

ANNUAL REPORT 2005



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Corporate Information

Board Of Directors

Dato' Tan Yik Huay
(Non-Independent Non-Executive Director)
Dato' Lee Ow Kim
(Independent Non-Executive Director)
Ian Ghee Eik Kai
(Independent Non-Executive Director)
Leong Chun Yin
(Executive Director)
Thurairatnam @ Samuel
(Executive Director)

Company Secretaries

Yeoh Chong Keat *(MIA 2736)*
Yee Hui Min *(MAICSA 7048913)*

Registered Office and Business Address

No. 5 Jalan Pelabur 23/1
40300 Shah Alam
Selangor Darul Ehsan
Telephone: 03-5541 0612
Facsimile: 03-5541 0132

Share Registrars

Epsilon Registration Services Sdn Bhd
312, 3rd Floor, Block C, Kelana Square
No. 17, Jalan SS 7/26
47301 Petaling Jaya
Telephone: 03-7806 2116
Facsimile: 03-7806 1261

Auditors

Tai, Yapp & Co.
Chartered Accountants
No. 3-2 Jalan Indrahana 2
Off Jalan Kuchai Lama
58200 Kuala Lumpur
Telephone: 03-7983 0948
Facsimile: 03-7981 9912

BOARD COMMITTEES

Audit Committee

Dato' Lee Ow Kim (Chairman)
Ian Ghee Eik Kai
Leong Chun Yin

Remuneration Committee

Ian Ghee Eik Kai (Chairman)
Dato' Tan Yik Huay
Dato' Lee Ow Kim
Leong Chun Yin

Nomination Committee

Dato' Tan Yik Huay (Chairman)
Dato' Lee Ow Kim
Ian Ghee Eik Kai

Principal Bankers

Bumiputra-Commerce Bank Bhd
Public Bank Bhd

Stock Exchange Listing

Bursa Malaysia Securities Berhad (Second Board)
Sector : Trading
Stock Number : 8923
Stock Short Name : TENCO

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty First Annual General Meeting of the Company will be held at No. 5, Jalan Pelabur 23/1, 40300 Shah Alam, Selangor Darul Ehsan, Malaysia on Friday, 9 September 2005 at 10:30 a.m. to transact the following business :-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 March 2005 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To re-elect Mr Ian Ghee Eik Kai who retires by rotation in accordance with Article 88 of the Company's Articles of Association. **(Resolution 2)**
3. To re-elect Mr Thurairatnam @ Samuel who retires by rotation in accordance with Article 88 of the Company's Articles of Association. **(Resolution 3)**
4. To re-appoint Messrs Tai, Yapp & Co as auditors of the Company and to authorise the Board of Directors to fix their remuneration. **(Resolution 4)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following, with or without modifications, as Ordinary Resolutions of the Company :-

PROPOSED PAYMENT OF DIRECTORS' FEES

5. "THAT the payment of Directors' fees of RM30,000 in respect of the financial year ended 31 March 2005 be and is hereby approved." **(Resolution 5)**

AUTHORITY FOR THE DIRECTORS TO ISSUE SHARES

6. "THAT subject always to the Companies Act, 1965 and the approvals of the relevant Governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company at the time of issue AND THAT the Directors be also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 6)**
7. To transact any other business of which due notice shall have been given.

By Order of the Board

YEOH CHONG KEAT (MIA 2736)
YEE HUI MIN (MAICSA 7048913)

Company Secretaries

Shah Alam
18 August 2005

Notice Of Annual General Meeting

Notes :-

- i. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. If the proxy is not a member of the Company, then the proxy shall be an advocate or an approved company auditor or a person approved by the Companies Commission of Malaysia. The provision of Section 149(1)(b) of the Companies Act, 1965 shall apply to the Company.
- ii. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- iii. A member shall be entitled to appoint more than one (1) proxy. A member who appoint two (2) proxies shall specify the proportion of his shareholdings to be represented by each proxy.
- iv. The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Registered Office of the Company at No. 5, Jalan Pelabur 23/1, 40300 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time set for holding this meeting or any adjournment thereof.

Explanatory Notes on Special Business :-

Ordinary Resolution proposed under Item 5

This proposed resolution is in accordance with Article 97 of the Company's Articles of Association. This resolution, if passed, will authorise the payment of Directors' fees to Directors of the Company for their services rendered as Directors during the financial year ended 31 March 2005.

Ordinary Resolution proposed under Item 6

This proposed resolution, if passed, will empower the Directors of the Company to issue shares from the unissued capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company at the time of issue, for such purposes as the Directors consider would be in the best interest of the Company. The approval is sought to avoid any delay and cost in convening a general meeting for such issuance of shares. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

Statement Accompanying Notice Of Annual General Meeting

1. The Twenty First Annual General Meeting of Tenco Berhad will be held at No. 5, Jalan Pelabur 23/1, 40300 Shah Alam, Selangor Darul Ehsan, Malaysia on Friday, 9 September 2005 at 10.30 a.m.
2. The Directors who are standing for re-election at the Twenty First Annual General Meeting are :-

Mr Ian Ghee Eik Kai
Mr Thurairatnam @ Samuel

Details of the abovenamed Directors who are standing for re-election are set out in the Directors' Profiles section of this Annual Report. The securities holdings of these Directors are disclosed under the section of "Directors' Shareholdings" of this Annual Report.

3. A total of five (5) Board meetings were held during the financial year ended 31 March 2005. Details of attendance of Directors holding office during the financial year are as follows :-

DIRECTOR	ATTENDANCE
Dato' Tan Yik Huay	5/5
Dato' Lee Ow Kim	5/5
Ian Ghee Eik Kai	5/5
Leong Chun Yin	5/5
Thurairatnam @ Samuel	5/5

Directors' Profiles

DATO' TAN YIK HUAY

(Non-Independent Non-Executive Director)

Dato' Tan Yik Huay, Malaysian, aged 62, is a Non-Independent Non-Executive Director of the Company and was appointed to the Board on 21 June 2000. He is the Chairman of the Nomination Committee and a member of the Remuneration Committee. He is a Fellow of the Chartered Association of Certified Accountants, United Kingdom and a Fellow of the Institute of Chartered Secretaries and Administrators, United Kingdom. He is also a member of the Malaysian Institute of Accountants and the Malaysian Association Certified Public Accountants. He joined the textile industry in 1973 as the Finance Manager and later as the Executive Director of Pen-Group of Companies, an international integrated textile group. He is currently a Director of Pen Apparel Sdn Bhd, a member of the TAL Group of Hong Kong. Currently he is the President of the Malaysian Textile Manufacturers' Association (MTMA). He is the past President of the Malaysian Textile Apparel Centre (MATAC) of which he is a founder member. Dato' Tan is the Chairman of the Human Resources Development Bhd (PSMB) and a Council Member of the Federation of Malaysian Manufacturers (FMM) and Vice Chairman of FMM Northern Branch. He is also currently the Chairman of the Audit Committee of Jerasia Capital Bhd.

Dato' Tan is the uncle of Leong Chun Yin (Executive Director of the Company) and Leong Pek Wha (major shareholder of the Company). He has no conflict of interest with the Company and has had no convictions for offences within the past ten years.

DATO' LEE OW KIM

(Independent Non-Executive Director)

Dato' Lee Ow Kim, Malaysian, aged 61, is an Independent Non-Executive Director of the Company. He was appointed to the Board on 27 July 2000 and is the Chairman of the Audit Committee. Dato' Lee is a member of both the Remuneration Committee and Nomination Committee and is also the Senior Independent Director with whom investors may convey. He is a Fellow of the Chartered Association of Certified Accountants, United Kingdom, a Fellow of the Chartered Institute of Management Accountants, United Kingdom and also a member of the Malaysian Institute of Accountants ("MIA"). At present, he is the Executive Director cum Company Secretary of the Pen-Group of Companies, an international chemicals and integrated textile group. Prior to this, he was the Senior Financial Analyst of Esso Malaysia Berhad. Currently, Dato' Lee is the Chairman of the Federation of Malaysian Manufacturers Northern Branch and also serves as council member of the Federation of Malaysian Manufacturers and the Penang Human Resource Development Council. He is currently the Council Member for Area 16 (South East Asia) of Chartered Institute of Management Accountants, United Kingdom, and the Immediate Past President of the Chartered Institute of Management Accountants Malaysia Division. He is an alternate Director in Rosettanet Malaysia Berhad.

Dato' Lee does not have any family relationship with and is not related to any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past ten years.

IAN GHEE EIK KAI

(Independent Non-Executive Director)

Ian Ghee Eik Kai, Malaysian, aged 39, is an Independent Non-Executive Director of the Company and was appointed to the Board on 6 November 2001. He is the Chairman of the Remuneration Committee and members of the Audit Committee and Nomination Committee. He graduated from the University of London with a LLB Degree in 1990. He further pursued and completed his Certificate of Legal Practice in 1992. Mr Ian chambered in Messrs Paul Chong & Kraal and was called to the Malaysian Bar on 17 September 1993. He subsequently worked in Messrs Ng & Ong as a legal assistant from 1993 to 1999. Currently, he is one of the main partner in Messrs Ian Ghee & Associates. He specialises in civil and corporate litigation, company law, debt collection, industrial disputes, probate matter and conveyancing practice. He does not have any other directorship in other public companies.

Mr Ian does not have any family relationship with and is not related to any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past ten years.

Directors' Profiles

LEONG CHUN YIN

(Executive Director)

Leong Chun Yin, Malaysian, aged 38, is an Executive Director of the Company. He was appointed to the Board on 16 December 1999. He is a member of the Audit Committee and Remuneration Committee of the Company. He holds a Bachelor of Accounting & Finance (Hons) degree from Manchester Polytechnic of United Kingdom. Prior to joining Tenco Group, he was the Executive Director of Ridgemonde Chemicals & Resins Sdn Bhd and Quality Coatings Sdn Bhd (now wholly-owned subsidiaries of Tenco Berhad).

Mr Leong sits on the Board of several private limited companies under Tenco Group, but does not have any other directorship in other public companies. Mr Leong is the brother of Leong Pek Wha, a major shareholder of the Company and the nephew of Dato' Tan Yik Huay. He has no conflict of interest with the Company and has had no convictions for offences within the past ten years.

THURAIRATNAM @ SAMUEL

(Executive Director)

Thurairatnam @ Samuel, Malaysian, aged 59, is an Executive Director of the Company. He was appointed to the Board on 21 June 2000. He is a chemist by profession and holds a Bachelor of Science (Hons) degree majoring in Chemistry from the University of Malaya. He started his career with Union Carbide as a Marketing Executive in Penang. In 1991, he left the Union Carbide Group to start his own business.

Mr Samuel sits on the Board of several private limited companies under Tenco Group but does not have any other directorship in other public companies. He does not have any family relationship with and is not related to any Director and/or major shareholder of the Company. He has no conflict of interest with the Company and has had no convictions for offences within the past ten years.

Corporate Governance Statement

The Board of Directors ("the Board") of Tenco Berhad ("the Company" or "Tenco") recognises that corporate governance is a continuous process and is therefore committed to direct and manage the Company in ensuring that the Group practices good corporate governance in line with the Malaysian Code on Corporate Governance (the "Code") in discharging its responsibilities to enhance shareholder value and to protect the interests of shareholders.

In preparing this report, the Board has considered the manner in which the Company has applied the principles of the Code and the extent to which it has complied with the Best Practices of the Code. The Board is of the opinion that save as set out below, the Group has applied the principles set out in Part 1 of the Code and has complied with the best practices set out in Part 2 of the Code throughout the financial year ended 31 March 2005.

A. DIRECTORS

(i) The Board

The Board of Tenco comprises two Executive Directors, two Independent Directors and a Non-Independent Non-Executive Director. The profiles of the members of the Board are provided in the Directors' Profiles of this Annual Report. The Board is responsible for overseeing the conduct and performance of the Group's businesses and provides oversight for the Group's internal controls.

The Board is of the opinion that the interests of shareholders of the Company are fairly represented through the current composition and its size constitutes an effective Board to the Company. The wide spectrum of knowledge, skills and experience of the Board members gives added strength to the leadership which is necessary for the effective stewardship of the Group.

The Company practices a clear demarcation of responsibilities and a balance of power and authority. The roles of the Executive Directors are clearly divided and they are responsible for the day-to-day running of the business, implementation of Board policies and making operational decisions.

(ii) Board Balance

All the Independent Directors are independent of Management and are free from any relationship that could materially interfere with the exercise of their independent judgement. The two Independent Directors of the Company which forms one third of the Board provides the Board with a good mix of industry-specific knowledge plus broad business and commercial experience. They provide guidance, unbiased, fully balanced and independent views, advice and judgement to many aspects of the Group's strategy so as to safeguard the interests of minority shareholders and to ensure that the highest standards of conduct and integrity were maintained by the Group.

Dato' Lee Ow Kim has been appointed as the Senior Independent Non-Executive Director to whom all concerns regarding the Company may be conveyed.

(iii) Board Committees

The Board has delegated certain responsibilities to Board Committees which operate within clearly defined terms of reference. The Committees are:

- (a) Audit Committee
- (b) Remuneration Committee
- (c) Nomination Committee

(iv) Supply of Information

The Board meets on a quarterly basis with additional meetings held whenever necessary. The Board meet five (5) times during the year under review.

All Directors are provided with an agenda and at each Board meeting, the Executive Directors, Financial Controller and/or other relevant Board members will brief on the Group's activities and operations. The issues would then be deliberated and discussed thoroughly by the Board prior to decision-making. Proceedings of Board meetings are recorded and signed by the Chairman of the meeting.

All Directors whether as a full Board or in their individual capacity have access to all information of the Company on a timely basis in an appropriate form and quality necessary to enable them to discharge their duties and responsibilities.

All Directors have access to the advice and services of the Company Secretaries and may seek independent professional opinion and advice, whenever necessary, at the expense of the Group. The appointment and removal of Company Secretaries are matters for the Board as a whole.

Corporate Governance Statement

In addition, the Board had a verbal understanding of matters reserved to itself for decision, including amongst others, the approval of Group strategy and direction, acquisition and divestment policy, major capital expenditures, significant financial matters and performance of the Group.

(v) Appointments to the Board

In cognizance of the recommendations of the Code, a Nomination Committee had been established by the Board and comprises three Non-Executive Directors, two of whom are Independent. The members of the Committee are:-

- (a) Dato' Tan Yik Huay - Chairman
- (b) Dato' Lee Ow Kim
- (c) Ian Ghee Eik Kai

The Committee is generally responsible to assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director. It would assess the size of the Board and review the mix of skills and experience and other qualities required for the Board to function completely and efficiently. Performance of Directors would be assessed on an on-going basis to examine each individual Director's ability to contribute to the effective decision making of the Board. Upon assessing any proposed new nominees for appointment to the Board, the Committee would make recommendations to the existing Board for the final decision-making.

Decisions on appointments of Directors are made by the Board after considering recommendations by the Nomination Committee.

The Committee met during the financial year and after the close of financial year to assess the effectiveness of the Board and the contribution of each individual Director as well as determined the Directors standing for re-election.

(vi) Directors' Training

The Company does not at present have a formal program for the orientation of newly appointed Directors. The Board considers that the activities of the Group at this time are not so complex as to warrant a formal program. However, all members of the Board have attended and completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysts Malaysia (RIIAM). Directors are encouraged to attend further educational programmes and seminars regularly to keep abreast of any new developments in the Bursa Malaysia Securities Listing Requirements, other relevant legislation and regulations and to enhance their skills and knowledge.

(vii) Election/Re-election of Directors

In accordance with the Articles of Association of the Company, at least one third of the Directors shall retire from office at each Annual General Meeting (AGM) and each Director shall stand for re-election at least once every three years. Directors appointed by the Board are subject to election by shareholders at the next AGM held through their appointments.

B. DIRECTORS' REMUNERATION

The Remuneration Committee that had been set up by the Board comprises of three Non-Executive Directors, two of whom are Independent and an Executive Director. The members of this Committee are:-

- (a) Ian Ghee Eik Kai – Chairman
- (b) Dato' Tan Yik Huay
- (c) Dato' Lee Ow Kim
- (d) Leong Chun Yin

The remuneration of Directors is determined at levels which will enable the Group to attract and retain the Directors needed to run the Group successfully. In the case of Executive Directors, they are to be appropriately rewarded giving due regard to the corporate and individual performance. The level of remuneration of Non-Executive Directors reflects their experience and level of responsibility undertaken by them.

The functions of the Committee shall include among others to recommend to the Board the framework of executive remuneration and its cost and the remuneration package for each Executive Director. The Committee also determines and recommends to the Board on the allowances to the Directors.

The recommendations of the Non-Executive Directors' remuneration is a matter for the Board as a whole subject to approval of shareholders at the AGM. Directors are not involved in the deliberation and decisions on their respective remuneration packages.

Corporate Governance Statement

During the financial year, the Remuneration Committee met once to review and recommend to the Board the remuneration packages and benefits including fees of the Directors.

Details of remuneration of Directors of the Company is set out on page 38 of this Annual Report. The Board of Tenco is of the view that disclosure of the remuneration bands of the Directors is sufficient and the details of the remuneration of each Director are not disclosed for security and confidentiality reasons.

C. SHAREHOLDERS

(i) Dialogue between Company and Investors

The Board acknowledges the importance for shareholders to be informed of all material business and corporate matters affecting the Group. The Group's performance is reported quarterly to Bursa Malaysia Securities Berhad (BMSB) and the yearly business review is disclosed in the Annual Report. Information is also disseminated in strict adherence to the disclosure requirements of BMSB.

Apart from contacts at general meetings, there is no formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. However, the Management has the option of calling for meetings with investors/analysts if it deems necessary. Thus far, the Management is of the opinion that this arrangement has been satisfactory to all parties.

Any queries or concerns with regards to the Group may be conveyed to Dato' Lee Ow Kim being the Senior Independent Director of the Company, at the following contact numbers:-

Telephone number : 03-5541 0612

Facsimile number : 03-5541 0132

(ii) Annual General Meeting (AGM)

The Company uses the AGM as the primary way of communicating with shareholders. The Annual Report together with the Notice of AGM are sent to shareholders at least 21 days before the date of the meeting. The Executive Directors and Board members as well as the Auditors of the Company are present to respond to all questions raised by the shareholders at the meeting. Status of all resolutions proposed at the AGM are submitted to the BMSB at the end of the meeting day. Any special business included in the notice of general meeting will be accompanied by an explanatory statement of the effects of a proposed resolution.

D. ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

The Directors have the responsibility to present a balanced and fair assessment of the Group's position and prospects in the Annual Reports to shareholders and quarterly reports to the BMSB. The Audit Committee assists in reviewing the information for disclosure to ensure accuracy, adequacy and completeness. The Board is also responsible to ensure that the accounting records of the Group are properly kept.

(ii) Internal Control

The Internal Control Statement of the Tenco Group is set out on page 16 of this Annual Report.

(iii) Relationship with Auditors

The role of the Audit Committee in relation to the External Auditors may be found in the Audit Committee Report on page 11 of this Annual Report. The Company has always and would continue to maintain a close and transparent relationship with its External Auditors in seeking professional advice and ensuring compliance with the appropriate accounting standards.

Additional Compliance Information

1. MATERIAL CONTRACTS

Neither the Company nor any of its subsidiaries had entered into any material contract which involved Directors' and/or major shareholders' interest, either subsisting at the end of the financial year, or which were entered into since the end of the previous financial year.

2. SHARE BUY-BACK

During the financial year ended 31 March 2005, the Company does not have a scheme to buy back its own shares.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

No options were exercised during the financial year ended 31 March 2005. The Company has not issued any warrants or convertible securities in respect of the financial year under review.

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

The Company did not sponsor any ADR or GDR programme in the financial year ended 31 March 2005.

5. IMPOSITION OF SANCTIONS AND PENALTIES

During the financial year under review, there were no sanctions and/or penalties imposed on the Company and/or its subsidiary Companies, Directors or Management arising from any significant breach of rules/guidelines/legislation by the relevant regulatory bodies.

6. NON-AUDIT FEES

For the financial year ended 31 March 2005, the Group does not pay any non-audit fees to the External Auditors.

7. VARIATION IN RESULTS

There is no significant variance in the Tenco's audited results for the financial year ended 31 March 2005 from the unaudited results as previously announced.

8. REVALUATION POLICY ON LANDED PROPERTY

The Group had not adopted any revaluation policy in relation to its landed properties.

9. PROFIT GUARANTEE

Refer to Note 28 of the financial statements on page 49 of this Annual Report.

Responsibility Statement By The Board Of Directors

The Directors of the Company are required to ensure that the financial statements for each financial year are properly drawn up in accordance with the provisions of the Companies Act, 1965 and approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 March 2005, the Group has used suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements.

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

Audit Committee Report

For The Financial Year Ended 31st March 2005

MEMBERSHIP

The members of the Audit Committee (the "Committee") for the financial year ended 31 March 2005 are:

DATO' LEE OW KIM <i>Independent Non-Executive Director</i>	Chairman
IAN GHEE EIK KAI <i>Independent Non-Executive Director</i>	Member
LEONG CHUN YIN <i>Executive Director</i>	Member

TERMS OF REFERENCE

1. Composition

- a. The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall comprise of not less than three (3) members, a majority of whom shall be Independent Directors.
- b. At least one member of the Committee must be a member of the Malaysian Institute of Accountants or similar qualification as specified in Part I or Part II of the 1st Schedule of the Accountants Act, 1967 with at least three (3) years working experience.
- c. No Alternate Director is to be appointed as a member of the Committee.
- d. The members of the Committee shall elect a Chairman from among their numbers who shall be an Independent Director.
- e. If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- f. The term of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

2. Authority

- a. The Committee is authorised to investigate any matter within its terms of reference and to seek any information it requires from any employees and all employees are directed to co-operate with any request made by the Committee.
- b. The Committee is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- c. The Committee shall have unrestricted access to both the Internal and External Auditors and is able to convene meetings with the External Auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

3. Functions

The functions of the Committee shall be amongst others:-

- (I) To review and report the following to the Board of Directors of the Company:-
 - (a) the audit plan, with the External Auditor;
 - (b) the audit report, with the External Auditor;
 - (c) the assistance given by the employees of the Company to the External Auditor;

Audit Committee Report

For The Financial Year Ended 31st March 2005

- (d) the internal audit function:-
 - (i) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (ii) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (iii) the evaluation of the system of internal controls, with the External Auditors.
 - (e) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events; and
 - (iii) compliance with accounting standards, regulatory and other legal requirements.
 - (f) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (g) any letter of resignation from the External Auditors of the Company;
 - (h) whether there is reason (supported by grounds) to believe that the Company's External Auditor is not suitable for re-appointment;
 - (i) matters arising from the audit with the External Auditor including any report or management letter thereon.
- (II) To recommend the nomination of a person or persons as External Auditors.
- (III) To carry out such other functions as may be agreed to by the Audit Committee and Board of Directors.

4. Meetings

- a. Meetings shall be held not less than four (4) times a year. The External Auditor may request a meeting by notifying the Secretary if they consider it necessary.
- b. A quorum shall be two (2) members, majority of whom must be Independent Directors.
- c. The Financial Controller, the Head of Internal Audit and a representative of the External Auditor shall normally be invited to attend any meeting of the Committee. Other Board members and employees may also attend any particular Audit Committee meeting upon the invitation of the Committee.
- d. The Company Secretary shall be the Secretary of the Committee and will prepare and circulate the minutes of the meetings to the Committee members, the rest of the Board of Directors and External Auditor.

MEETINGS HELD DURING THE FINANCIAL YEAR ENDED 31 MARCH 2005

Five (5) Committee meetings were held in the financial year and details of attendance of the Committee members are as follows:-

Member	Attendance
Dato' Lee Ow Kim	5/5
Ian Ghee Eik Kai	5/5
Leong Chun Yin	5/5

By invitation, other Board members, Financial Controller and representatives of the External Auditors were present to brief the Committee on specific issues, with the Company Secretary in attendance.

Audit Committee Report

For The Financial Year Ended 31st March 2005

ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR

During the financial year, the Committee carried out its duties as set out in its terms of reference. The Committee reviewed the unaudited quarterly financial statements and audited annual financial statements of the Group to ensure compliance with approved accounting standards and adherence to other regulatory requirements prior to submission to the full Board for consideration and approval.

The Committee also assessed the significant issues set out in the management letter arising from the audit of the Group by the External Auditors for the year and seeks clarification and an explanations from Management of the Company on issues noted in the audit reports.

The proposed audit fees for the External Auditors in respect of their audit of the Group and the Company had been reviewed by the Committee who had also considered the re-appointment of the External Auditors for recommendation to the shareholders for approval.

In performing its functions, the Committee reviewed the internal control system of the Group and made recommendations to the Board and Management on improvement of internal controls, procedures and systems and other matters noted by the Committee.

INTERNAL AUDIT

The Internal Audit Department reviews and evaluates the adequacy and effectiveness of the internal control system of the Group. Reports on the audit findings together with recommended action plans are presented to the Audit Committee for review and implementation.

Executive Directors' Statement

Malaysian Economic Overview

Malaysia's GDP is projected to grow at 5 – 6 percent in 2005 in line with the softening of the global demand in USA, European Union, Japan and China. Export of manufactured goods particularly electronics is not expected to maintain the past years' pace. Being a net oil exporter, part of the adverse impact will be cushioned by Malaysia's oil exports.

Financial Highlights

The Group registered a turnover of RM61.44 Million for the financial year ending 31 March 2005 compared with RM59.61 Million in the previous year, an improvement of 3 percent, despite the competitive market environment. The Group recorded a marginal operating profit of RM777.6 thousands compared to an operating loss of RM1.627 Million in year 2004. After taking into account the interest provision, the loss before tax for the Group was RM1.37 Million compared with a loss of RM3.74 Million in the previous year.

Business Review and Outlook

The business has been restructured into four strategic business units since last year. This provides greater focus in each sector and enables quicker reaction to market changes.

1. Cooling Technologies and Electronics

Sales grew by 10 percent compared to that of last year. The growth came from the increase in sales of new environmental friendly refrigeration, non-ozone depleting extinguishers agent for fire fighting system and coupled with the growth in hard disc drive industry resulting in an increase in demand for cleaning agents.

2. Adhesive and Hardware Division

For the period under review, the Adhesive and Hardware enjoyed an improvement of 30 percent in sales over that of the previous year. The manufacturing operations were consolidated for greater cost efficiency.

The fast track of projects to the tune of RM2.4 Billion by the Malaysian Government will boost the Building and Construction industry. This provides opportunities for our products to enjoy further growth.

3. Polymer and Coatings Division

An improvement in turnover of 15 percent over that of last year was recorded for the period under review. This division supplies raw materials for the manufacturing of paints, adhesive, textile, carpet, non-woven, ink and glove industries. The focus will be in niche products with healthier margins. Effort is made to improve the companies exports.

4. Toll Manufacturing Division

The Toll Manufacturing operation achieved ISO9000 (2001) Certification. This allows the products to compete in the international arena and secured toll manufacturing contracts from international companies.

Executive Directors' Statement

Corporate Development

The Company is currently undergoing a debt and corporate restructuring exercise the details of which are set out in the Note 33 to the Audited Financial Statements for the financial year ended 31 March 2005 on page 55 of this Annual Report. The Board believes that the exercise, when completed, will place the Company on a stronger financial footing with viable business operations.

Future Prospects

The manufacturing sector will continue to be the main engine of growth for the Malaysian economy. This sector is projected to register a growth of 7.6 percent in 2005. Our Group should be in position to support the manufacturing sector and increase sales in the domestic market. Search for export market of our products will be intensified.

Acknowledgement

On behalf of the Board of Directors, we wish to convey our sincere appreciation to the Management and staff of the Group for their services, dedication and support. The Board expresses its appreciation to the shareholders, customers, suppliers, bankers and various authorities of the Company and the Group for their continuous support.

On behalf of the Board of Directors

LEONG CHUN YIN
THURAIRATNAM @ SAMUEL
Executive Directors

Internal Control Statement

INTRODUCTION

Pursuant to paragraph 15.27(b) of the Bursa Malaysia Listing Requirements, the Board of Directors of Tenco Berhad is pleased to provide the following statement on the state of Internal Control of the Group and its subsidiaries for the financial year ended 31 March 2005, which has been prepared in accordance with the "Statement on Internal Control - Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia and adopted by the Bursa Malaysia.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for maintaining a sound system of Internal Control, and for reviewing its adequacy and integrity to safeguard shareholders' investment and the Company's assets. The review of the Group's system of Internal Control is a concerted and continuing process. In the pursuit of this objective, the Directors are aware that the systems of Internal Control are designed to manage rather than eliminate the risk of failure to achieve the Group's objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

KEY ELEMENTS OF INTERNAL CONTROL

The principal features of the Groups' system of Internal Control can be summarized as follows:

(a) Reporting and Review of Financial Performance

Scheduled meetings are held at operational and management levels to identify, discuss and resolve business and operational matters. Monthly and quarterly review of financial results and forecasts are held for all business within the Group. Operational and financial performance are regularly monitored with formulation of action plans to address any areas of concern.

Quarterly, interim and full year results of the Group's state of affairs are disclosed to the shareholders after review and approval by the Board.

(b) Staffing Policies

Policies and procedures on hiring and training scheme of staff have been established at Group level with individual business units having the flexibility to adapt these policies for their specific needs. Staffs are guided on where and how they can contribute and their knowledge and skill continuously upgraded to enable them to meet the demand of their working environment.

(c) Authority and Accountability levels

The Group has a well defined organization structure with clear lines of accountability, approval and control procedures to provide a sound framework within the organization in facilitating proper decision making at the appropriate authority levels of management including matters that require Board approval.

(d) Internal Control

The Group monitors Internal Control compliance through management review and periodic check by audit personnel. Weaknesses and non-compliance are reported to the Audit Committee together with recommendation for improvement.

(e) Head of Department Meeting

The Group conducts regular meetings of Senior Management which comprises the Executive Directors and all Divisional Heads. The meeting will discuss and decide on all operational issues that arise and to inform all Divisional Heads on implementation of all major policies and strategic directives. The Executive Directors will also take the opportunity to assess the effectiveness of policies implemented and obtain feedback on market and environment in which it operates.

RISK MANAGEMENT FRAMEWORK

The process of identifying, evaluating and managing the key risks within the Group are an integral part of the Internal Control framework. The Board has reviewed risk management process of certain identified business entities within the Group and acknowledges that effective risk management is an integral part of good business management practice.

The process of risks assessment and management is an ongoing process which is being carried out at each level of operations. This process is monitored by the Board to ensure the adequacy and integrity of the system of Internal Control.

Management is responsible for the identification, evaluation and mitigation of risks applicable to their areas of business with the assistance of properly designed and implementation of Internal Control processes. Management reports findings on a regular basis to the Audit Committee, who will assess the report on behalf of the Board. Senior Management reports to the Board on significant changes in the business environment that present new risks to the business entities within the Group.

The Board will continue to pursue its objective of identifying and management of risks associated with the operation of the Group and to take the necessary measures to strengthen its Internal Controls as a way of ensuring the success of the business of the Group.

Group Financial Highlights

GROUP FINANCIAL HIGHLIGHTS for the Year Ended 31st March 2005

Turnover RM61,441,841	Loss Before Tax RM1,368,112	Loss After Tax RM1,538,816	Shareholders' Funds RM3,236,984	Loss Per Share 2.9 sen
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FIVE YEARS' FINANCIAL PERFORMANCE

Turnover

Year	RM
2001	68,429,466
2002	59,142,723
2003	59,172,772
2004	59,612,344
2005	61,441,841

Loss Before Tax

Year	RM
2001	(1,230,567)
2002	(2,606,856)
2003	(4,224,904)
2004	(3,737,653)
2005	(1,368,112)

Shareholders' Funds

Year	RM
2001	16,661,104
2002	13,309,739
2003	8,959,427
2004	4,739,253
2005	3,236,984

Loss per share (sen)

Year	SEN
2001	(3.4)
2002	(6.1)
2003	(8.4)
2004	(7.3)
2005	(2.9)

Directors' Report

For The Year Ended 31st March 2005

The Directors present their report and the audited financial statements of the Group and of the Company for the year ended 31st March 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding whilst the principal activities of the subsidiary companies are disclosed in Note 11 to the financial statements.

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

	Group	Company
	RM	RM
FINANCIAL RESULTS		
(Loss)/Profit for the year after taxation	<u>(1,538,816)</u>	<u>140,864</u>

The results of the operations of the Group and of the Company for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any dividend for the financial year ended 31st March 2005.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

During the financial year, no issue of shares was made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year apart from options pursuant to Employees' Share Option Scheme.

Under the Company's Employees' Share Option Scheme (ESOS) which became operative on 16th May 2000, options to subscribe for ordinary shares of RM1 each at an option price of RM1.84 were made available to eligible employees and Executive Directors of the Group.

The main features of the ESOS are :-

- The eligibility for participation in the ESOS is at the discretion of the ESOS Committee. It is open to any eligible employees and Executive Directors of the Group with at least one (1) year continuous service with the Tenco Group. For an employee of any of the subsidiaries of the Tenco Group, the employee must complete at least one (1) year of continuous service following the date such company is deemed to be a subsidiary of Tenco Group.
- The total number of shares to be offered under the ESOS and options to be offered under any future schemes shall not exceed 10% of the total issued and paid up share capital of the Company at any point in time during the duration of the Scheme.
- No option shall be granted for less than 1,000 shares nor more than 500,000 shares unless so adjusted pursuant to (e) below.
- The option price for each ordinary share of RM1.00 each shall be the average of the mean market quotation of Tenco shares as shown in the Daily Official List of the BMSB for the five (5) market days preceeding the Offer Date.
- The number of outstanding options to subscribe for shares or the option price or both may be adjusted following any issue of additional shares, by way of right or capitalisation of profits or reserves made by the Company while an option remains unexercised.

Directors' Report

For The Year Ended 31st March 2005

- f) Where option exercisable within a particular year is not fully exercised, the percentage unexercised shall be carried forward to the next year and shall not be subject to the maximum percentage for the next year provided that no option shall be carried forward beyond the Option period ended 10th March 2005 subject however to any extension or renewal of the scheme as may be approved by all the relevant parties/authorities in accordance with the Bye-Laws of the scheme. The Company shall not be extending or renewing the ESOS.
- g) The ordinary shares issued under the ESOS are in the same class and shall rank pari passu in all respects with the existing ordinary shares of the Company.

The movement in the number of unexercised options to take up new ordinary shares of RM1.00 each of the ESOS are as follows :-

	Number of Share Options
At 1 st April 2004	1,621,000
Granted during the year	-
Exercised during the year	-
Lapsed due to resignations	(219,000)
Lapsed during the year	(1,402,000)
	-
At 31 st March 2005	-

DIRECTORS

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

- a. DATO' TAN YIK HUAY
- b. DATO' LEE AH CHIEN @ LEE OW KIM
- c. IAN GHEE EIK KAI
- d. LEONG CHUN YIN
- e. THURAIRATNAM @ SAMUEL

The shareholdings in the Company of those who were Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134, are as follows:-

	----- Ordinary Shares of RM1 each -----			
	As at 1.4.2004	Bought	Sold	As at 31.3.2005
Direct Interest				
THURAIRATNAM @ SAMUEL	15,000	-	-	15,000
LEONG CHUN YIN	205,000	-	-	205,000

Indirect Interest held through body Corporate

LEONG CHUN YIN	16,528,000	-	-	16,528,000
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The other Directors did not hold shares in the Company as at the end of the year.

In accordance with Article 88 of the Company's Articles of Association, Ian Ghee Eik Kai and Thurairatham @ Samuel retire by rotation and being eligible, offer themselves for re-election.

Directors' Report

For The Year Ended 31st March 2005

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than those benefits disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which the Director has a substantial financial interest other than any benefits which may be deemed to have arisen from the transactions entered into by the Company as mentioned in Note 31 to the financial statements.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the Employees' Share Option Scheme as mentioned above.

OTHER STATUTORY INFORMATION

- a) Before the income statement and balance sheet of the Group and of the Company were made out, the Directors took reasonable steps :-
- i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts;
 - ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- b) At the date of this report, the Directors are not aware of any circumstances which would render :-
- i) the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and the Company inadequate to any substantial extent;
 - ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- c) At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- e) As at the date of this report there does not exist :-
- i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- f) In the opinion of the Directors :-
- i) no contingent liability or other liabilities has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due;
 - ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Directors' Report

For The Year Ended 31st March 2005

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 33 to the financial statements.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Events subsequent to the balance sheet date are disclosed in Note 34 to the financial statements.

AUDITORS

The auditors, Tai,Yapp & Co., have expressed their willingness to continue in office.

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

LEONG CHUN YIN

THURAIRATNAM @ SAMUEL

Shah Alam
Dated: 19th July 2005

Consolidated Income Statement

For The Year Ended 31st March 2005

	Note	2005 RM	2004 RM
Revenue	6	61,441,841	59,612,344
Cost of goods sold		<u>(50,643,638)</u>	<u>(49,229,733)</u>
Gross profit		10,798,203	10,382,611
Other operating income		728,982	542,822
Direct expenses		(91,519)	(566,750)
Distribution costs		(692,762)	(525,030)
Administrative expenses		(6,320,096)	(5,765,146)
Other operating expenses		<u>(3,645,230)</u>	<u>(5,695,140)</u>
Profit/(Loss) from operations		777,578	(1,626,633)
Finance costs		<u>(2,145,690)</u>	<u>(2,111,020)</u>
Loss before taxation	7	(1,368,112)	(3,737,653)
Taxation	8	(170,704)	(79,987)
Loss after taxation		<u><u>(1,538,816)</u></u>	<u><u>(3,817,640)</u></u>
Loss per ordinary share (sen) - Basic	9	<u><u>(2.9)</u></u>	<u><u>(7.3)</u></u>

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

Income Statement

For The Year Ended 31st March 2005

	Note	2005 RM	2004 RM
Revenue	6	-	372,042
Other operating income		165,041	-
Administrative expenses		(79,941)	(161,990)
Other operating expenses		<u>168,981</u>	<u>(500,441)</u>
Profit/(Loss) from operations		254,081	(290,389)
Finance costs		<u>(107,727)</u>	<u>(99,301)</u>
Profit/(Loss) before taxation	7	146,354	(389,690)
Taxation	8	(5,490)	(3,862)
Profit/(Loss) after taxation		<u><u>140,864</u></u>	<u><u>(393,552)</u></u>

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

Consolidated Balance Sheet

31st March 2005

	Note	2005 RM	2004 RM
NON CURRENT ASSETS			
Property, plant and equipment	10	9,728,581	10,498,316
Investments	12	580,650	580,650
Goodwill on consolidation	13	2,742,654	3,428,318
CURRENT ASSETS			
Inventories	14	10,777,353	8,801,530
Trade receivables	15	16,077,692	15,701,527
Other receivables, deposits and prepayments	16	1,400,974	1,345,572
Tax recoverable		499,887	496,024
Fixed deposits with licensed banks	18	3,617,524	4,407,633
Cash and bank balances		2,736,772	3,495,473
		35,110,202	34,247,759
CURRENT LIABILITIES			
Trade payables	19	6,857,923	5,520,101
Bills payable	20	1,595,880	2,295,008
Other payables and accruals	21	11,533,666	11,245,484
Hire purchase payables	22	20,805	48,837
Restructured term loans	23	24,459,688	24,459,688
Bank overdraft	24	-	17,289
Taxation		212,469	223,658
		44,680,431	43,810,065
NET CURRENT LIABILITIES		(9,570,229)	(9,562,306)
		3,481,656	4,944,978
Financed by :-			
SHARE CAPITAL	25	52,200,000	52,200,000
RESERVES	26	(48,963,016)	(47,460,747)
SHAREHOLDERS' FUNDS		3,236,984	4,739,253
NON CURRENT LIABILITIES			
Hire purchase payables	22	36,672	7,425
Deferred taxation	27	208,000	198,300
		244,672	205,725
		3,481,656	4,944,978

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

Balance Sheet

31st March 2005

	Note	2005 RM	2004 RM
NON CURRENT ASSETS			
Property, plant and equipment	10	4,977	5,987
Investments in subsidiary companies	11	29,399,870	29,399,870
CURRENT ASSETS			
Other receivables, deposits and prepayments	16	195,071	4,000
Amount owing by subsidiary companies	17	34,250,331	34,182,556
Tax recoverable		143,266	143,221
Cash and bank balances		27,570	34,840
		<u>34,616,238</u>	<u>34,364,617</u>
CURRENT LIABILITIES			
Other payables and accruals	21	671,803	1,138,559
Amount owing to subsidiary companies	17	2,324,636	1,748,133
Restructured term loans	23	1,346,590	1,346,590
		<u>4,343,029</u>	<u>4,233,282</u>
NET CURRENT ASSETS		30,273,209	30,131,335
		<u>59,678,056</u>	<u>59,537,192</u>
Financed by :-			
SHARE CAPITAL	25	52,200,000	52,200,000
RESERVES	26	7,478,056	7,337,192
SHAREHOLDERS' FUNDS		<u>59,678,056</u>	<u>59,537,192</u>

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

Consolidated Statement Of Changes In Equity

For The Year Ended 31st March 2005

	Share Capital	Translation Adjustment Account	Reserve on Consolidation	Accumulated Losses	Total
	RM	RM	RM	RM	RM
Balance at 1 st April 2003	52,200,000	358,925	522,284	(44,121,782)	8,959,427
Currency translation differences	(402,534)	(402,534)	-	-	(402,534)
Net loss not recognised in the income statement	-	-	-	(3,817,640)	(402,534)
Net loss for the year	-	-	-	(3,817,640)	(3,817,640)
Balance at 31 st March 2004	52,200,000	(43,609)	522,284	(47,939,422)	4,739,253
Currency translation differences	-	36,547	-	-	36,547
Net profit not recognised in the income statement	-	36,547	-	-	36,547
Net profit for the year	-	-	-	(1,538,816)	(1,538,816)
Balance at 31 st March 2005	52,200,000	(7,062)	522,284	(49,478,238)	3,236,984

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

Statement Of Changes In Equity

For The Year Ended 31st March 2005

	Share Capital	Unappropriated Profit	Total
	RM	RM	RM
Balance at 1 st April 2003	52,200,000	7,730,744	59,930,744
Net loss for the year	<u>-</u>	<u>(393,552)</u>	<u>(393,552)</u>
Balance at 31 st March 2004	52,200,000	7,337,192	59,537,192
Net profit for the year	-	140,864	140,864
Balance at 31 st March 2005	<u>52,200,000</u>	<u>7,478,056</u>	<u>59,678,056</u>

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

Consolidated Cash Flow Statement

For The Year Ended 31st March 2005

	2005	2004
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,368,112)	(3,737,653)
Adjustments for :-		
Provision for obsolete inventories	364	-
Inventories written off	25	-
Impairment losses on short term leasehold land and building	-	108,708
Impairment losses on freehold land and building	-	433,781
Property, plant and equipment written off	23,935	467
Amortisation of goodwill on consolidation	685,664	684,912
Depreciation and amortisation of property, plant and equipment	1,091,182	1,320,238
(Gain)/Loss on disposal of property, plant and equipment	(261,924)	82,164
Loss on disposal of subsidiary companies	-	3
Foreign exchange translation	(174,977)	(452,411)
Unrealised gain on foreign exchange	(165,041)	-
Interest expense	2,071,984	2,110,301
Interest income	(113,761)	(177,193)
General provision for doubtful debts	-	113,979
General provision for doubtful debts written back	(107,214)	-
Specific provision for doubtful debts	57,447	230
Specific provision for doubtful debts written back	(11,816)	-
Dividend income	-	(183,673)
Preliminary expenses	-	8,800
Bad debts written off	581	5,590
	1,728,337	318,243
Operating profit before working capital changes		
Increase in inventories	(1,976,212)	(766,353)
(Increase)/Decrease in receivables	(205,524)	1,915,202
Decrease in payables	(1,029,897)	(1,119,876)
	(1,483,296)	347,216
Cash (absorbed in)/generated from operations		
Interest paid	(115,211)	(149,288)
Interest received	113,761	177,193
Tax paid	(176,056)	(373,429)
	(1,660,802)	1,692
Net cash (used in)/provided by operating activities		

Consolidated Cash Flow Statement

For The Year Ended 31st March 2005

		2005	2004
	Note	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Preliminary expenses incurred		-	(8,800)
Placement of fixed deposits		-	(515,571)
Withdrawal of fixed deposits		790,109	-
Proceeds from disposal of property, plant and equipment		682,858	178,719
Net outflow from disposal of subsidiary companies		-	(3)
Purchase of property, plant and equipment	(b)	(508,592)	(442,072)
Dividend received		-	87,568
Net cash provided by/(used in) investing activities		964,375	(700,159)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of hire purchase payables		(44,985)	(41,075)
Net cash used in financing activities		(44,985)	(41,075)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(741,412)	(739,542)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		3,478,184	4,217,726
CASH AND CASH EQUIVALENTS CARRIED FORWARD	(a)	<u>2,736,772</u>	<u>3,478,184</u>
Note :-			
(a) Cash and cash equivalents :-			
Cash and bank balances		2,736,772	3,495,473
Bank overdraft		-	(17,289)
		<u>2,736,772</u>	<u>3,478,184</u>
(b) Purchase of Property, Plant and Equipment			

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM554,792 (2004 : RM442,072) of which RM46,200 (2004 : Nil) was acquired by means of hire purchase. Cash payment of RM508,592 (2004 : RM442,072) were made to purchase property, plant and equipment.

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

Cash Flow Statement

For The Year Ended 31st March 2005

	2005	2004
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	146,354	(389,690)
Adjustments for :-		
Unrealised gain on foreign exchange	(165,041)	-
Depreciation	1,010	1,010
Interest expenses	107,727	99,301
Loss on disposal of subsidiary companies	-	3
	90,050	(289,376)
Operating profit/(loss) before working capital changes	90,050	(289,376)
(Increase)/Decrease in receivables	(93,805)	104,492
Increase in payables	2,020	163,733
	(1,735)	(21,151)
Cash absorbed in operations	(1,735)	(21,151)
Tax paid	(5,535)	(3,862)
	(7,270)	(25,013)
Net cash used in operating activities	(7,270)	(25,013)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of subsidiary companies	-	(16)
Proceeds from disposal of subsidiary companies	-	3
Net cash used in investing activities	-	(13)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,270)	(25,026)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	34,840	59,866
CASH AND CASH EQUIVALENTS CARRIED FORWARD	27,570	34,840
Note :		
Cash and cash equivalents :-		
Cash and bank balances	27,570	34,840

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

Notes To The Financial Statement

31st March 2005

1. GENERAL INFORMATION

The Company is a public limited liability company incorporated and domiciled in Malaysia. It is listed on the Second Board of Bursa Malaysia Securities Berhad.

The Company's registered office and principal place of business are at No. 5, Jalan Pelabur 23/1, 40300 Shah Alam, Selangor Darul Ehsan.

The financial statements are presented in Ringgit Malaysia.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programme and adherence to Group financial risk management policies. The Board regularly reviews these risks and approves the treasury policies, which covers the management of these risks.

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates and interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

The Company does not hold or issue derivative financial instruments for trading purposes.

2.1 Foreign Currency Risk

Foreign currency risk arises as the Group engages in transactions that are denominated in foreign currencies, mainly Singapore Dollar and Canada Dollar. In addition, the Group is exposed to foreign currency movements on its investments in foreign subsidiary companies. Foreign currency risk is mitigated as most exchange differences arise from translation of monetary items that in substance form part of the Group's net investments in foreign entities. These exchange differences are taken to translation reserve instead of to the income statement.

2.2 Liquidity Risk

The liquidity risk of the Group is minimal as it maintains adequate working capital to meet its obligations as and when they fall due.

2.3 Interest Rate Risk

The Group's exposure to interest rate fluctuations are in respect of :

- a) fixed deposits with licensed banks that attracts interest income.
- b) hire purchase obligations of which the interest rate is fixed.
- c) bill payables and restructured term loans of which the interest rates vary with reference to the base lending rates of the bank.

However, the fluctuation in interest rates, if any, is not expected to have a material impact on the financial performance of the Group.

2.4 Credit Risk

This involves the risk that counter parties may be unable to meet the terms of their agreements. The Group has no major concentration of credit risk and the Group manages these risks by monitoring credit evaluations and limiting the aggregate exposure to any counter party.

The Group places its cash and fixed deposits with credit worthy financial institutions.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represent the Group's exposure to credit risk.

Notes To The Financial Statement

31st March 2005

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on 19th July 2005.

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. This requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the respective accounting policies as set out below.

4.2 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year.

Under the acquisition method of accounting the results of subsidiary companies acquired or disposed off are included in the consolidated financial statements from the date of acquisition or up to the date of disposal. Inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The difference between the acquisition price and the fair values of the subsidiary companies' net assets acquired is reflected as goodwill or reserve on consolidation. Goodwill on consolidation is stated at cost less accumulated amortisation and impairment losses, if any. It is amortised over a period of ten years from the effective date of acquisition.

4.3 Investment in Subsidiary Companies

A subsidiary company is a Company in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investment in subsidiary companies which are eliminated on consolidation are stated at cost less impairment losses, if any.

4.4 Investments

Investments in unquoted shares and transferable Club Memberships which are held as long term investments are stated at cost less impairment losses, if any.

4.5 Property, Plant and Equipment

Freehold land is stated at cost less impairment losses, if any and is not depreciated. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated to write off the cost of other property, plant and equipment on a straight-line basis over the estimated useful lives of the assets concerned. The principal annual depreciation rates used for this purpose are as follows :-

	%
Buildings	2
Short term leasehold land	over the remaining lease period
Furniture, fixtures, fittings and office equipment	10 – 20
Plant and equipment	10 – 20
Vehicles	20

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

Notes To The Financial Statement

31st March 2005

4.6 Income Taxes

Income tax on the profit or loss for the year comprises current and deferred tax and any adjustments to tax payable in respect of previous years.

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

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. 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.

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

4.7 Impairment of Assets

The carrying amount of the Group's and Company's assets other than inventories, assets arising from construction contracts, deferred tax asset and financial assets (other than investment in subsidiaries, associates and joint ventures) are reviewed for impairment where there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts and the impairment loss is recognised whenever the recoverable amount is less than the carrying amount of the asset.

The impairment loss is charged to the income statement immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation surplus account to the extent of the surplus credited from the previous revaluation for the same assets with the excess of the impairment loss charged to the income statement. Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the assets that would have been determined had no impairment loss been recognised. The reversal is recognised in the income statement immediately except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation surplus account of the same asset.

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

4.8 Foreign Currencies Conversion

4.8.1 Transactions in Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates ruling at the time of transactions or at contracted rates where applicable. Foreign currency assets and liabilities are converted at the exchange rates ruling at the balance sheet date. All exchange differences are dealt with in the income statement.

4.8.2 Translation of Foreign Currency Financial Statements

Assets and liabilities of foreign subsidiary companies are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date and the results of foreign subsidiary companies are translated at the average rate of exchange for the year. Exchange differences arising from the retranslation of the opening net investments in foreign subsidiary companies and from the translation of the results of those subsidiary companies at the average rate are dealt with through the Translation Adjustment Account.

Notes To The Financial Statement

31st March 2005

The exchange rates ruling at balance sheet date used for each unit of foreign currencies to Ringgit Malaysia are as follows :-

	Average Rate		Year End	
	2005	2004	2005	2004
100 Japanese Yen	3.52	3.36	3.58	3.57
1 United States Dollar	3.80	3.80	3.83	3.80
1 Singapore Dollar	2.29	2.20	2.30	2.26
1 Canadian Dollar	3.01	2.86	3.11	2.91
1 Sterling Pound	6.99	6.94	7.11	6.94
1 Euro Dollar	4.75	4.46	4.97	4.60

4.9 Inventories

Inventories are stated at the lower of cost and net realisable value after due allowances are made for damaged, obsolete and slow moving items. Cost is principally determined on weighted average basis.

The cost of raw materials includes the original purchase price and the incidental expense incurred in bringing the inventories to their present location and condition. The cost of work in progress and finished goods include the cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

4.10 Receivables

Receivables are carried at anticipated realisable value. Known bad debts are written off and due allowances are made for any debts considered to be doubtful of collection. In addition, a general allowance based on a percentage of annual sales is made to cover possible losses which are not specifically identified.

4.11 Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed off in the income statement in the year it is incurred.

However, if future economic benefit from development activities are probable and measurable, the related development cost is capitalised and amortised on a straight line basis over a period not exceeding 5 years.

4.12 Property, Plant and Equipment Under Hire Purchase Arrangements

Property, plant and equipment acquired under hire purchase arrangements are capitalised in the financial statements and are depreciated in accordance with the policy set out on 4.5 above. The corresponding outstanding obligations due under the hire purchase after deducting financial expenses are included as liabilities in the financial statements. Finance expenses are charged to the income statement based on constant periodic rate of interest on the remaining hire-purchase liabilities.

4.13 Revenue Recognition

Revenue of the Group and of the Company are recognised on the following basis :

- 4.13.1 Revenue from sale of goods are recognised upon the delivery of goods and customer's acceptance.
- 4.13.2 Revenue from services are recognised upon the services rendered.
- 4.13.3 Dividend income is recognised when the right to receive payment has been established.
- 4.13.4 Product commission, interest income, rental income and management fees are recognised on accrual basis.

Notes To The Financial Statement

31st March 2005

4.14 Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

4.15 Segment Information

Segment Information is presented in respect of the Group's business and geographical segments. The primary segment information is in respect of business segments as the Group risk and rates of return are affected predominantly by differences in the products it produces, while the secondary information is reported geographically.

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 finance cost and corporate administration expenses.

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

4.16 Provision for Liabilities

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

4.17 Employee Benefit Costs

Short term benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and paid sick leave are recognised as an expense in the year in which the associated services are rendered by employees of the Group.

Short term accumulating compensated absences such as paid annual leaves are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leaves are recognised when the absences occur.

Defined contribution plan

Contributions to the Employees' Provident Fund are charged to the income statement in the year to which they relate.

4.18 Financial Instruments

4.18.1 Financial instruments recognised on the balance sheet

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

The accounting policies for financial instruments are disclosed in the individual policies associated with each item.

4.18.2 Disclosure of fair values

The Group's financial instruments are accounted for under the historical cost convention. Fair value represents the amount at which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.

Methodologies

The methodologies and assumptions used in ascertaining the fair values depend on the terms and risk characteristics of the instruments and are briefly set out below:

Notes To The Financial Statement

31st March 2005

Amounts owing by/(to) subsidiary companies

It is not practical to estimate the fair values of the above amounts due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs.

Other financial assets and liabilities

The fair values of the other financial assets and liabilities maturing within 12 months are stated at approximately the carrying value as at the balance sheet date.

5. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding whilst the principal activities of the subsidiary companies are disclosed in Note 11 to the financial statements.

6. REVENUE

Group

Revenue represents invoiced value of goods sold less returns, contract manufacturing services rendered and investment income.

Company

Revenue represents management fees received and investment income mainly from subsidiary companies.

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
These represent :				
Sales of goods	61,247,815	59,345,560	-	-
Contract manufacturing services	194,026	266,784	-	-
Management fees	-	-	-	263,578
Interest income	-	-	-	108,464
	<u>61,441,841</u>	<u>59,612,344</u>	<u>-</u>	<u>372,042</u>

Notes To The Financial Statement

31st March 2005

7. PROFIT/(LOSS) BEFORE TAXATION

This is stated after charging :-	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Directors' fees	30,000	30,000	30,000	30,000
Directors' remuneration	1,368,116	1,252,494	-	-
Auditors' remuneration				
- current year	80,169	78,400	9,000	9,000
- underprovision in prior year	1,700	-	-	-
Depreciation of property, plant and equipment	969,336	1,198,007	1,010	1,010
Amortisation of short term leasehold land	22,301	22,301	-	-
Property, plant and equipment written off	23,935	467	-	-
Amortisation of goodwill on consolidation	685,664	684,912	-	-
Interest expense on :				
- Restructured term loans	1,956,773	1,961,013	107,727	99,301
- Hire purchase	9,966	11,017	-	-
- Bills payable	103,861	136,450	-	-
- Overdraft interest	1,384	1,821	-	-
General provision for doubtful debts	-	113,979	-	-
Specific provision for doubtful debts				
- trade	57,447	230	-	-
Rental of premises	341,798	322,200	-	-
Loss on foreign exchange – realised	27,995	18,505	-	-
Loss on disposal of property, plant and equipment	11,900	92,164	-	-
Loss on disposal of subsidiary companies	-	3	-	3
Bad debts written off	581	5,590	-	30,639
Factory equipment rental	-	56,000	-	-
Preliminary expenses	-	8,800	-	-
Research and development expenditure				
- depreciation	99,545	99,930	-	-
- direct attributable costs	81,217	204,962	-	-
Impairment losses on freehold land and building	-	433,781	-	-
Impairment losses on short term leasehold land and building	-	108,708	-	-
Management fee	5,634	7,042	-	-
Inventories written off	25	-	-	-
Provision for obsolete inventories	364	-	-	-
Staff costs (excluding directors)	5,985,288	6,455,686	1,090	85,536
And crediting:-				
General provision for doubtful debt written back	107,214	-	-	-
Specific provision for doubtful debts written back	11,816	-	-	-
Gross dividend income	-	183,673	-	-
Interest income	113,761	177,193	-	-
Gain on disposal of property, plant and equipment	273,824	10,000	-	-
Gain on foreign exchange				
- unrealised	165,041	-	165,041	-
- realised	59,695	76,986	-	-
Management fees received from subsidiary companies	-	-	-	268,578
Interest income received from subsidiary companies	-	-	-	108,464
Number of employees as at end of the financial year (excluding directors)	142	173	-	-

Notes To The Financial Statement

31st March 2005

DIRECTOR'S REMUNERATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Executive				
Fees *	12,000	12,000	12,000	12,000
Salaries and other emoluments	1,231,851	1,128,072	-	-
Pension costs				
- defined contribution plans	136,265	124,422	-	-
	<u>1,380,116</u>	<u>1,264,494</u>	<u>12,000</u>	<u>12,000</u>
Non-Executive				
Fees *	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>

* To be approved at the forthcoming Annual General Meeting.

The number of Directors whose remuneration during the financial year ended 31st March 2005 fall within the following bands is as follows:-

Range of Remuneration RM	Executive Directors	Non-Executive Directors
Below 50,000	2	3
Between 50,000 and 200,000	6	-
Between 200,001 and 250,000	2	-
Total	<u>10</u>	<u>3</u>

8. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Based on the results for the year :-				
Current Tax				
Malaysian Income Tax	143,200	179,237	-	-
Deferred taxation				
Relating to origination/ (reversal) of temporary differences (Note 27)	<u>9,700</u>	<u>(74,700)</u>	<u>-</u>	<u>-</u>
	152,900	104,537	-	-
Under/(Over)provision in prior years				
Malaysian Income Tax	<u>17,804</u>	<u>(24,550)</u>	<u>5,490</u>	<u>3,862</u>
Tax expense for the year	<u>170,704</u>	<u>79,987</u>	<u>5,490</u>	<u>3,862</u>

Notes To The Financial Statement

31st March 2005

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate.

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
(Loss)/Profit before taxation	(1,368,112)	(3,737,653)	146,354	(389,690)
Tax at Malaysian statutory tax rate of 28% (2004 : 28%)	(383,071)	(1,046,543)	40,979	(109,113)
Income not subject to tax	(57,681)	(65,280)	(46,211)	-
Non allowed expenses	1,257,747	1,395,941	5,232	123,277
Higher capital allowances claimed against the depreciation charge	(3,075)	(8,130)	-	-
Tax effect for tax incentive				
- Reduction in statutory tax rate on chargeable income of up to RM500,000	(46,760)	(70,730)	-	-
- Double deduction	(18,124)	(55,620)	-	-
Utilisation of unutilised capital allowances from prior years	(98,480)	(45,101)	-	-
Utilisation of unabsorbed tax losses from prior years	(497,656)	-	-	(14,164)
	152,900	104,537	-	-
Under/(Over)provision in prior years	17,804	(24,550)	5,490	3,862
Tax expense for the year	<u>170,704</u>	<u>79,987</u>	<u>5,490</u>	<u>3,862</u>

Based on the estimated tax credit available, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of net dividends of approximately RM4,258,000 (2004 : RM4,244,000) out of its entire unappropriated profit as at 31st March 2005 without incurring additional tax liability.

The Group and the Company have potential deferred tax assets not taken up in the financial statements under the liability method in respect of the following deductible temporary differences :

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unabsorbed tax losses	(46,394,000)	(47,455,608)	(133,897)	(140,700)
Other temporary differences	(717,000)	(1,096,575)	4,978	5,990
	<u>(47,111,000)</u>	<u>(48,552,183)</u>	<u>(128,919)</u>	<u>(134,710)</u>

The above deferred tax assets are available indefinitely for offset against future taxable profit of the subsidiary companies in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset future taxable profit of other subsidiary companies in the Group and they have arisen in subsidiary companies that have a recent history of losses.

Notes To The Financial Statement

31st March 2005

9. LOSS PER ORDINARY SHARE

Basic loss per ordinary share :-

The basic loss per ordinary share for the financial year has been calculated based on the consolidated loss after tax divided by the weighted average number of ordinary shares in issue during the financial year.

	2005 RM	2004 RM
Consolidated loss after tax	<u>(1,538,816)</u>	<u>(3,817,640)</u>
Weighted average number of ordinary shares in issue	<u>52,200,000</u>	<u>52,200,000</u>
Basic loss per ordinary share (sen)	<u>(2.9)</u>	<u>(7.3)</u>

10. PROPERTY, PLANT AND EQUIPMENT

Group	As at 1.4.2004 RM	Translation Adjustments RM	Additions RM	(Disposals) RM	(Written off) RM	As at 31.3.2005 RM
Freehold land	779,199	140,010	-	-	-	919,209
Freehold building	1,900,106	66,257	-	-	-	1,966,363
Long term leasehold building	564,605	-	-	-	-	564,605
Short term leasehold land	686,115	-	-	-	-	686,115
Short term leasehold building	5,469,625	-	-	-	-	5,469,625
Furniture, fixtures, fittings and office equipment	4,418,265	33,977	337,789	(608,662)	(556,230)	3,625,139
Plant and equipment	11,508,621	33,910	115,746	(524,027)	(1,299,392)	9,834,858
Vehicles	1,333,316	207	101,257	(577,302)	(45,800)	811,678
	<u>26,659,852</u>	<u>274,361</u>	<u>554,792</u>	<u>(1,709,991)</u>	<u>(1,901,422)</u>	<u>23,877,592</u>

Accumulated Depreciation	As at 1.4.2004 RM	Translation Adjustments RM	Depreciation Charge RM	(Disposals) RM	(Written off) RM	As at 31.3.2005 RM
Freehold land	92,336	-	-	-	-	92,336
Freehold building	635,328	(1,033)	31,747	-	-	666,042
Long term leasehold building	164,603	-	8,889	-	-	173,492
Short term leasehold land	314,158	-	22,301	-	-	336,459
Short term leasehold building	1,372,974	-	109,392	-	-	1,482,366
Furniture, fixtures, fittings and office equipment	2,527,856	24,859	395,523	(338,389)	(532,296)	2,077,553
Plant and equipment	9,874,618	38,969	460,567	(444,691)	(1,299,392)	8,630,071
Vehicles	1,179,663	42	62,763	(505,977)	(45,799)	690,692
	<u>16,161,536</u>	<u>62,837</u>	<u>1,091,182</u>	<u>(1,289,057)</u>	<u>(1,877,487)</u>	<u>14,149,011</u>

Notes To The Financial Statement

31st March 2005

	Net Book Value		Depreciation	Impairment	Depreciation	Impairment
	2005	2004	Charge	losses	Charge	losses
Accumulated Depreciation	RM	RM	2005	2005	2004	2004
	RM	RM	RM	RM	RM	RM
Freehold land	826,873	686,863	-	-	-	92,336
Freehold building	1,300,321	1,264,778	31,747	-	39,052	341,445
Long term leasehold building	391,113	400,002	8,889	-	11,562	108,708
Short term leasehold land	349,656	371,957	22,301	-	22,301	-
Short term leasehold building	3,987,259	4,096,651	109,392	-	109,392	-
Furniture, fixtures, fittings and office equipment	1,547,586	1,890,409	395,523	-	424,373	-
Plant and equipment	1,204,787	1,634,003	460,567	-	638,516	-
Vehicles	120,986	153,653	62,763	-	75,042	-
	<u>9,728,581</u>	<u>10,498,316</u>	<u>1,091,182</u>	<u>-</u>	<u>1,320,238</u>	<u>542,489</u>

The title deed to a freehold land and building purchased by a subsidiary company for RM1.2 million has yet to be registered in the name of the subsidiary company as there is a lien holder's caveat and a private caveat subsisting over the property which the vendor is obligated to remove before the transfer can be effected. Meanwhile, the subsidiary company has lodged a private caveat over the property.

The Company is liaising with the relevant authority for the issuance of the title deeds to the short term and long term leasehold land and buildings of certain subsidiary companies.

The cost and net book values of the landed properties of the Group which have been pledged to the financial institutions under the restructured term loans as mentioned in Note 23 below are as follows :

	Cost		Net Book Value	
	2005	2004	2005	2004
	RM	RM	RM	RM
Long term leasehold building	564,605	564,605	391,113	400,002
Freehold land and building	864,684	864,684	730,790	745,953
Short term leasehold land	686,115	686,115	349,656	371,957
Short term leasehold building	5,469,625	5,469,625	3,987,259	4,096,651
	<u>7,585,029</u>	<u>7,585,029</u>	<u>5,458,818</u>	<u>5,614,563</u>

Notes To The Financial Statement

31st March 2005

Included in the above property, plant and equipment of the Group are vehicles under hire purchase arrangements with cost and net book values totalling RM204,923 (2004 : RM232,815) and RM70,026 (2004 : RM93,017) respectively.

Company

	As at 1.4.04	Additions	As at 31.3.05	
Cost	RM	RM	RM	
Office equipment	<u>10,099</u>	<u>-</u>	<u>10,099</u>	
	As at 1.4.04	Depreciation Charge	As at 31.3.05	
Accumulated Depreciation	RM	RM	RM	
Office equipment	<u>4,112</u>	<u>1,010</u>	<u>5,122</u>	
	Net Book Value		Depreciation Charge	
	2005	2004	2005	2004
	RM	RM	RM	RM
Office equipment	<u>4,977</u>	<u>5,987</u>	<u>1,010</u>	<u>1,010</u>

11. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2005 RM	2004 RM
Unquoted shares, at cost	32,130,012	32,130,012
Less :		
Dividends out of pre-acquisition reserves	(1,730,141)	(1,730,141)
Provision for impairment in value	(1,000,001)	(1,000,001)
	<u>29,399,870</u>	<u>29,399,870</u>

Notes To The Financial Statement

31st March 2005

The subsidiary companies are :-

Name Direct Subsidiary	Place of Incorporation	Effective Interest		Principal Activities
		2005	2004	
		%	%	
Westech Sdn Bhd	Malaysia	100	100	Importer of industrial chemicals, equipment, building products and consumer products
Tenco Industries Sdn Bhd	Malaysia	100	100	Manufacturing of industrial chemicals, consumer products and aerosol products
Wilron Products Sdn Bhd	Malaysia	100	100	Manufacturing of industrial adhesives
Ferndale Direct Sdn Bhd	Malaysia	100	100	Sales and marketing of air conditioning and refrigeration parts and supplies
Tenco Construction Sdn Bhd	Malaysia	100	100	Inactive
*Tenco Westech Industries Pte Ltd	Republic of Singapore	100	100	Sales and marketing of industrial chemicals, industrial adhesives, equipment, building products and aerosol products
Ridgemonde Chemicals & Resins Sdn Bhd	Malaysia	100	100	Polymerisation of synthetic latex for the paint, adhesive, wood and textile industries
Quality Coatings Sdn Bhd	Malaysia	100	100	Contract manufacturing of decorative paints and industrial chemicals

Notes To The Financial Statement

31st March 2005

Name Direct Subsidiary	Place of Incorporation	Effective Interest		Principal Activities
		2005	2004	
		%	%	
Iso Kimia (M) Sdn Bhd	Malaysia	100	100	Sales and marketing of maintenance chemicals and floor care products
Westech Chemicals Sdn Bhd	Malaysia	100	100	Sales and marketing of fluorochemicals
Vivaplus Paints Sdn Bhd	Malaysia	100	100	Sales and marketing of decorative paints
Continental Series Sdn Bhd	Malaysia	100	100	Provision of management services
Fire-X Solutions Sdn Bhd (Formerly known as Krystal Manufacturing Sdn Bhd)	Malaysia	100	100	Inactive
Subsidiary company held through Westech Sdn Bhd				
Tenco Management Sdn Bhd	Malaysia	100	100	Inactive
Subsidiary company held through Tenco Westech Industries Pte Ltd				
*Tenco Westech Industries Incorporated	Canada	100	100	Sales and marketing of synthetic resins and industrial adhesive

* Audited by other firms of chartered accountants.

Notes To The Financial Statement

31st March 2005

12. INVESTMENTS

	Group	
	2005 RM	2004 RM
Outside Malaysia		
Unquoted shares, at cost	439,650	439,650
In Malaysia		
Transferable club memberships, at cost	141,000	141,000
	<u>580,650</u>	<u>580,650</u>
Transferable club memberships, at market value	<u>150,000</u>	<u>150,000</u>

13. GOODWILL ON CONSOLIDATION

	Group	
	2005 RM	2004 RM
Cost		
As at 1 st April	7,251,065	7,878,423
Less : Reduction in goodwill on consolidation	-	(631,118)
Add : Arising from acquisition of a subsidiary company	-	3,760
As at 31 st March	7,251,065	7,251,065
Accumulated amortisation		
As at 1 st April	(3,822,747)	(3,137,835)
Amortisation for the year	(685,664)	(684,912)
As at 31 st March	<u>(4,508,411)</u>	<u>(3,822,747)</u>
	<u>2,742,654</u>	<u>3,428,318</u>

14. INVENTORIES

	Group	
	2005 RM	2004 RM
At cost :		
Raw materials	3,103,285	2,599,961
Finished goods	5,740,547	4,322,593
Work in progress	110,681	154,022
Packing materials	400,320	323,466
Trading goods	1,422,520	1,401,488
	<u>10,777,353</u>	<u>8,801,530</u>

Notes To The Financial Statement

31st March 2005

15. TRADE RECEIVABLES

	Group	
	2005 RM	2004 RM
Total amount outstanding	17,269,636	16,955,054
Less:		
Specific provision for doubtful debts		
As at 1 st April	1,127,450	1,127,220
Provision during the year	57,447	230
Provision written back	(11,816)	-
	1,173,081	1,127,450
General provision for doubtful debts		
As at 1 st April	126,077	126,077
Provision written back	(107,214)	-
	18,863	126,077
	<u>16,077,692</u>	<u>15,701,527</u>

The credit terms of trade receivables range from 30 to 60 days. Other credit terms are assessed and approved on a case by case basis.

The foreign currencies exposures of trade receivables of the Group are as follows :-

	2005 RM	2004 RM
Ringgit Malaysia	14,474,994	14,528,027
US Dollar	1,317,405	989,144
Singapore Dollar	285,293	184,356
	<u>16,077,692</u>	<u>15,701,527</u>

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other receivables	691,282	895,829	2,000	-
Deposits	216,228	238,755	1,693	1,000
Prepayments	493,464	210,988	191,378	3,000
	<u>1,400,974</u>	<u>1,345,572</u>	<u>195,071</u>	<u>4,000</u>

Included in other receivables is an amount of RM434,604 which is due from the vendors of a subsidiary company of the Company in respect of the additional profit guarantee shortfall as disclosed in Note 28 below.

17. AMOUNT OWING BY/(TO) SUBSIDIARY COMPANIES

	Company	
	2005 RM	2004 RM
Amount owing by subsidiary companies	34,254,670	34,186,895
Less :		
Provision for doubtful debts	(4,339)	(4,339)
	<u>34,250,331</u>	<u>34,182,556</u>

The amount owing by/(to) subsidiary companies are unsecured, interest-free and have no fixed terms of repayment.

Notes To The Financial Statement

31st March 2005

18. FIXED DEPOSITS WITH LICENSED BANKS

Group

Included in the fixed deposits are RM3,360,337 (2004 : RM4,282,586) which have been pledged to the financial institutions for banking facilities granted to the Group as mentioned in Note 20 and 24 below.

19. TRADE PAYABLES

Group

The credit terms of trade payables range from 30 to 60 days.

The foreign currencies exposures of trade payables of the Group are as follows :-

	2005 RM	2004 RM
Ringgit Malaysia	5,876,847	5,479,768
US Dollar	956,102	-
Singapore Dollar	68	-
Canada Dollar	24,906	40,333
	<u>6,857,923</u>	<u>5,520,101</u>

20. BILLS PAYABLE

Group

This trade line facilities granted by the financial institutions to the subsidiary companies are secured against the Group's fixed deposits as mentioned in Note 18 above.

They bear weighted average interest rate at 8% (2004 : 8%) per annum.

21. OTHER PAYABLES AND ACCRUALS

	2005 RM	2004 RM	2005 RM	2004 RM
i) Other payables and accruals	3,282,576	4,865,441	221,126	801,609
ii) Accrued restructured term loan interest	8,225,090	6,268,317	444,677	336,950
iii) Companies in which the directors have substantial interest	26,000	111,726	6,000	-
	<u>11,533,666</u>	<u>11,245,484</u>	<u>671,803</u>	<u>1,138,559</u>

The amount in (iii) above is unsecured, interest free and has no fixed terms of repayment.

Notes To The Financial Statement

31st March 2005

22. HIRE PURCHASE PAYABLES

	Group	
	2005 RM	2004 RM
Total principal outstanding	57,477	56,262
Less : Repayable after the next 12 months shown under non current liabilities	(36,672)	(7,425)
	20,805	48,837
Represented by :		
Minimum hire purchase payments :		
- Within 1 year	27,244	52,092
- After 1 year but not more than 5 years	42,877	15,808
	70,121	67,900
Less : Future interest charges	(12,644)	(11,638)
	57,477	56,262

23. RESTRUCTURED TERM LOANS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Total principal outstanding	24,459,688	24,459,688	1,346,590	1,346,590
Repayment due :-				
Within one year	24,459,688	24,459,688	1,346,590	1,346,590

The Company and certain of its subsidiary companies have on 31st January 2000 entered into a Debt Restructuring Agreement (DRA) with their lenders to settle the outstanding bills payable, bank overdrafts and short term loans on a staggered basis over a period of six years commencing from the financial year ended 31st March 2000.

The above restructured term loans are secured by legal charges over the landed properties of certain subsidiary companies of the Group as mentioned in Note 10 above and they bear weighted average interest rate at 8% (2004 : 8%) per annum.

The Group had defaulted on the quarterly interest and principal repayment due since 30th June 2001.

As part of the current composite restructuring scheme of the Group, the lenders have on 1st June 2005 entered into a new DRA with the Group. The salient terms of the new DRA is more particularly set out on Note 34.

24. BANK OVERDRAFT

Group

The bank overdraft is secured against the fixed deposits of the Group as mentioned in Note 18 above. It bears weighted average interest at Nil (2004 : 7%) per annum.

25. SHARE CAPITAL

	Group and Company	
	2005 RM	2004 RM
Ordinary shares of RM1 each		
Authorised	100,000,000	100,000,000
Issued and fully paid	52,200,000	52,200,000

Notes To The Financial Statement

31st March 2005

26. RESERVES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-Distributable				
Translation Adjustment Account	(7,062)	(43,609)	-	-
Reserve on consolidation	522,284	522,284	-	-
	515,222	478,675	-	-
Distributable				
(Accumulated losses)/ Unappropriated profit	(49,478,238)	(47,939,422)	7,478,056	7,337,192
	<u>(48,963,016)</u>	<u>(47,460,747)</u>	<u>7,478,056</u>	<u>7,337,192</u>

27. DEFERRED TAXATION

	Group	
	2005 RM	2004 RM
As at 1 st April	198,300	273,000
Transferred to Income Statement (Note 8)	9,700	(74,700)
	<u>208,000</u>	<u>198,300</u>
As at 31 st March	<u>208,000</u>	<u>198,300</u>

This represents components of deferred tax liabilities as at the balance sheet date as follows :-

	Group	
	2005 RM	2004 RM
Capital allowances claimed on property, plant and equipment in excess of the depreciation charge	208,000	228,300
Other temporary differences	-	(30,000)
	<u>208,000</u>	<u>198,300</u>

28. PROFIT GUARANTEE

On the acquisition of Ridgemonde Chemicals & Resins Sdn Bhd ("Ridgemonde") and Quality Coatings Sdn Bhd ("Quality") on 27th January 1999, the vendors of Ridgemonde and Quality have warranted and guaranteed that for the next three (3) financial years ending 31st March 2000 to 31st March 2002, the two companies would achieve in aggregate a total net profit before tax of not less than RM4,590,000 and RM4,650,000 respectively.

However, Ridgemonde and Quality did not achieve the guaranteed amount for the above three (3) financial years resulting in an accumulated shortfall in the profit guarantee by RM155,435 and RM2,399,835 respectively.

In year 2004, the vendors of Quality and Ridgemonde have agreed to pay an additional amount of RM90,078 and RM541,040 to Quality and Ridgemonde respectively.

The vendor of Quality has settled the amount of RM90,078. The Company has agreed to the instalment payments by three vendors of Ridgemonde. An amount of RM106,436 have been settled by the vendors as at the balance sheet date. The Company has also taken legal action to recover the sum of RM27,302 each from two other vendors.

Notes To The Financial Statement

31st March 2005

29. SEGMENTAL REPORTING

Segment information is presented in respect of the Group's business and geographical segments.

Inter segment pricing is determined on arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

By Business Segment

The Group's operations comprise the following main business segments :

Manufacturing	Manufacture of polymer, chemicals, adhesive, decorative coatings and related products
Trading	Sales of chemicals, adhesives, building materials, equipment and consumer products
Investment holding	Investment holding and provision of management services

2005	Manufacturing	Trading	Investment holding	Elimination	Consolidation
Revenue	RM	RM	RM	RM	RM
External sales	32,483,829	28,958,012	-	-	61,441,841
Inter-segment sales	10,403,356	4,762,376	2,400,000	(17,565,732)	-
Total	42,887,185	33,720,388	2,400,000	(17,565,732)	61,441,841
Results					
Segment results (external)	567,874	734,905	160,463	(685,664)	777,578
Finance cost					(2,145,690)
Loss before taxation					(1,368,112)
Tax expense					(170,704)
Net loss for the year					(1,538,816)

Notes To The Financial Statement

31st March 2005

	Manufacturing	Trading	Investment holding	Elimination	Consolidation
	RM	RM	RM	RM	RM
Other information					
Segment assets	77,859,778	33,789,690	65,404,457	(128,891,838)	<u>48,162,087</u>
Segment liabilities	62,642,107	86,555,833	5,860,245	(110,133,082)	<u>44,925,103</u>
Capital expenditure	95,193	119,901	339,698		554,792
Depreciation	770,090	316,272	4,820		1,091,182
Amortisation of goodwill					685,664
Non-cash expenses other than depreciation and amortisation					82,352

2004	Manufacturing	Trading	Investment holding	Elimination	Consolidation
	RM	RM	RM	RM	RM
Revenue					
External sales	30,192,399	29,419,945	-	-	59,612,344
Inter-segment sales	11,030,979	5,820,052	1,792,261	(18,643,292)	-
Total	<u>41,223,378</u>	<u>35,239,997</u>	<u>1,792,261</u>	<u>(18,643,292)</u>	<u>59,612,344</u>

Results

Segment results (external)	608,313	(1,219,417)	(330,617)	(684,912)	(1,626,633)
Finance cost					(2,111,020)
Loss before taxation					(3,737,653)
Tax expense					(79,987)
Net loss for the year					<u>(3,817,640)</u>

Notes To The Financial Statement

31st March 2005

	Manufacturing	Trading	Investment holding	Elimination	Consolidation
	RM	RM	RM	RM	RM
Other information					
Segment assets	76,341,174	29,234,051	65,268,101	(122,088,238)	48,755,043
Segment liabilities	61,072,204	81,187,641	5,771,135	(104,051,190)	44,015,790
Capital expenditure	309,617	131,455	1,000		442,072
Depreciation	1,032,323	286,855	1,060		1,320,238
Amortisation of goodwill					684,912
Non-cash expenses other than depreciation and amortisation					739,332

By Geographical Segment

The Group operates mainly in Malaysia and has sales offices in Singapore and Canada. In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditures are based on the geographical location of assets.

	Revenue		Total Assets		Capital Expenditure	
	2005 RM	2004 RM	2005 RM	2004 RM	2005 RM	2004 RM
Malaysia	59,966,900	58,250,751	45,958,785	46,906,112	548,843	430,736
Singapore	404,961	425,572	275,957	278,286	-	-
Canada	1,069,980	936,021	1,927,345	1,570,645	5,949	11,336
	61,441,841	59,612,344	48,162,087	48,755,043	554,792	442,072

30. FINANCIAL INSTRUMENTS

a) Credit Risk

As at 31st March 2005, the Group's credit risk is minimised and monitored via strictly limiting the Group's associations to business parties with high credit worthiness. Trade receivables are monitored on an ongoing basis via Group Management reporting procedures.

The Group has no significant concentration of credit risk and places its cash with credit worthy financial institutions.

b) Fair Values

The carrying amounts of the financial assets and liabilities of the Group and of the Company as at 31st March 2005 approximate their fair values on the balance sheet of the Group and of the Company except as set out below :-

Notes To The Financial Statement

31st March 2005

	Group				Company			
	Carrying Amount		Fair Value		Carrying Amount		Fair Value	
	2005	2004	2005	2004	2005	2004	2005	2004
	RM	RM	RM	RM	RM	RM	RM	RM
Financial Assets								
Unquoted shares	439,650	439,650	*	*	-	-	-	-
Amount owing by subsidiary companies	-	-	-	-	34,250,331	34,182,556	#	#
Financial Liabilities								
Amount owing to subsidiary companies	-	-	-	-	2,324,636	1,748,133	#	#
	<u>439,650</u>	<u>439,650</u>			<u>36,574,967</u>	<u>35,930,689</u>		

* It is not practical to estimate the fair value of the unquoted shares because of the lack of quoted market prices and the ability to estimate the fair value without incurring excessive costs.

It is not practical to estimate the fair values of the above amounts due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs.

Notes To The Financial Statement

31st March 2005

31. SIGNIFICANT RELATED PARTY DISCLOSURES

a) Identities of related parties

Controlling related party relationships are as follows :-

- (i) Its subsidiary companies as disclosed in Note 11 above.
- (ii) Substantial shareholder of the Company : Pristine Way Sdn Bhd
- (iii) Firm in which a Director has an interest : Nor Ding & Co. & Ian Ghee & Associates

b) Transactions

Subsidiary Companies	Company	
	2005 RM	2004 RM
Management fees receivable	-	263,578
Interest income	-	108,464
Firm in which a Director, Ian Ghee Eik Kai has an interest		
Nor Ding & Co. Professional fee paid	-	21,000
Ian Ghee & Associates Professional fee paid	31,000	-

The above transactions were carried out on terms and conditions not materially different from those obtainable in transactions with unrelated parties.

c) Balances in respect of non trade transaction

	Group	
	2005 RM	2004 RM
With a company in which Leong Chun Yin is a Director and has substantial interest :		
Pristine Way Sdn Bhd		
Amount owing to	20,000	111,726
With a company in which Ian Ghee Eik Kai has substantial interest:		
Ian Ghee & Associates		
Amount owing to	6,000	-

32. CONTINGENT LIABILITIES

a) Unsecured :

	Company	
	2005 RM	2004 RM
(i) Corporate guarantees given to financial institutions for credit facilities granted to subsidiary companies		
- Principal	23,113,098	23,113,098
- Term loan interest	7,780,413	5,931,367
	<u>30,893,511</u>	<u>29,044,465</u>
(ii) Corporate guarantees given to financial institutions for hire purchase facilities granted to subsidiary companies	13,075	56,262

Notes To The Financial Statement

31st March 2005

b) Pending Litigations

- (i) A claim was made by an external party at the High Court of Shah Alam on 29th July 1988 against a subsidiary company for the recovery of the sum of RM579,513.60 together with interest and costs for the breach of contract by the subsidiary company in completing a purchase transaction of a boat. The subsidiary company has however filed a counter claim for refund of the deposit of RM108,900 and damages.

The High Court has allowed the plaintiff's application for summary judgement on 26th April 2001. The subsidiary company has appealed against the summary judgement and its next hearing has been adjourned to 12th September 2005.

- (ii) A claim was made at the Shah Alam High Court by a supplier against a subsidiary company for a sum with interest of RM377,852 as at 31st August 2003 for goods allegedly sold and delivered and for further interest at the rate of 1.5% per month calculated from 1st September 2003 until date of full settlement. The high court had allowed the Plaintiff's application for summary judgement on 26th January 2005. The subsidiary company has filed a Notice of Appeal against the summary judgement.

- (iii) A claim was made in the High Court of Kuala Lumpur by a supplier against a subsidiary company for a sum of RM926,270.48 for goods sold and delivered. The subsidiary company disputed the amount claimed.

The supplier's application for summary judgement was dismissed on 12th December 2003. The supplier's subsequent appeal for the summary judgement was also dismissed on 16th July 2004.

The matter is now set down for full trial and no date has been given.

No provision has been made for the above pending litigations as the Directors are of the opinion that the Group's chances of success in respect of the appeals and counter claim are good.

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Composite Restructuring Scheme

On 8th March 2004, Tenco Berhad ("TENCO") entered into a Restructuring Agreement with Tanigra Sdn hd ("TANIGRA") and the vendors of Damansara Indah Sdn Bhd ("DISB") and Tanigra Construction Sdn Bhd ("TCSB") in relation to the following :-

- (i) Proposed acquisition of the entire equity interest in DISB comprising 3 million ordinary shares of RM1.00 each in DISB by TANIGRA for a total tentative purchase consideration of RM121,104,000 to be satisfied by the issuance of 121,104,000 new ordinary shares of RM1 each in TANIGRA.
- (ii) Proposed acquisition of the entire equity interest in TCSB comprising 750,000 ordinary shares of RM1 each in TCSB by TANIGRA for a total purchase consideration of RM15 million to be satisfied by the issuance of 15 million new ordinary shares of RM1 each in TANIGRA.
- (iii) Proposed acquisition of the entire equity interest in Tenco comprising 52.2 million ordinary shares of RM1 each in Tenco to be satisfied by the issuance of 36,540,000 new TANIGRA shares of RM1 each to the shareholders of TENCO on the basis of seven (7) new TANIGRA shares for every ten (10) Tenco shares held by the shareholders of TENCO.
- (iv) Proposed settlement of debts of TENCO via the issuance of 10 million ordinary shares of RM1 each in TANIGRA together with RM7,122,000 nominal value redeemable convertible secured loan stocks in TANIGRA at an issue price of 100% of its nominal value.

Notes To The Financial Statement

31st March 2005

- (v) Proposed placement of TANIGRA shares to placees to at least comply with the public spread requirement.
- (vi) Proposed transfer listing status of TENCO to TANIGRA on the Second Board of Bursa Malaysia Securities Berhad.

On 7th March 2005, TENCO, the vendors of DISB, vendors of TCSB and TANIGRA had entered into a Supplemental Agreement to revise certain terms of the above Restructuring Agreement. The revisions are as follows :

- (1) The total tentative purchase consideration of DISB was revised from RM121,104,000 to RM120,916,000 which is to be satisfied by the issue of 120,916,000 TANIGRA new ordinary shares and
- (2) The acquisition of the entire 52,200,000 TENCO ordinary shares is to be satisfied by the issuance of 26,100,000 TANIGRA new ordinary shares on the basis of five (5) TANIGRA new ordinary shares instead of seven (7) for every ten (10) TENCO shares held as proposed earlier.

34. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

- a) As part of the Group composite restructuring scheme, the Company and certain of its subsidiary companies have on 1st June 2005, entered into a new Debt Restructuring Agreement new (DRA) with their lenders to restructure the Group total indebtedness of RM24,459,688. Among others, the salient terms of the new DRA are as follows :
 - (i) The waiver by the lenders of all outstanding cumulative interest (including all penalty and late charges) accrued and to be accrued from 1st April 2001 to 30th June 2005.
 - (ii) The waiver by the lenders of an aggregate sum of RM7,337,906 representing 30% of the outstanding principal amount of the total indebtedness.
 - (iii) The full and final settlement of the balance of the total indebtedness of RM17,121,782 will be satisfied by the combination of 10,000,000 TANIGRA new ordinary shares of RM1 each issued at par and the remaining amount of RM7,121,782 by the issuance of RM7,121,782 Redeemable Convertible Secured Loan Stocks in TANIGRA at its nominal value of RM1 each.

The above settlement scheme is subject to certain terms and conditions as more particularly set out in the Company's announcement to Bursa Malaysia Securities Berhad on 1st June 2005.
- b) On 7th June 2005, a subsidiary company changed its named from Krystal Manufacturing Sdn Bhd (Co. No. : 609519/D) to Fire-X Solutions Sdn Bhd.

Statement By Directors

We, LEONG CHUN YIN and THURAIRATNAM @ SAMUEL, being two of the Directors of TENCO BERHAD, do hereby state on behalf of the Directors that, in our opinion, the financial statements set out on pages 22 to 56 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31ST MARCH 2005 and of their results, changes in equity and cash flows of the Group and of the Company for the year ended on that date.

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

LEONG CHUN YIN

THURAIRATNAM @ SAMUEL

Shah Alam
Dated: 19th July 2005

STATUTORY DECLARATION

I, NGAU WING FATT, the officer primarily responsible for the accounting records and financial management of TENCO BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 22 to 56 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 above named NGAU WING FATT at Kuala Lumpur
in the Federal Territory on this 19th day of July 2005

NGAU WING FATT

Before me,

CHAN LEONG CHOI
No. W309

Pesuruhjaya Sumpah
Malaysia

Report Of The Auditors

To the members of Tenco Berhad

We have audited the financial statements of Tenco Berhad of the Group and of the Company set out on pages 22 to 56. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

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

In our opinion :-

- a) the financial statements which have been prepared under the historical cost convention, 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 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
 - (ii) the financial position of the Group and of the Company at 31st March, 2005, and of their results, changes in equity and cash flows of the Group and of the Company for the year ended on that date;

and

- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports of all the subsidiary companies of which we have not acted as auditors and are indicated in Note 11 to the financial statements.

We are satisfied that the financial statements of the subsidiary companies 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 auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification or any adverse comment made under Section 174(3) of the Act.

TAI, YAPP & CO
AF: 0205
Chartered Accountants

YAPP HOCK HOE
NO: 723/3/06 (J/PH)
Partner

Kuala Lumpur
Dated: 19th July 2005

Analysis Of Shareholdings

ANALYSIS OF SHAREHOLDINGS AS AT 29th JULY 2005

SHARE CAPITAL

Authorised Share Capital	:	RM100,000,000.00
Issued and Fully Paid-up Capital	:	RM52,200,000.00
Class of securities	:	Ordinary shares of RM1.00 each
Voting rights	:	One vote per ordinary share held

ANALYSIS OF SHAREHOLDINGS

Category	Number of Shareholders		Number of Shares Held	
		%		%
1 - 99	12	0.30	912	0.00
100 - 1,000	1,856	46.38	1,608,080	3.08
1,001-10,000	1,758	43.93	6,758,700	12.95
10,001-100,000	320	8.00	10,077,168	19.30
100,001 to less than 5% of issued shares	54	1.35	18,247,140	34.96
5% and above of issued shares	2	0.04	15,508,000	29.71
Total	4,002	100.00	52,200,000	100.00

SUBSTANTIAL SHAREHOLDERS

(per Register of Substantial Shareholders)

Name	No. of ordinary shares of RM1.00 each held			
	Direct	%	Indirect	%
Leong Chun Yin	205,000	0.39	16,528,000 ¹	31.67
Trendy Approach Sdn Bhd	10,000,000	19.16	-	-
Pristine Way Sdn Bhd	6,528,000	12.51	-	-
Leong Pek Wha	-	-	6,528,000 ²	12.51

Notes:-

¹ By virtue of his deemed interest through Trendy Approach Sdn Bhd and Pristine Way Sdn Bhd, in accordance with Section 6A of the Companies Act, 1965.

² By virtue of her deemed interest through Pristine Way Sdn Bhd, in accordance with Section 6A of the Companies Act, 1965.

DIRECTORS' SHAREHOLDINGS

(per Register of Directors' Shareholdings)

Name	No. of ordinary shares of RM1.00 each held			
	Direct	%	Indirect	%
Leong Chun Yin	205,000	0.39	16,528,000	31.67
Thurairatnam @ Samuel	11,000	0.02	-	-
Dato' Tan Yik Huay	-	-	-	-
Dato' Lee Ow Kim	-	-	-	-
Ian Ghee Eik Kai	-	-	-	-

Analysis Of Shareholdings

30 LARGEST SHAREHOLDERS

(per Record of Depositors)

	Name	No. of Shares Held	%
1.	Trendy Approach Sdn Bhd	10,000,000	19.16
2.	Amsec Nominees (Tempatan) Sdn Bhd <i>Qualifier : Lee Perara & Tan for Pristine Way Sdn Bhd</i>	5,508,000	10.55
3.	Said Bin Ahmad	2,486,000	4.76
4.	Pristine Way Sdn Bhd	1,020,000	1.95
5.	ESGI Sdn Bhd	1,002,000	1.92
6.	Sharifah Asiah Binti Syed Aziz Baftim	735,000	1.41
7.	Leung Yoke Lin @ Leong Chong Lin	651,000	1.25
8.	Fan Wai Fong	640,000	1.23
9.	Gerald Glesphy A/L G.M. Perara	493,000	0.94
10.	Kwan Swee Keong	488,700	0.94
11.	Ramli Bin Zainuddin	470,000	0.90
12.	HLG Nominee (Tempatan) Sdn Bhd <i>Qualifier : Pledged Securities Account for Lian Lip Kee</i>	463,000	0.89
13.	Amsec Nominees (Tempatan) Sdn Bhd <i>Qualifier : Wilken Industries Sdn Bhd (GZ0112)</i>	431,000	0.83
14.	Tan Seng Kee	424,000	0.81
15.	Ngam Voon Yeow	371,800	0.71
16.	Kwan Swee Keong	350,000	0.67
17.	Lai Ming Chun @ Lai Poh Lin	346,400	0.66
18.	Fan Cheong Choy	341,000	0.65
19.	Ng Lay Peng	311,500	0.60
20.	Gan Hock Leong	300,000	0.57
21.	Yap Gaik Choo	294,000	0.56
22.	Chew Leong Chai	291,000	0.56
23.	Tang Soon Chye	267,500	0.51
24.	Chow Woon Peng	256,640	0.49
25.	Lim Soo Gaik	253,000	0.48
26.	Yap Chee Sang	250,000	0.48
27.	Yong Koon Siew	244,000	0.47
28.	Wong Keng Shin	237,000	0.45
29.	Gwee Siew Young	210,000	0.40
30.	Ooi Cheng Huat @ Ooi Peng Huat	208,000	0.40
		29,343,540	56.21

Particular Of Properties

PROPERTIES OF THE GROUP As At 31st March 2005

Location	Description & Usage	Age of Building	Land Area/ Built Up	Tenure	Net Book Value (RM)	Acquisition Date
Westech Sdn Bhd No.8, Jalan Riang 22/3, Taman Gembira 81200 Tampoi Johor Bahru	Office/ Store	13 years	1,560 sq ft	Freehold	232,800	18-11-95
Plot No. 2, Phase 3B Terrace Factory Taman Nagasari, Prai Pulau Pinang	Factory/ Office	8 years	4,263 sq ft	Freehold	497,990	30-12-96
No. 18, Sandy Bay Paradise Hotel, Penang	Hotel Suite	10 years	1,200 sq ft	Leasehold expiring 30 years and 2 successive terms of 30 years	391,111	27-10-97
HS (D0 6706 PT 85) Bandar Kawasan Bandar XXXI, Daerah Melaka Tengah, Negeri Melaka	4-storey Shop House	9 years	2,848 sq ft	Freehold	633,526	27-10-97
Tenco Industries Sdn Bhd 5, Jalan Pelabur 23/1, Section 23, 40300 Shah Alam, Selangor Darul Ehsan	Factory/ Office	13 years	149,149/ 54,319sq ft	Leasehold expiring 30 years ending 20 Oct 2019	4,336,915	26-10-89
Tenco Westech Inc # 348-13988 Cambie Road, Richmond, B.C., Canada	Office	12 years	2,116 sq ft	Freehold	762,879	5-12-95

Form Of Proxy

No. of shares held

I/We, _____ NRIC/Company No. _____
 (PLEASE USE BLOCK LETTERS)

of _____
 (FULL ADDRESS)

being (a) member(s) of TENCO BERHAD hereby appoint _____
 of _____

or failing him/her, _____ of _____
 or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty First Annual General Meeting of the Company to be held at No. 5 Jalan Pelabur 23/1, 40300 Shah Alam, Selangor Darul Ehsan on Friday, 9 September 2005 at 10.30 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:-

RESOLUTIONS	SUBJECT	*FOR	*AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 March 2005 and Reports of the Directors and Auditors thereon.		
2.	To re-elect Mr. Ian Ghee Eik Kai as Director		
3.	To re-elect Mr. Thurairatnam @ Samuel as Director.		
4.	To re-appoint Messrs Tai, Yapp & Co. as auditors of the Company and to authorise the Board of Directors to fix their remuneration.		
	Special Business – Ordinary Resolution		
5.	To approve the payment of Directors' fees.		
6.	To approve the authority for Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		

*Please indicate with an "X" in the appropriate spaces how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/her discretion.

Dated this day of 2005

 Signature / Common Seal of Shareholder

Notes:-

- (i) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. If the proxy is not a member of the Company, then the proxy shall be an advocate or an approved company auditor or a person approved by the Companies Commission of Malaysia. The provision of Section 149(1)(b) of the Companies Act, 1965 shall apply to the Company.
- (ii) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
- (iii) A member shall be entitled to appoint more than one proxy. A member who appoints two (2) proxies shall specify the proportion of his shareholdings to be represented by each proxy.
- (iv) The instrument appointing a proxy and the power of attorney (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Registered Office of the Company at No. 5 Jalan Pelabur 23/1, 40300 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time set for holding this meeting or any adjournment thereof.