039 Mukim Simpang Kanan, Daerah Batu Pahat, Johor Darul Takzim.. 7	Freehold	Shop lot unit (6 years) / Vacant	- / 354 27.12.1996	103,950	110,000	17.06.02
3. Wira Court Shoplots Lot No. 24 Level 1 Wira Court Shopping Complex, No. 35 Jalan Kuning, Taman Bukit Pasar, 83000 Batu Pahat, Johor Master Title Nos.: (H.S.(D) 16797 PTD 10039 Mukim Simpang Kanan, Daerah Batu Pahat, Johor Darul Takzim.	Freehold	Shop lot unit (6 years) / Vacant	- / 354 27.12.1996	103,950	110,000	17.06.02

## List of Properties as at 30 September 2004 (Cont'd)

Property (Individual/ Master/Strata title no.)	Tenure	Description (approximate age of building) / Existing use	Land area / Built-up area (square metres / Certificate of Fitness Date	NBV as at 30.9.2004	Open market value RM	Date of valuation
<b>Benmarl</b>						
4. Centre Point, Unit A7-6 Blok A, Centre Point Business Park, No. 5, Jalan Tanjung Keramat 26/35, 40400 Shah Alam, Selangor <sup>2</sup> Master Title Nos.: (HS(D) 22212 & 22214, PT 5123 & 5117 Mukim Damansara, Daerah Petaling, Selangor Darul Ehsan). <sup>7</sup>	Freehold	Office unit (7 years) / Office operation	- / 1,287 19.12.1998	207,900	220,000	17.06.02
5. Centre Point, Unit A7-7, Blok A, Centre Point Business Park, 5 Jalan, Tanjung Keramat 26/35, 40400 Shah Alam Selangor <sup>2</sup> Master Title Nos.: HS(D) 22212 & 22214, PT 5123 & 5117 Mukim Damansara, Daerah Petaling, Selangor Darul Ehsan).	Freehold	Office unit (7 years) / Office operation	- / 1,287 19.12.1998	207,900	220,000	17.06.02
6. Sepang Utama Apartment Parcel No. B-3-12, 2nd Floor Block B. Taman Langat Utama Bukit Changgang 42700 Banting Selangor <sup>2</sup> Master Title Nos.: HS(M) 8117 PT 8741 Mukim Tanjung Dua Belas, Daerah Kuala Langat, Bukit Changgang, Selangor Darul Ehsan). <sup>7</sup>	Leasehold 99 years expiring on 1.01.2095	Apartment (4 years) / Vacant	- / 997 30.12.1999	94,500	100,000	17.06.02

## List of Properties as at 30 September 2004 (Cont'd)

Property (Individual/ Master/Strata title no.)	Tenure	Description (approximate age of building) / Existing use	Land area / Built-up area (square metres / Certificate of Fitness Date	NBV as at 30.9.2004	Open market value RM	Date of valuation
<b>Prescan</b>						
1. No. 24 Jalan Tabla 33/21 Shah Alam Technology Park, Seksyen 33 40400 Shah Alam Selangor. Master Title Nos.: (Geran 28189 Lot 22200, Geran 28185 Lot 22196 all at Mukim Klang, Daerah Klang, Selangor Darul Ehsan) 7	Freehold	Intermediate 1½ storey terrace factory (2 years) / Office operation	2,000 / 3,000 11.08.2000	274,050	290,000	17.06.02

## Analysis of Shareholding

Class of Shares	:	(1)	Ordinary Shares of RM1.00 each
		(2)	Camulative Irredeemable Convertible Preference Shares of RM1.00 each ("ICPS")
Voting Rights	:	(1)	One (1) vote per Ordinary Share
		(2)	The ICPS does not carry any right to vote at any general meeting of the Company except for the right to vote either in person or by proxy at such meeting in each of the following circumstances:-
		i)	When the dividend on the ICPS is in arrears or unpaid for more than six (6) months after the due date of the dividend; or
		ii)	On a proposal to reduce the Company's share capital; or
		iii)	On a proposal for disposal of the whole of the Company's property, business and undertaking; or
		iv)	On a proposal which abrogates or varies the special rights and privileges attaching to the ICPS; or
		v)	On a proposal to wind up the Company; and
		vi)	During the winding up of the Company.

### List of Directors' shareholdings in the Ordinary Shares as at 24 January 2005

Names of Directors	Direct Interest		Indirect Interest	
	No. of Ordinary Shares	%	No. of Ordinary Shares	%
Yap Kow @ Yap Kim Fah	10,441,381	11.86	<sup>(1)</sup> 29,372,257	33.35
Tan Teng Khuan	101,993	0.12	-	-
Lim Lye Hock	1,421,966	1.61	-	-
Cheong Boon Yu	624,144	0.71	-	-
Johari Low bin Abdullah @ Low Han Hing	970,522	1.10	-	-
Yap Kau @ Yap Yeow Ho	33,000	0.04	<sup>(2)</sup> 3,452,257	4.02
Mak Fong Ching	-	-	-	-
Muhayuddin bin Musa	1	*	-	-
Chua Eng Seng	-	-	-	-

\* Negligible

Notes:-

- (1) Indirect interest by virtue of his substantial shareholdings in TTS Resources Sdn. Bhd. and Ikram Pintas Sdn. Bhd.
- (2) Indirect interest by virtue of his substantial shareholdings in TTS Resources Sdn. Bhd.

## Analysis of Shareholding (Cont'd)

### List of Directors' shareholdings in ICPS as at 24 January 2005

Names of Directors	Direct Interest		Indirect Interest	
	No. of ICPS	%	No. of ICPS	%
Yap Kow @ Yap Kim Fah	3,975,023	16.03	<sup>(1)</sup> 14,164,958	57.11
Tan Teng Khuan	242,102	0.98	-	-
Lim Lye Hock	745,879	3.01	-	-
Cheong Boon Yu	301,013	1.21	-	-
Johari Low bin Abdullah @ Low Han Hing	468,063	1.89	-	-
Yap Kau @ Yap Yeow Ho	-	-	<sup>(2)</sup> 1,664,958	6.71
Mak Fong Ching	-	-	-	-
Muhayuddin bin Musa	-	-	-	-
Chua Eng Seng	-	-	-	-

Notes:-

- (1) Indirect interest by virtue of his shareholdings in TTS Resources Sdn. Bhd. and Ikram Pintas Sdn. Bhd.
- (2) Indirect interest by virtue of his shareholdings in TTS Resources Sdn. Bhd.

### List of Substantial Shareholders as at 24 January 2005

Names of Directors	Direct Interest		Deemed Interest	
	No. of Ordinary Shares	%	No. of Ordinary Shares	%
Ikram Pintas Sdn. Bhd.	25,920,000	29.43	-	-
Lim Hong Liang	3,267,634	3.71	<sup>(2)</sup> 25,920,000	29.43
Rosnah Binti Abdul Rahman	-	-	<sup>(3)</sup> 25,920,448	29.43
Danau Restu Sdn. Bhd.	448	-	<sup>(4)</sup> 25,920,000	29.43
Yap Kow @ Yap Kim Fah	10,441,381	11.86	<sup>(1)</sup> 29,372,257	33.35

Notes:-

- (1) Indirect interest by virtue of his shareholdings in TTS Resources Sdn. Bhd. and Ikram Pintas Sdn. Bhd.
- (2) Indirect interest by virtue of his shareholdings in Ikram Pintas Sdn. Bhd.
- (3) Indirect interest by virtue of her shareholdings in Ikram Pintas Sdn. Bhd. and Danau Restu Sdn. Bhd.
- (4) Indirect interest by virtue of its shareholdings in Ikram Pintas Sdn. Bhd.

## Analysis of Shareholding (Cont'd)

### Distribution of Shareholding as at 24 January 2005

Ordinary Share of RM1.00 each Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 - 99	2,220	42.84	85,638	0.10
100 - 1,000	2,072	39.98	889,868	1.01
1,001 - 10,000	665	12.83	2,446,708	2.78
10,001 - 100,000	129	2.49	4,991,195	5.67
100,001 - less than 5% of issued shares	93	1.80	43,297,419	49.16
5% and above of issued shares	3	0.06	36,361,381	41.28
	5,182	100.00	88,072,209	100.00

### Top 30 largest securities accounts holders for Ordinary Shares as at 24 January 2005

No.	Name	No. of issued ordinary shares	% of issued ordinary shares
1	Ikram Pintas Sdn. Bhd.	25,920,000	29.43
2	PAB Nominee (Tempatan) Sdn. Bhd. (Account for Yap Kow @ Yap Kim Fah)	5,800,000	6.59
3	Yap Kow @ Yap Kim Fah	4,641,381	5.27
4	Aspirasi Jitu Sdn. Bhd.	3,775,788	4.29
5	TTS Resources Sdn. Bhd.	3,452,257	3.92
6	Alliancegroup Nominees (Tempatan) Sdn. Bhd. (Pheim Asset Management Sdn. Bhd. for Employee Provident Fund)	3,055,000	3.47
7	Alliancegroup Nominees (Tempatan) Sdn. Bhd. (Account for Chew Yin Keen)	1,957,100	2.22
8	HDM Nominees (Tempatan) Sdn. Bhd. (Account for Lim Hong Liang)	1,800,000	2.04
9	HDM Nominees (Tempatan) Sdn. Bhd. (Account for Loo Pak Soon)	1,650,000	1.87
10	PAB Nominee (Tempatan) Sdn. Bhd. (Account for Lim Hong Liang - Yap Kow @ Yap Kim Fah - 3rd Party)	1,300,000	1.48
11	PAB Nominee (Tempatan) Sdn. Bhd. (Account for Lim Lye Hock - Yap Kow @ Yap Kim Fah - 3rd Party)	1,000,000	1.14
12	Darul Karisma (M) Sdn. Bhd.	968,800	1.10
13	HDM Nominees (Tempatan) Sdn. Bhd. (Account for Johari Low bin Abdullah)	950,000	1.08
14	Alliancegroup Nominees (Tempatan) Sdn. Bhd. (Account for Farishah binti Pawan Teh)	900,000	1.02
15	Mayban Nominees (Tempatan) Sdn. Bhd. (Mayban Investment Management Sdn. Bhd. for Malayan Banking Berhad)	830,844	0.94
16	AMMB Nominees (Tempatan) Sdn. Bhd. (Amanah SSCM Asset Management Berhad for Tenaga Nasional Berhad Retirement Benefit Trust Fund)	808,400	0.92
17	Mayban Securities Nominees (Tempatan) Sdn. Bhd. (Account for Megat Abdul Munir bin Megat Abdullah Rafaie)	701,000	0.80
18	HSBC Nominees (Asing) Sdn. Bhd. (HSBCIT (S) Ltd for Pheim-Aizawa Asia Fund)	585,700	0.67
19	HSBC Nominees (Tempatan) Sdn. Bhd. (HSBC (M) Trustee Bhd for Pheim Emerging Companies Balanced Fund)	580,000	0.66

## Analysis of Shareholding (Cont'd)

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### Top 30 largest securities accounts holders for Ordinary Shares as at 24 January 2005 (Cont'd)

No.	Name	No. of issued ordinary shares	% of issued ordinary shares
20	Chi Hoo @ Chu Chi Hoo	556,093	0.63
21	Pua Joo Teck	550,000	0.62
22	Alliancegroup Nominees (Tempatan) Sdn. Bhd. (Account for Syed Agil bin Syed Ali)	529,800	0.60
23	Muhammad Marzuki bin A Samad	500,000	0.57
24	Loo Pak Soon	497,211	0.56
25	How Teck Seng	464,900	0.53
26	Mayban Nominees (Tempatan) Sdn. Bhd. (Account for Aseambankers Malaysia Berhad)	442,971	0.50
27	Cheong Boon Yu	424,144	0.48
28	Gan Chin Boon	424,144	0.48
29	Lim Lye Hock	421,966	0.48
30	Rare Prestige Sdn. Bhd.	415,959	0.47
		65,903,458	74.83

## NOTICE OF THIRD ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of APB Resources Berhad will be held at Multipurpose Hall (Card Room), Royal Selangor Club, Dataran Merdeka, Jalan Raja, 50704 Kuala Lumpur on Thursday, 24 March 2005 at 10.00 a.m to transact the following business:

### AS ORDINARY BUSINESS

- 1 To receive the Audited Financial Statements of the Company for the year ended 30 September 2004 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**
- 2 To approve payment of Directors' fees for the year ended 30 September 2004. **(Resolution 2)**
- 3 To elect the following Director who retire by rotation in accordance with Article 84 of the Company's Articles of Association, and being eligible, offer himself for re-election:
  - (a) Encik Muhayuddin Bin Musa **(Resolution 3)**
- 4 To elect the following Directors who retire in accordance with Article 91 of the Company's Articles of Association, and being eligible, offer themselves for re-election:
  - (a) Mr. Yap Kow @ Yap Kim Fah **(Resolution 4)**
  - (b) Mr. Lim Lye Hock **(Resolution 5)**
  - (c) Mr. Cheong Boon Yu **(Resolution 6)**
  - (d) Mr. Tan Teng Khuan **(Resolution 7)**
  - (e) Encik Johari Low Bin Abdullah @ Low Han Hing **(Resolution 8)**
  - (f) Mr. Yap Kau @ Yap Yeow Ho **(Resolution 9)**
  - (g) Mr. Chua Eng Seng **(Resolution 10)**
- 5 To appoint auditors and to authorize the Directors to fix their remuneration. **(Resolution 11)**

### AS SPECIAL BUSINESS

- 6 Authority to Directors to Issue Shares **(Resolution 12)**

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

"THAT, subject always to the Articles of Association of the Company and the approvals of the relevant Regulatory Authorities, pursuant to Section 132D of the Companies Act 1965, the Directors of the Company be and are hereby authorized 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 and to such person or persons as the Directors of the Company may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed ten (10) per centum of the issued share capital of the Company for the time being AND THAT the Directors of the Company are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Malaysia Securities Exchange Berhad."
- 7 Proposed Shareholders' Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **(Resolution 13)**

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

"THAT the Company and its subsidiaries shall be mandated to enter into the category of recurrent related party transactions of a revenue or trading nature with those related parties as specified in Section 4.1 (i) of the Circular to the Shareholders dated 1 March 2005 subject to the following:

  - (i) The transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public, and the transactions are undertaken on arm's length basis and are not to the detrimental of the minority shareholders;
  - (ii) Any such transactions entered into by the Company and its subsidiaries from the listing date until the date of the Annual General Meeting as set out in Section 4.1 (i) of the Circular to Shareholders dated 1 March 2005 be and are hereby approved and ratified;



## NOTICE OF THIRD ANNUAL GENERAL MEETING (Cont'd)

- (iii) The Shareholders' Mandate is subject to annual renewal and this Shareholders' Mandate shall only continue to be in full force until:
- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which the Proposed Shareholders' Mandate will lapse, unless by resolution passed at the AGM the authority is renewed; or
  - (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(l) of the Companies Act, 1965 ("the Act") but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or
  - (c) revoked or varied by resolution passed by the shareholders in a general meeting, whichever is earlier;
- (iv) The Directors of the Company and/or its subsidiaries and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate; and
- (v) The disclosure of the aggregate value of the recurrent related party transactions conducted pursuant to the Shareholders' Mandate in the Annual Report, in which the Company must provide a breakdown of the aggregate value of the recurrent related party transactions made during the financial year, amongst others, based on the following information:
- (a) the type of the recurrent related party transactions made; and
  - (b) the names of the related party involved in each type of recurrent related party transactions made and their relationship with the Company's subsidiaries.

AND THAT, the estimates given of the Related Party Transactions specified in Section 4.1 (i) of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorized to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the procedures set out in Section 6 of the Circular.

8 To transact any other business of which due notice shall have been given.

**(Resolution 14)**

BY THE ORDER OF THE BOARD

CHEOK KIM CHEE (LS 000012)

CHUA CHENG POH (MAICSA 7017041)

Secretaries

Shah Alam

1 March 2005

### Notes

- 1 A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy may but need not be a member of the Company and/or a qualified legal practitioner, an approved company auditor or a person approved by the Registrar.
- 2 The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorized.
- 3 The instrument appointing a proxy must be duly deposited at the registered office, D12, Tingkat 1, Plaza Pekeliling, No.2, Jalan Tun Razak, 50400 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- 4 Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy. Where a member of the Company is an authorized nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

### Explanatory Notes on Special Business

- 5 Authority to Directors to Issue Shares

The Proposed Ordinary Resolution 12, if passed, is to give the Directors of the Company flexibility to issue and allot shares upon such terms and conditions and for such purposes and to such person or persons as Directors of the Company in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority will expire at the next Annual General Meeting of the Company or at the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier.

- 6 Proposed Shareholders' Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Proposed Ordinary Resolution 13, if passed, will ratify such transactions entered into by the Company and its subsidiaries from the listing date until the date of the Annual General Meeting and empower the Directors of the Company and its subsidiaries to enter into the Recurrent Related Party Transactions of a revenue or trading nature which are necessary for day to-day operations, with the related parties as mentioned in the Circular to Shareholders dated 1 March 2005.

This authority unless revoked or varied by the company in a general meeting will expire on:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which the Proposed Shareholders' Mandate will lapse, unless by resolution passed at the AGM the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(l) of the Companies Act, 1965 ("the Act") but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting whichever is earlier.

For further details please refer to the Circular to Shareholders on the Proposed Shareholders' Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature dated 1 March 2005.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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1 Directors who are standing for re-election are as follows:

Pursuant to Article 84 of the Company's Articles of Association

(a) Encik Muhayuddin Bin Musa

Pursuant to Article 91 of the Company's Articles of Association

(a) Mr. Yap Kow @ Yap Kim Fah

(b) Mr. Lim Lye Hock

(c) Mr. Cheong Boon Yu

(d) Mr. Tan Teng Khuan

(e) Encik Johari Low Bin Abdullah @ Low Han Hing

(f) Mr. Yap Kau @ Yap Yeow Ho

(g) Mr. Chua Eng Seng

Details of the above Directors are set out in the Directors' Profiles appearing on page 3 to page 6 of the Annual Report.

2 Details of Attendance of Directors at Board Meeting

Two (2) Board of Directors' Meeting were held during the financing year. Details of attendance of the Directors at the board meetings are set out in the Corporate Governance Statement on page 9 to page 12 of the Annual Report.

3 Details of place, date and time of the Board of Directors Meeting

Date and time of	Meeting Place
Monday 31/5/2004 at 11.25 a.m.	The Board Room, No.47, Jalan TUDM, Subang New Village, Seksyen U6, 40150 Shah Alam, Selangor Darul Ehsan.
Monday 16/8/2004 at 5.50 p.m.	The Board Room, No.47, Jalan TUDM, Subang New Village, Seksyen U6, 40150 Shah Alam, Selangor Darul Ehsan.

4 Place, date and time of the Third Annual General Meeting.

Date and time of Meeting	Place
Thursday 24/3/2005 at 10.00 a.m.	Multipurpose Hall (Card Room), Royal Selangor Club Dataran Merdeka, Jalan Raja 50704 Kuala Lumpur

## CORPORATE DIRECTORY

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### CORPORATE OFFICE

#### APB RESOURCES BERHAD

47 (Lot 540), Jalan TUDM, Kampung Baru Subang, Seksyen U6, Shah Alam, 40150 Selangor.  
Tel: 603-78461389  
Fax: 603-78463795

### FABRICATION DIVISION

#### AMALGAMATED METAL CORPORATION SDN BHD

##### Head Office - Shah Alam

47 (Lot 540), Jalan TUDM, Kampung Baru Subang, Seksyen U6, Shah Alam, 40150 Selangor.  
Tel: 603-78461389  
Fax: 603-78463795  
E-mail : amcsubg@po.jaring.my

##### Branch - Kuantan

Lot 109B, Kawasan Perindustrian Gebeng, Kuantan, 26080 Pahang.  
Tel: 609- 5858888  
Fax: 609- 5858892  
E-mail: ammetal@po.jaring.my

### M & E AND INDUSTRIAL AIR-CONDITIONING DIVISION

#### BENMARL SDN BHD

Unit A7-6 & A7-7, Block A, Level 6 & 7, Pusat Perdagangan Centre Point, No.5, Jalan Tanjung Keramat 26/35, Shah Alam, 40000 Selangor  
Tel: 603-51919588  
Fax:603-51919388  
E-mail: benmarl@pd.jaring.my

### NON-DESTRUCTIVE TESTING DIVISION

#### PRESCAN SDN BHD

##### Head Office - Shah Alam

No.24, Jalan Tabla 33/21, Shah Alam Technology Park, Shah Alam, 40640 Selangor.  
Tel: 603-51215951  
Fax: 603-51212906  
E-mail: prescan@pd.jaring.my

##### Branch - Kuantan

A31, Tingkat 1, Jalan Gebeng 2/6, Kuantan, 26080 Pahang  
Tel/Fax: 609-5834457

**PROXY FORM**



**APR RESOURCES BERHAD**

(Company No. 564838 V)  
(Incorporated in Malaysia)

I / We \_\_\_\_\_  
of \_\_\_\_\_  
being member /members of the above-named Company, hereby  
appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing him \_\_\_\_\_  
of \_\_\_\_\_

as my/our Proxy to vote for me/us on my/our behalf at the Third Annual General Meeting of the Company, to be held on Thursday, 24th March 2005 at 10.00 a.m. and at any adjournment thereof.

My / Our proxy is to vote as indicated below (unless otherwise instructed, the proxy may vote as he thinks fit):

No.		For	Against
1	To received the Audited Financial Statements for the year ended 30 September 2004 and Reports of the Directors and Auditors thereon (Resolution 1)		
2	To approval Directors' fees (Resolution 2)		
3	To re-elect Directors: (a) Encik Muhayuddin Bin Musa (Resolution 3) (b) Mr. Yap Kow @ Yap Kim Fah (Resolution 4) (c) Mr. Lim Lye Hock (Resolution 5) (d ) Mr. Cheong Boon Yu (Resolution 6) (e) Mr. Tan Teng Khuan (Resolution 7) (f) Encik Johari Low Bin Abdullah (Resolution 8) (g) Mr. Yap Kau @ Yap Yeow Ho (Resolution 9) (h) Mr. Chua Eng Seng (Resolution 10)		
4	To appoint Auditors and to authorize Directors to fix their Remuneration (Resolution 11)		
5	To authorize the issue of shares pursuant to Section 132 D of the Companies Act 1965 (Resolution 12)		
6	To approve the Proposed Shareholders' Ratification and Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Resolution 13)		

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

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2004

No. of Shares Held

\_\_\_\_\_  
Signature of Member

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STAMP



**APB RESOURCES BERHAD**

(Company No:564838-V)

D12, Tingkat 1,  
Plaza Pekeliling

No. 2 Jalan Tun Razak

50400 Kuala Lumpur

Tel No.: 03 - 4042 3041

Fax No.: 03 - 4042 3422

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