2004 ANNUAL REPORT

LITYAN
HOLDINGS BERHAD
(260002-W)

http://www.lityan.com.my

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Dato' Mohd Noh Bin Rajab
(Independent Non-Executive Chairman)

Rahmat Bin Harun
(Group Managing Director & Chief Executive Officer)

Lim Teik Ee
(Executive Director)

Wong Wing Kui @ Wong Weng Kwai
(Independent Non-Executive Director)

Pikri Bin Haji Mohd Amin
(Independent Non-Executive Director)

Dato' Syed Sidi Idid Bin Syed Abdullah Idid
(Independent Non-Executive Director)

Adi Azuan Bin Abdul Ghani
(Non-Independent & Non-Executive Director)

AUDIT COMMITTEE

Dato' Syed Sidi Idid Bin Syed Abdullah Idid
(Chairman)

Pikri Bin Haji Mohd Amin

Adi Azuan Bin Abdul Ghani

NOMINATION COMMITTEE

Wong Wing Kui @ Wong Weng Kwai
(Chairman)

Dato' Syed Sidi Idid Bin Syed Abdullah Idid

Pikri Bin Haji Mohd Amin

REMUNERATION COMMITTEE

Wong Wing Kui @ Wong Weng Kwai
(Chairman)

Dato' Syed Sidi Idid Bin Syed Abdullah Idid

Pikri Bin Haji Mohd Amin

ESOS COMMITTEE

Rahmat Bin Harun
(Group Managing Director & Chief Executive Officer)

Lim Teik Ee
(Executive Director)

REGISTERED OFFICE

Bangunan C, Peremba Square
Saujana Resort, Section U2
40150 Shah Alam
Selangor Darul Ehsan
Tel: 603-7622 1188
Fax: 603-7622 1200
Website: http://www.lityan.com.my

AUDITORS

PricewaterhouseCoopers
11th Floor
Wisma Sime Darby
Jalan Raja Laut
50706 Kuala Lumpur

SHARE REGISTRARS

Tenaga Koperat Sdn. Bhd.
20th Floor, Plaza Permata
Jalan Kampar
Off Jalan Tun Razak
50400 Kuala Lumpur
Tel: 603-4041 6522
Fax: 603-4042 6352

PRINCIPAL BANKERS

United Overseas Bank (M) Bhd
Bank Islam (L) Ltd

MERCHANT BANKERS

Commerce International Merchant Bankers Berhad

SOLICITORS

Michael Chai & Co.
Onn & Partners

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Board

STOCK CODE

9075

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting of LITYAN HOLDINGS BERHAD ("Company") will be held at The Greens II Room, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 28 June 2005 at 10.00 a.m. for the following purposes:-

As Ordinary Businesses

1. To receive the audited financial statements together with the reports of the Directors and Auditors for the year ended 31 December 2004. ***(Resolution 1)***
2. To re-elect Dato' Syed Sidi Idid Bin Syed Abdullah Idid who retires in accordance with Article 96 of the Company's Articles of Association. ***(Resolution 2)***
3. To re-elect Mr. Wong Wing Kui @ Wong Weng Kwai who retires in accordance with Article 96 of the Company's Articles of Association. ***(Resolution 3)***
4. To approve the payment of Directors' fees for the year ended 31 December 2004. ***(Resolution 4)***
5. To appoint Messrs Wong Weng Foo & Co. as Auditors of the Company in place of the retiring Auditors, Messrs PricewaterhouseCoopers and to authorise the Directors to fix their remuneration. ***(Resolution 5)***

   Notice of Nomination pursuant to Section 172(11) of the Companies Act 1965, a copy of which is set out on page 4 of the Annual Report 2004 and marked "Annexure A", has been received by the Company for the nomination of Messrs Wong Weng Foo & Co., who have given their consent to act, for appointment as Auditors and of the intention to propose the following ordinary resolution:-

   "THAT Messrs Wong Weng Foo & Co. be appointed as Auditors of the Company in place of the retiring Auditors, Messrs PricewaterhouseCoopers, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

As Special Businesses

6. To consider and if thought fit, pass the following ordinary resolution:-

   ORDINARY RESOLUTION - AUTHORITY TO ISSUE SHARES

   "THAT subject always to the Companies Act 1965 and the approvals of the regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act 1965 to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad 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 ordinary business for which due notice shall have been given.

By Order of the Board,

Low Yin Fong
Company Secretary

3 June 2005
Shah Alam

Notes:
Appointment of Proxy
1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and vote in his stead and such a proxy need not be a member of the Company. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. The Form of Proxy shall be under the hand of the appointor or of his attorney duly authorised in writing. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or its duly authorised attorney.
3. The instrument appointing a proxy must be deposited with the Share Registrars, Tenaga Koperat Sdn Bhd, 20th Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting.

Explanatory Notes:
Authority to allot shares under Section 132D (Resolution 6)
The Resolution 6, if approved, will renew the authorisation given to the Directors at the last annual general meeting pursuant to Section 132D of the Companies Act 1965, to issue not more than 10% of its issued share capital. The authorisation, unless revoked or varied by the Company in general meeting will expire at the next annual general meeting.

Statement Accompanying Notice of Annual General Meeting

1. The Directors who are standing for re-election at the Twelfth Annual General Meeting of the Company are Dato' Syed Sidi Idid Bin Syed Abdullah Idid and Mr. Wong Wing Kui @ Wong Weng Kwai. Their biographical data are set out under the Profile of Board of Directors on pages 5 and 6 of the annual report.
2. The details of attendance of Directors at board meetings are set out under the Statement on Corporate Governance on page 14 of the annual report.
3. The Twelfth Annual General Meeting of the Company will be held at The Greens II Room, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 28 June 2005 at 10.00 a.m.

"Annexure A"

Rahmat Bin Harun
4A-10-03, Bungaraya Condominium
Saujana Resort, Section U2
40150 Shah Alam
Selangor Darul Ehsan

16 May 2005

The Board of Directors
Lityan Holdings Berhad
Bangunan C, Peremba Square
Saujana Resort, Section U2
40150 Shah Alam
Selangor Darul Ehsan

Dear Sirs,

Notice of Nomination of Messrs Wong Weng Foo & Co. as Auditors

I, being a shareholder of the Company, hereby give notice, pursuant to Section 172(11) of the Companies Act 1965, of my intention to nominate Messrs Wong Weng Foo & Co. for appointment as Auditors of the Company in place of the retiring Auditors, Messrs PricewaterhouseCoopers and propose the following ordinary resolution to be tabled at the forthcoming Annual General Meeting of the Company:-

"THAT Messrs Wong Weng Foo & Co. be appointed as Auditors of the Company in place of the retiring Auditors, Messrs PricewaterhouseCoopers, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

Yours faithfully,

Rahmat Bin Harun

Dato' Mohd Noh Bin Rajab

Dato' Mohd Noh Bin Rajab, aged 58, Malaysian, is the Independent Non-Executive Chairman of Lityan Holdings Berhad ("LHB") appointed on 1 April 2003. He obtained his Bachelor of Arts from the University of Malaya.

Dato' Mohd Noh joined Hong Kong & Shanghai Banking Corporation as a Trainee Officer in 1972 where he received his training in Kuala Lumpur and Hong Kong. As an Officer, he was assigned to the Credit, Remittances and Internal Audit Departments before assuming his position as a Branch Manager in 1975. In 1983, he was appointed the General Manager of Nesma Finance Berhad, a licensed finance company before participating in the quasi-government and public services sector. He was a Director of Bank Pertanian Malaysia in 1985 and Chairman of RISDA from 1987 to 1991. He was an active politician since 1984 and elected as a Member of the Parliament, the Parliamentary Secretary for the Ministry of Land & Cooperative Development and the Ministry of Culture, Arts & Tourism respectively before retiring in 1999. He is presently a businessman.

He doesn't have directorship in any other public company, nor does he have any family relationship with any director and/or major shareholder of LHB. He has no conflict of interest with LHB and has not been convicted for any offence within the past 10 years.

Rahmat Bin Harun

Rahmat Bin Harun, aged 55, Malaysian, is the Group Managing Director & Chief Executive Officer of LHB. He holds a Diploma in Management from the Malaysian Institute of Management, Malaysia.

Encik Rahmat joined Plessey Malaysia Sdn Bhd in 1981 as an Account Manager and was promoted to General Manager of LHB Group when Lityan Systems Sdn Bhd acquired Plessey Malaysia Sdn Bhd. He was appointed the Managing Director of LHB on 15 December 1993 and assumed the position as Executive Chairman of LHB in 1996. He was re-designated as the Group Managing Director & Chief Executive Officer on 1 April 2003.

He doesn't have directorship in any other public company. He is a major shareholder of LHB but doesn't have any family relationship with any director and/ or major shareholder of LHB. He has no conflict of interest with LHB and has not been convicted for any offence within the past 10 years.

Lim Teik Ee

Lim Teik Ee, aged 52, Malaysian, is the Executive Director of LHB appointed on 15 April 2003. He is a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom, FCCA (UK) and Chartered Accountant of Malaysia, CA (M).

Mr. Lim started his career as an Auditor in London and subsequently joined KPMG, Kuala Lumpur. He was attached with the Hong Leong Group for about 18 years since 1980 in various positions before serving as the Chief Operating Officer & Director of Hong Leong Properties Berhad. He was then appointed the Chief Executive Officer of the South African business unit of Fortuna International Holdings Limited (HK) in 1999 and Regional Vice President-Marketing of Asia Control Systems (M) Sdn Bhd in 2000. Prior to joining the LHB Group as the Head of Finance Department in January 2003, he was the Chief Executive Officer of Aktif Lifestyle Stores Sdn Bhd. With a track record of financial discipline and extensive commercial and management experience, he has over 27 years of working experience in the areas of accounting, finance, marketing, general management, business development and management consultancy for various industries such as financial institutions, building materials, property development and construction, international trading and retailing.

He doesn't have directorship in any other public company, nor does he have any family relationship with any director and/ or major shareholder of LHB. He has no conflict of interest with LHB and has not been convicted for any offence within the past 10 years.

Wong Wing Kui @ Wong Weng Kwai

Wong Wing Kui @ Wong Weng Kwai, aged 64, Malaysian, is an Independent Non-Executive Director of LHB. Mr. Wong obtained his Utter Degree of Barrister-at-law from Lincoln's Inn and was admitted by the Honourable Society of Lincoln's Inn to practice at the Bar in England and Wales in 1967. He obtained his Bachelor of Law Degree from the University of London in 1969.

In 1971, he was enrolled as an advocate and solicitor of the High Court of Malaya. He was appointed a Commissioner for Oaths and Notary Public in 1985. In 1986, he was appointed to the Technical Committee for Mortgage Based Securities set up by Bank

Negara Malaysia for the dealing in mortgage-based securities in Malaysia and following the work of this committee, Bank Negara Malaysia incorporated Cagamas Berhad. He was first appointed as a Director of LHB on 15 December 1993 before his resignation on 12 May 1999 and was re-appointed on 26 July 1999 as a Director of LHB.

Mr. Wong is also the Chairman of the Remuneration Committee and Nomination Committee of LHB.

He doesn't have directorship in any other public company, nor does he have any family relationship with any director and/or major shareholder of LHB. He has no conflict of interest with LHB and has not been convicted for any offence within the past 10 years.

Dato' Syed Sidi Idid Bin Syed Abdullah Idid

Dato' Syed Sidi Idid Bin Syed Abdullah Idid, aged 62, Malaysian, is an Independent Non-Executive Director of LHB appointed on 1 February 2002. He obtained his Bachelor of Arts from the University of Malaya, Malaysia and Master of Arts from the University of Wisconsin, USA.

Dato' Syed Sidi Idid was appointed as an Administrative Officer of the Malaysian Administrative and Diplomatic Service and subsequently as an Assistant Secretary of the Ministry of Health in 1966. He acted as the Principal Assistant Secretary of the Ministry of Home Affairs in 1967 and Director of the Immigration, Sabah in 1974. In 1978, he was a Deputy Secretary of the National Security Council, Prime Minister's Department. He then served as the Secretary of the Ipoh Municipal Council, Perak in 1980 and the State Financial Officer, Perak in 1985. He assumed the position as Deputy Secretary General (Management) of the Ministry of Health in 1992 and Director General/ Registrar-General of Co-operatives in the Department of Co-operative Development in 1996 before retiring from the Malaysian Government Service in 1998. He was a member of the Public Services Commission of Malaysia in 1999. Currently, he is a Director and an Audit Committee Member of Citibank Berhad.

Dato' Syed Sidi Idid is also the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of LHB.

He doesn't have any family relationship with any director and/ or major shareholder of LHB. He has no conflict of interest with LHB and has not been convicted for any offence within the past 10 years.

Pikri Bin Haji Mohd Amin

Pikri Bin Haji Mohd Amin, aged 56, Malaysian, is an Independent Non-Executive Director of LHB appointed on 15 May 1997. He holds a Diploma in Programme Marketing.

Encik Pikri is a businessman who deals in the import and export of furniture products.

He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of LHB.

He doesn't have directorship in any other public company, nor does he have any family relationship with any director and/ or major shareholder of LHB. He has no conflict of interest with LHB and has not been convicted for any offence within the past 10 years.

Adi Azuan Bin Abdul Ghani

Adi Azuan Bin Abdul Ghani, aged 35, Malaysian, is the Non-Independent Non-Executive Director of LHB appointed on 26 February 2004. He is a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom, ACCA (UK) and also a member of Malaysia Institute of Accountants (MIA).

Encik Adi Azuan started his professional career in the auditing and accounting fields with PricewatershouseCoopers, Kuala Lumpur in year 1996 and was promoted to the position of Manager in year 2002. In PricewaterhouseCoopers, he involved in the provision of audit and accounting services mainly to the banking and financial institutions before joining Lembaga Tabung Haji as the Divisional Head of Group Finance in July 2002.

He is a member of the Audit Committee of LHB.

He doesn't have any family relationship with any director and/ or major shareholder of LHB. He has no conflict of interest with LHB and has not been convicted for any offence within the past 10 years.

Corporate Structure

LITYAN HOLDINGS BERHAD (260002-W)

- 100% >> Lityan Systems Sdn Bhd
  - 100% >> Advanced Business Solutions (M) Sdn Bhd
  - 100% >> Teem Business Solutions (M) Sdn Bhd
  - 30% >> Lityan Applications Sdn Bhd
- 100% >> Imageword (M) Sdn Bhd
- 100% >> Integrated Telecommunication Technology Sdn Bhd
- 100% >> Konsortium Jaya Sdn Bhd
  - 100% >> Kirium Solutions Sdn Bhd
  - 70% >> KJ Telecommunications Sdn Bhd
  - 100% >> KJ Mobidata Sdn Bhd
- 100% >> Impianas Sdn Bhd
- 100% >> Sistem Komunikasi Gelombang Sdn Bhd
- 100% >> Lityan Overseas Sdn Bhd
  - 100% >> Lityan (L) Incorporated
    - 98% >> Lityan (Philippines) Inc
      - 40% >> Support & Maintenance Services Inc (Dormant)*
  - 40% >> Readysoft Inc (Dormant)*
  - 39% >> Iland-Net Inc (Dormant)
- 100% >> Lityan Marketing Sdn Bhd
- 100% >> Lityan Management Sdn Bhd
- 51% >> Digital Transmission Systems Sdn Bhd
- 100% >> Imagebase Sdn Bhd
- 100% >> Slam Atomised Metal Sdn Bhd
- 100% >> Hi Pro Edar (M) Sdn Bhd
- 100% >> Lityan Foreign Equities Sdn Bhd (Dormant)

* Under de-registration process

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, I present herewith the Annual Report of Lityan Holdings Berhad for the financial year ended 31 December 2004.

" ...various initiatives have been made to streamline internal operations as well as aggressively assessing other possible avenues to address the current situation. "

Financial Highlights

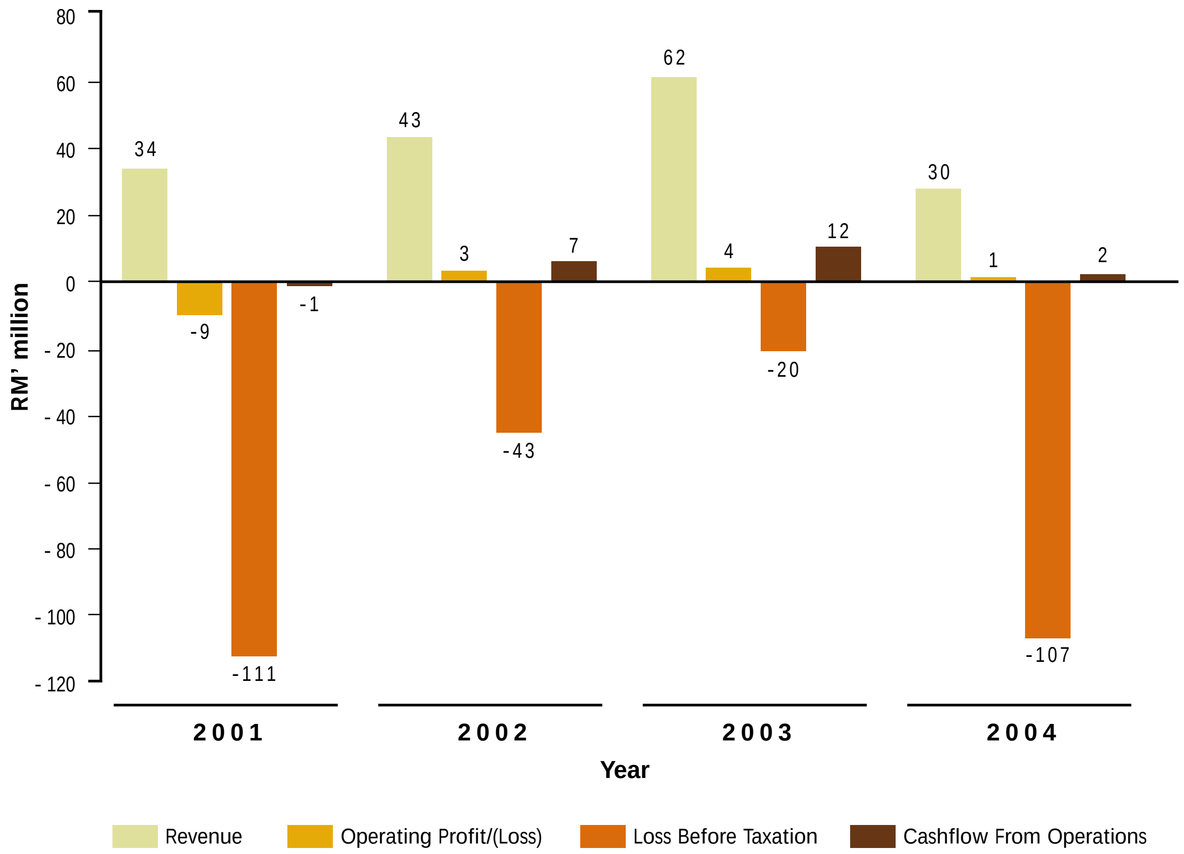
Despite the upbeat economic indicators reflecting an improvement of the country's economic improvement, the Government spending on development has dropped in year 2004 as compared to the previous year. This did not augur well with the Group which had relied on some of its traditional earnings from the Government projects. The Group's revenue has dropped by 52% from RM62 million to RM30 million. Net loss for the year has increased by 419% from RM21 million to RM109 million.

The drastic increase in losses was mainly due to allowances for impairment of property, plant and equipment, permanent diminution of investments, impairment of goodwill on consolidation, stock obsolescence, service benefit, doubtful receivables and unrealized loss on foreign exchange, prudently made in line with the current financial reporting standards, amounting to a total of RM87 million.

With the said allowances and group-wide assessment of the carrying value and impairment of the existing assets, the consolidated shareholders' funds had been eroded to negative position. Henceforth, the Group is classified as an affected listed issuer pursuant to Practice Note No. 17 (PN17) as issued by the Bursa Malaysia Securities Berhad.

At the operating level, before the allowances and non-cash items, the earnings from operations has dropped from RM4 million to RM1 million. This is mainly due to the Philippines payphone operations which had taken a turn for the worse due to reduction of tariff and price war among the local telecommunication operators as well as increase in mobile users resulting in erosion of margin. This had brought down the overall operating level of the Group.

The Group has managed to maintain a positive cashflow from operations by operating on a very bare minimum.



Dividends

The Board of Directors is unable to recommend any dividend for the year ended 31 December 2004 in view of the Group's current financial position.

Corporate Development

a) The Proposed Renounceable Two (2)-Call Rights Issue of up to 112,122 New Ordinary Shares of RM1.00 each together with up to 56,061000 New Detachable Warrants at an issue price of RM1.00 per Rights Share on the basis of Two (2) Rights Shares Plus One (1) Rights Warrants for Every Two (2) Existing Shares Held.

The Rights Issue Exercise which was announced in September 2002 was to address its high gearing conditions and address the Group's going concern issues. However, the Exercise, which was already in its last stage had to be delayed, due to depressed market condition. The application for extension to complete the exercise was subsequently rejected by the Securities Commission citing that the share price is continuously below par as well as insisting the Group to provide a more comprehensive financial plan to address its financial position.

The failure to implement the Exercise had halted and jeopardized the Group's immediate plans to improve its financial position.

b) Proposed disposal of 2,580,303 ordinary shares in Chariot Limited by the Company as trustee, to Unique Base Pty Limited and/or Rafiki Nominees Pty Limited for a total cash consideration of aud1,806,212 or aud0.70 per Chariot share.

Due to the lengthy process of getting the required relevant approvals, the date to meet the condition precedent has expired. The Group is currently negotiating with the buyers concern for an extension for us to meet the condition precedent.

c) Proposed disposal of 193.686 acres of land in Daerah Melaka Tengah, by the Company on behalf of its wholly-owned subsidiaries.

The conditional Sales & Purchase Agreement was signed on 26th April 2005 and is subject to the approval of the shareholders in an Extraordinary General Meeting and other regulatory approval, if required.

Prospects

Despite the Company's current status as a PN17 listed issuer, the Group's operations are expected to remain unchanged. Business and operations at the respective subsidiaries' level will continue as usual in line with its strategic directions.

Amidst the current position, the Board of Directors remains positive that it is able to ride out the current predicament. The Group's main priority is to dispose its non-core assets and to address its problems one area at a time. Other than the strategies on the business front, various initiatives have been made to streamline internal operations as well as aggressively assessing other possible avenues to address the current situation.

Acknowledgement

On behalf of the Board of Directors, I would like to convey my heartfelt gratitude to our valued shareholders, customers and business partners for their continued support and my utmost appreciation to our Bankers for their patience and support. I would also wish to thank the management and staff for their unwavering faith and dedication to the Group for their united effort to improve the current situation.

Y. BHG. DATO' MOHD NOH BIN RAJAB
Chairman

Dear Shareholders & Stakeholders

It has been a trying and challenging year for the Group and its management team. The failure of the Proposed Rights Issue Exercise to take off has hampered several initiatives planned as well as pushing the Group one step behind.

Information Technology

This segment's lack luster performance in year 2004 was due to the continued focus on the public sector. Participation in projects has been significantly reduced due to lesser projects from the public sector which had cut down its expenditures in line with the Government's policy on fiscal consolidation, prudent spending and sustainable deficit. Entry of many small players and the drastic slowdown of new projects had led to intense pricing competition between many companies resulting in margin erosion.

On top of new revenue for maintenance and support services from the existing projects, the Group has managed to secure a project from the Ministry of Health for the Laboratory Information Management System (LIMS) during the year. LIMS is currently being implemented in the current three (3) laboratories in Selangor, Perak and Johor. The project is expected to complete in year 2005 and would expect some expansion due to the other laboratories being constructed in other states.

Due to the current financial position, the Group has no alternative but to halt all development efforts on the "Bearpalm", an enterprise portal built on Microsoft platform and instead prioritizing its resources to focus on its main core revenue earners.

Telecommunication

The Remote Meter Reading (RMR) project for the large power consumers (LPC) is progressing remarkably well amidst all the constraints faced internally as well as externally. Total meter installed and activated had significantly grown by 233% from the previous year and at the operational level has been able to self sustain. Contribution from the project is expected to have a bigger impact to the earnings in the coming years.

Similarly, we have been requested to conduct field trials for the RMR between Medium Voltage and High Voltage Energy Meters and Data Collection Software MV-90. Successful completion of the trials would increase the prospects of participating in the project.

Having a foot in the industry gives us many opportunities and vast prospects for expansion and growth in this niche market.

In the Philippines, the reduction in earnings was attributed to continued expansion and success of wireless services which affected the revenue coupled with fierce pricing strategies implemented by its competitors, which prevented any plan to increase tariff rates. The Group has been actively pursuing other Public Payphone Operators in order to expand its current operations to other service areas not covered by its current business partner. A partnership agreement has been reached with another Telecommunication company to install up to one thousand (1,000) new Public Pay Phones in its service areas beginning second quarter of 2005. Similar negotiation with another company is underway and the company feels confident a favorable outcome resulting from this negotiation.

Internal Development

Ongoing maintenance and enhancement is carried out to the current internal processes, Quality Management System and development to sustain operational efficiency and effectiveness of processes within the Group.

Prospect

Amidst the category as a PN17 Listed Issuer and deliberation on the regularization plans, it is business as usual. Moving forward, the Group is still focused on meeting its business strategies to enhance its current core businesses but on a slower pace.

Similarly as last year, we started the year with an order book of RM41 million. In the IT segment as competition intensifies, the Group expects that margins would further be diminished. As there would not be much room to maneuver the financial risk of the projects involved, the Group would be very selective in participating in projects due to its present financial position. Due to acute shortage of projects and the Government's aim to reduce the budget deficit, the Group is actively looking into areas other than its traditional customers, to develop its IT segment. On the telecommunication segment, the Group will continue to focus on its wireless network as it is expected to bring in the sustainable earnings. In the Philippines, leveraging on the current infrastructure is still the main focus to achieve the optimum level and improve the earnings.

Though it will be a tough year ahead with difficult market and operational conditions, the Group is still upbeat on its prospect for improvement on the operational earnings for the financial year ending 31 December 2005.

RAHMAT BIN HARUN
Group Managing Director & Chief Executive Officer

The Board of Directors of Lityan Holdings Berhad ("Company") supports the Malaysian Code on Corporate Governance ("Code") and is committed to ensuring that good corporate governance is practised throughout the Group in the best interest of all stakeholders.

This statement outlines how the Group has applied the principles and best practices as laid down in the Code except for detailed disclosure of Directors' remuneration.

A. THE BOARD OF DIRECTORS

The Board recognizes its key role in charting the strategic direction, development and control of the Group and has adopted the six specific responsibilities as listed in the Code.

There is a schedule of matters reserved specifically for the Board's decision to ensure the direction and control of the Group is firmly in the Board's hand. This schedule includes inter-alia the strategic and corporate plan, material acquisition and disposal of securities/ assets/ businesses, investment and shareholders' communication policies, internal control systems, financial related and legal matters.

Board Composition and Balance

The Board members bring a diverse wealth of knowledge and experience in general management, finance, law and technical area which are vital to the success of the Group. A briefed profile of each Director is presented in the Profile of Board of Directors on pages 5 and 6 of the annual report.

The Board currently has seven (7) members, comprising four (4) Independent Non-Executive Directors, including the Chairman, two (2) Executive Directors and one (1) Non-Independent Non-Executive Director. There is balance in the Board with the presence of the majority of Independent Non-Executive Directors who demonstrate robust independence of judgement and are of the caliber necessary to carry sufficient weight in the Board's decisions.

The Executive Directors assume the primary responsibility for managing the Group's businesses and resources. The Non-Executive Directors particularly the Independent Non-Executive Directors are actively involved in various Board Committees and contribute significantly to areas such as performance monitoring and enhancement of corporate governance and controls.

It is a mandatory practice to have the Directors concerned to declare their interests and abstain from the decision making process when a potential conflict of interest arises.

There is a clear division of responsibilities between the Chairman and the Group Managing Director & Chief Executive Officer to ensure a balance of power and authority and no one individual has unfettered powers of decision. The key functions of the Chairman include conducting the Directors' and shareholders' meetings, ensuring all Directors are fully briefed during meetings and shareholders are properly informed of the subject matters requiring their approval. The Group Managing Director & Chief Executive Officer is responsible for the daily operations and overall management of the Group and ensuring the effective implementation of the strategies, policies and matters approved by the Board.

Mr. Wong Weng Kwai is the Senior Independent Non-Executive Director whom concerns regarding the Group may be conveyed to via the Company Secretary.

Supply of Information

The Directors are supplied with amongst others, information and reports on financial, operational, corporate regulatory, business development and audit matters, by way of board reports or upon specific requests for informed decision making and effective discharge of their responsibilities.

The Directors in their individual capacity also have full access to all information pertaining to the Group as well as advice and services of the Company Secretary, management and auditors to enable them to discharge their duties and responsibilities.

All Directors are notified of the corporate announcements released to Bursa Malaysia Securities Berhad ("BMSB") and any amendment to BMSB Listing Requirements. As regards the Board meetings, agenda and board papers will be distributed prior to meetings to enable the Directors to have a comprehensive understanding on the issues, obtain further explanation, if necessary and arrive at a constructive decision during meetings.

In furtherance of their duties, the Directors may seek independent professional advice if necessary, at the expense of the Company.

Board Meetings
The Board met five times during the financial year end 31 December 2004 and the record of Directors' attendance is as follows:-

Directors	Number of Meetings Attended	Percentage of Attendance (%)
Dato' Mohd Noh Bin Rajab	4/5	80
Encik Rahmat Bin Harun	5/5	100
Mr. Lim Teik Ee	5/5	100
Mr. Wong Wing Kui @ Wong Weng Kwai	4/5	80
Encik Pikri Bin Haji Mohd Amin	5/5	100
Dato' Syed Sidi Idid Bin Syed Abdullah Idid	5/5	100
Encik Adi Azuan Bin Abdul Ghani *(Appointed on 26 February 2004)*	4/4	100

Appointment to the Board
The Nomination Committee is responsible for making recommendation for appointment to the Board. The decision on appointment rests on the Board as a whole after considering the recommendation of the Nomination Committee. There is a formal procedure in place for appointment of new Directors to the Board.

The composition and terms of reference of the Nomination Committee are set out on pages 15 and 16 of the annual report.

Re-election of Directors
In accordance with the Company's Articles of Association, at least one-third of the Directors for the time being shall retire from office and eligible for re-election at each Annual General Meeting ("AGM"). Each Director shall retire from office at least once in every three years but shall be eligible for re-election. Directors who are appointed to the Board during the year shall retire and seek re-election at the next AGM to be held following their appointments.

Directors over the age of seventy years are required to submit themselves for re-appointment annually in accordance with Section 129 of the Companies Act 1965.

Directors' Training
As an integral part of the process of appointing new Directors, there is an induction programme for the new Directors including visits to the Group's businesses and meetings with the senior management to facilitate their understanding on the Group's operations and the responsibilities of their role.

All Directors have attended the Mandatory Accreditation Programme prescribed by BMSB and have also been attending the Continuous Education Programmes.

In addition to the regular briefings given by the Company Secretary on new developments on rules and regulations including BMSB Listing Requirements, all Directors are encouraged to attend seminars from time to time to keep themselves abreast with the new rules and regulations.

Board Committees
The Board delegated certain responsibilities to the Board Committees i.e. Audit Committee, Nomination Committee, Remuneration Committee and Employees' Share Option Scheme (ESOS) Committee who operate within the approved terms

of reference. The Board Committees, except the ESOS Committee discuss the subject matter, put forward recommendations and report to the Board for final decision.

(a) Audit Committee

The primary objective of the Audit Committee is to assist the Board in fulfilling its responsibility relating to accounting and reporting practices of the Group. The Audit Committee Report for the financial year ended 31 December 2004 is set out on pages 19 to 21 of the annual report.

(b) Nomination Committee

The Nomination Committee is appointed by the Board and has no executive powers. The appointment of a committee member automatically terminates when the member ceases to be a Director. The constitution of the Nomination Committee is as follows:-

Mr. Wong Wing Kui @ Wong Weng Kwai *(Chairman)*
Dato' Syed Sidi Idid Bin Syed Abdullah Idid *(member)*
Encik Pikri Bin Haji Mohd Amin *(member)*

The Nomination Committee comprising of exclusively Independent Non-Executive Directors, has the primary duty to propose new appointment to the Board after considering the nomination from Chief Executive Officer, Directors and shareholders. They shall recommend the Board to fill the seats on the Nomination Committee.

Besides, the Nomination Committee is also responsible for assessing the Directors on an on-going basis and to evaluate the effectiveness of the Board, Board Committees and contribution of each individual Director. The Board through the Nomination Committee shall review annually its required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board. The performance of the Executive Directors shall be reviewed twice a year whereas the Non-Executive Directors on an annual basis.

The Nomination Committee meetings shall be convened as and when necessary and through its Chairman, the Nomination Committee shall report to the Board on matters discussed at the Board meetings after each of its meetings. The Company Secretary is the Secretary to the Nomination Committee.

In the financial year 2004, the Nomination Committee met once with full attendance for the purpose of considering and proposing appointment of new Director and reviewing the Executive Directors' strategic plans for the year 2004.

(c) Remuneration Committee

The Remuneration Committee is appointed by the Board and has no executive powers. The appointment of a committee member automatically terminates when the member ceases to be a Director. The constitution of the Remuneration Committee is as follows:-

Mr. Wong Wing Kui @ Wong Weng Kwai *(Chairman)*
Dato' Syed Sidi Idid Bin Syed Abdullah Idid *(member)*
Encik Pikri Bin Haji Mohd Amin *(member)*

The Remuneration Committee comprising of exclusively Independent Non-Executive Directors, has the primary responsibility to review and recommend to the Board the remuneration package for Executive Directors. The remuneration package for Executive Directors links rewards to corporate and individual performance. The Executive Directors play no part in decisions on their own remuneration. The determination of Non-Executive Directors' remuneration is a matter of the Board as a whole after considering comparable organizations and the level of responsibilities being undertaken by the Non-Executive Directors concerned. A remuneration policy is presently in place to ensure the levels of remuneration are sufficiently attractive to retain Directors.

Meanwhile, the Remuneration Committee is also responsible for making recommendations to the Board to fill the seats on the Remuneration Committee.

The Remuneration Committee meetings shall be convened as and when necessary and through its Chairman, the Remuneration Committee shall report to the Board at the Board meetings after each of its meetings. The Company Secretary is the Secretary to the Remuneration Committee.

In the financial year 2004, the Nomination Committee met once with full attendance for the purpose of finalising and proposing the remuneration policy and considering the existing Directors' fees and reimbursement.

(d) ESOS Committee

The ESOS Committee administers the Company's ESOS in accordance with the Company's ESOS Bye-Laws and other relevant rules and regulations governing ESOS. It determines the participation eligibility, option offers and share allocations and attends to other matters relating to ESOS as may be required.

The ESOS Committee is consisting of two members, Encik Rahmat Bin Harun, the Group Managing Director & Chief Executive Officer and Mr. Lim Teik Ee, the Executive Director.

The Company's ESOS expired on 11 October 2004.

B. DIRECTORS' REMUNERATION

The objectives of the Company's remuneration policy on Directors' remuneration is to attract, retain and motivate the Directors of the highest quality and to recognize and reward the high performing Directors for achieving the Company's business and corporate goals. In the case of Executive Directors, the component parts of the remuneration are linked rewards to the Company's financial and individual performance and the equitable market pay whereas for Non-Executive Directors, the level of remuneration reflects the level of responsibilities and overall contributions to the Company's strategic business.

The fees payable to Executive and Non-Executive Directors shall be recommended by the Remuneration Committee to the Board who shall propose the same to the shareholders for approval at AGM. The Company reimburses reasonable expenses incurred by the Directors in the course of their duties as Directors.

The aggregate remuneration of the Directors for the financial year ended 31 December 2004 is categorised into appropriate components as follows:-

	Directors' Fees (RM)	Salary & Bonus (RM)	Benefit-in-kind (RM)	Other Emoluments (RM)	Total (RM)
Executive Directors	12,000	1,060,292	20,900	127,272	1,220,464
Non-Executive Directors	40,500				40,500

The number of Directors whose total remuneration falls within the following bands for the financial year ended 31 December 2004 are as follows:-

Range of Remuneration	Number of Directors Executive	Non-Executive
Below RM50,000	-	5
RM50,001 to RM350,000	-	-
RM350,001 to RM400,000	1	-
RM400,001 to RM800,000	-	-
RM800,001 to RM850,000	1	-

C. RELATIONS WITH SHAREHOLDERS

The Board recognizes the importance of being accountable to its shareholders and investors and as such has established a communication policy that enables the Board and management to communicate effectively with its investors, stakeholders and the public generally. Information on the Group's business activities and financial performance is disseminated through press releases, press conferences, announcements to BMSB including quarterly results and annual reports. Where appropriate, the Company conducts briefings for its key investors or other investment community to give them a better understanding of the Group's operations and provide explanation to any concern highlighted.

The AGM remains the principal forum for dialogue with all shareholders who are encouraged and given opportunity to raise any issue relating to the Group as well as communicate their expectations and concerns. All Board members, the senior management and external auditors are available to respond to shareholders' queries during the AGM.

The Group maintains its corporate website at www.lityan.com.my that allows all shareholders and investors to have access to information about the Group.

D. ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Board aims to present a balanced and understandable assessment of the Group's position and prospects in the annual financial statements and quarterly results.

The Directors' Responsibility Statement made pursuant to Paragraph 15.27(a) of the BMSB Listing Requirements is set out on page 18 of the annual report.

(b) Internal Control

The Board acknowledges their responsibility in maintaining a sound system of internal control to safeguard the Group's assets and shareholders' investments. They believe the internal control systems and procedures could provide a reasonable but not absolute assurance that the assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either detected or minimised to prevent re-occurrence.

The Group's internal control statement is set out on page 22 of the annual report.

(c) Relationship with Auditors

The Company's independent external auditors fill an essential role for the shareholders by enhancing the reliability of the Group's financial statements and giving assurance of that reliability to users of the financial statements.

The Group has always maintained a formal and transparent relationship with its external auditors in seeking professional advice and ensuring the financial statements prepared are in compliance with the relevant regulations and applicable approved accounting standards in Malaysia.

The external auditors attend Audit Committee meetings when necessary and have direct access to the Audit Committee and internal auditors for independent discussion. The external auditors met with the Audit Committee twice in the financial year 2004 wherein once was without the presence of Executive Directors, with the purposes of finalising the Group's audited financial statements for the financial year ended 31 December 2003 and approving the audit plan for the financial year ended 31 December 2004.

This statement is made in accordance with a Board Resolution dated 27 April 2005.

Directors' Responsibility Statement

for Preparation of Financial Statements

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

In preparing the financial statements on an on-going basis, the Directors have selected appropriate accounting policies and applied them consistently, made prudent and reasonable judgements and estimates and ensured the applicable accounting standards in Malaysia and the provisions of the Companies Act 1965 have been followed.

The Directors acknowledge and are responsible for ensuring that proper accounting records are kept to reflect the reasonable accuracy of the financial position of the Company and the Group and to ensure the financial statements comply with all relevant rules and regulations.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This statement is made in accordance with a Board Resolution dated 27 April 2005.

Audit Committee Report

The Board of Directors of Lityan Holdings Berhad ("Company") is pleased to present the report of the Audit Committee for the financial year ended 31 December 2004.

Audit Committee composition and meetings
The Audit Committee comprises three members of whom two are the Independent Non-Executive Directors.

The Audit Committee met five times during the financial year 2004 and the record of attendance of the Audit Committee members is as follows:-

	Number of Meetings Attended
Chairman	
Dato' Syed Sidi Idid Bin Syed Abdullah Idid	5/5
(Independent Non-Executive Director)	
Members	
Pikri Bin Haji Mohd Amin	
(Independent Non-Executive Director)	5/5
Adi Azuan Bin Abdul Ghani	
(Non-Independent Non-Executive Director)	
(Appointed on 26 February 2004)	3/4

TERMS OF REFERENCE
The Audit Committee has in place its terms of reference, schedule of matters, audit charter and procedures regulating calling of meetings, election of chairman, validity of acts of Audit Committee, circular resolutions, minutes of meetings, certified copy of resolutions of Audit Committee and alteration of Audit Committee procedures.

Objective
The Audit Committee operates within the approved terms of reference. The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities relating to accounting and reporting practices of the Group.

Composition
The Audit Committee shall be appointed by the Board from among their numbers which fulfil the following requirements-

1) The Audit Committee shall consist at least three members and a majority must be independent directors;

2) At least one member of the Audit Committee:-
   a) must be a member of the Malaysian Institute of Accountants; or
   b) if he is not a member of Malaysian Institute of Accountants, he must have at least three years' working experience and
      i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
      ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
   c) he must fulfil such other requirements as prescribed by Bursa Malaysia Securities Berhad ("BMSB"):-
      i) a degree / masters / doctorate in accounting or finance and at least three years' post qualification experience in accounting or finance; or
      ii) at least seven years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
      iii) a member of International Federation of Accountants and at least three years' post qualification experience in accounting or finance.

No alternate director shall be appointed as a member of the Audit Committee. The Audit Committee shall elect among their numbers a Chairman who shall be an Independent Non-Executive Director.

In the event of any vacancy in the Audit Committee resulting in non-compliance of the BMSB Listing Requirements, the Board shall within three months, appoint a new member to fill the vacancy.

The Board shall review the terms of office of the Audit Committee at least once every three years.

Authority

The Audit Committee is authorized by the Board to investigate any activity of the Group within its terms of reference and they shall be provided with the resources that are required to perform their duties. The Audit Committee has full and unrestricted access to any information pertaining to the Group and could communicate directly with the external and internal auditors. The Audit Committee shall meet with the external auditors without the presence of Executive Directors when necessary. In discharging their duties, the Audit Committee is entitled to obtain external legal or other independent professional advice, if required.

Meetings

The Audit Committee shall meet at least four times a year. The quorum for meeting shall be at least two members where a majority of members present must be Independent Directors. Questions arising at any meeting shall be determined by a majority of votes.

The Executive Directors and internal auditor shall normally attend the meetings but may be asked to leave a meeting as and when deemed necessary by the Audit Committee. The external auditors shall attend meeting to discuss and finalise matters relating to the annual financial statements and such other meetings as determined by the Audit Committee.

The Company Secretary is the Secretary to the Audit Committee.

Minutes of the meetings shall be duly entered into the books provided for the purpose of all resolutions and proceedings of all meetings of the Audit Committee. The minutes shall be formally tabled to the Board for noting and action.

Duties

The duties of the Audit Committee shall be to review and report the same to the Board:-

1. Nomination and appointment of the external auditors, audit fee and question of resignation or dismissal of the external auditors;

2. The external auditors' audit plan and report, areas of concern arising from the audit and any other matters as the external auditors may wish to discuss (without the presence of the management, if necessary);

3. The quarterly and annual financial statements before submission to the Board for approval, focusing particularly on:
   a) changes in or implementation of major accounting policies and practices;
   b) significant adjustments arising from the audit;
   c) going concern assumption; and
   d) compliance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act 1965;

4. The adequacy of the scope, functions and resources of the Internal Audit Function and that it has the necessary authority to carry out its work;

5. The audit plan and work program of the Internal Audit Function;

6. Findings of the internal audit work and management action taken on the recommendations of the Internal Audit Function;

7. Appraisal or assessment of the performance of members of the Internal Audit Function;

8. Appointment of senior staff of the Internal Audit Function;

9. Resignation of internal audit staff and provide the resigning staff an opportunity to submit the reason for resignation;

10. Extent of co-operation and assistance given by the employees to the external and internal auditors;

11. The propriety of any related party transaction and conflict of interest situation that may arise within the Group; and

12. Any other functions as directed by the Board.

In the event the Audit Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in breach of the BMSB Listing Requirements, the Audit Committee must promptly report such matter to BMSB.

Summary of Activities of the Audit Committee
The activities of the Audit Committee for the financial year ended 31 December 2004 were summarised as follows -

a) reviewed the Group's audited financial statements for the financial year ended 31 December 2003 and discussed significant audit findings with the external auditors before recommending the same for the Board's approval;

b) reviewed the Group's unaudited quarterly financial results before recommending the same for the Board's approval;

c) reviewed and discussed with the external auditors the nature and scope of their audit plan for the Group for the financial year ended 31 December 2004 before the commencement of audit;

d) reviewed the audit reports prepared by the internal and external auditors and considered the auditors' material findings and the management's responses thereto; and

e) ensured that corrective actions recommended on audit issues by the external and internal auditors have been implemented by the management.

Summary of Activities of the Out-Sourced Internal Audit
The Group's out-sourced Internal Audit Function assisted the Audit Committee and the Board in obtaining the assurance it requires regarding the adequacy and integrity of the system of internal controls during the first quarter of financial year 2004.

It undertook regular and systematic reviews of the internal controls on the Group's key business unit, the System Integration Division so as to provide reasonable assurance that such system operated satisfactorily and effectively and reported to the Audit Committee.

The auditors have adopted a risk based approach towards their planning and conduct of audits and benchmarked the standards of internal control against industry standards in carrying out their internal audit reviews. Audit report on the key business unit incorporating audit findings, recommendations to improve on the weaknesses noted in the course of the audit and the management's responses on the findings have been issued to the Audit Committee. Follow-up audits will be carried-out to ensure that all remedial actions have been taken on the agreed audit issues and recommendations as highlighted in the audit report.

This Audit Committee report is made in accordance with a Board Resolution dated 27 April 2005.

Statement on Internal Control

Introduction

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and their assets. This statement is made pursuant to paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad.

Responsibility

The Board of Directors affirms that it is ultimately responsible for the Group's system of internal controls that includes the assurance of its adequacy and integrity at all time.

In view of the limitations that are inherent in any system of internal controls, such a system is designed to manage rather than eliminate the risks that may impede the achievement of the Group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatements or losses.

Risk Management Framework

The Board regards risk management as an integral part of business operations and aims to promote and practice a strong risk management culture. The Board has established on-going process for identifying, evaluating, and managing significant risks faced by the Group. There are regular meetings among senior management to assess the performance of operating subsidiaries, impact on changes in competition and operating environment and the ensuring action plans.

In addition there are various committees to manage and supervise the specific key risk areas:

- Process Improvement and Risk Management Committee("PIRM")
- Contract Review Committee
- Quotation Review Committee
- Business Evaluation Committee
- ISO Committee
- Project Status Review Committee

Other Key Elements of Internal Control

The other key elements of the Group's internal control systems include-

- Clearly defined lines of responsibility, delegation of authority, segregation of duties and the flow of information.
- Non-executive standing committees such as Audit, Nomination and Remuneration Committees provide support and advice to the Board to maintain effective supervision over the entire operations.
- Limits of authority are imposed for revenue and capital expenditure that serve to facilitate the approval process and keep potential exposure under control.
- Detailed justifications are required for major projects and expenditures to ensure congruence with the Group's strategic objectives.
- ISO Steering Committee continuously review and evaluate the work processes, guidelines and procedures to ensure compliance with the ISO 9001: 2000 Quality Management Systems requirements. Besides, there is also ISO external review conducted by the UK based SGS Yarsley International Certification Services.
- Regular Board and management meetings to consider the Group's financial performance, business development, management and corporate issues.
- Independent appraisals by external auditors during the course of statutory audit on the compliance of policies, procedures, standards and legislations, adequacy and effectiveness of the Group's internal controls.

Internal Control Issues

The Board will commit to continuously strengthen the Group's control environment and processes. There were no material losses incurred during the financial year due to weaknesses in the system of internal controls.

This statement is made in accordance with a Board Resolution dated 27 April 2005.

FINANCIAL STATEMENTS

The Directors submit their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2004.

Principal activities

The principal activity of the Company is that of an investment holding company. The principal activities of the Group consist of the sale and maintenance of computer and telecommunication equipment, peripherals and related services, and providing support services for the installation and maintenance of pay telephone systems. There were no significant changes in the nature of these activities of the Group and the Company during the financial year.

Financial results

	Group RM'000	Company RM'000
Net loss for the financial year	108,631	203,314

Dividend

No dividend has been paid, declared or proposed since the end of the Company's previous financial year. The Directors do not recommend any dividend for the financial year ended 31 December 2004.

Reserves and provisions

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

Employees' Share Option Scheme ("ESOS" or "the Scheme")

The ESOS of the Company which is governed by the original by-laws approved by the shareholders at the Extraordinary General Meeting held on 23 February 1999 with subsequent amendments approved by the shareholders on 20 June 2000 and 27 June 2003 respectively has expired on 11 October 2004.

Directors

The Directors who held office since the date of the last report are as follows:

Rahmat bin Harun
Pikri bin Haji Mohd Amin
Wong Wing Kui @ Wong Weng Kwai
Dato' Syed Sidi Idid bin Syed Abdullah Idid
Dato' Mohd Noh bin Rajab
Lim Teik Ee
Adi Azuan bin Abdul Ghani

Directors' interests in shares

According to the Register of Directors' Shareholdings, particulars of interests in the shares of the Company and its related corporations during the financial year of those Directors holding office at the end of the financial year are as follows:

	Number of ordinary shares of RM1.00 each			
	Balance at 01.01.2004	**Acquired**	**Disposed**	**Balance at 31.12.2004**
Shares in the Company				
Direct interest:				
Rahmat bin Harun	**10,261,775**	76,000	(1,687,775)	**8,650,000**
Lim Teik Ee	**1,000**	-	-	**1,000**
Indirect interest:				
Rahmat bin Harun*	**344,100**	262,375	(606,400)	**75**
Shares in Digital Transmission Systems Sdn Bhd (subsidiary)				
Direct interest:				
Rahmat bin Harun	**5,000**	-	-	**5,000**

* Deemed interest by virtue of shares held by spouse of Rahmat bin Harun

Other than disclosed above, according to the Register of Directors' Shareholdings, none of the other Directors who held office at the end of the financial year hold any interest in the shares of the Company and its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or its subsidiaries a party to any arrangement whose object was 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.

Statutory information on the financial statements

Before the income statements and balance sheets of the Group and the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

Statutory information on the financial statements (Cont'd)

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

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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

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

(a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and the Company misleading.

In the opinion of the Directors:

(a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the income statements and Notes 23 and 24 to the financial statements; and

(b) except as disclosed in Note 34 to the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

Signed on behalf of the Board of Directors in accordance with their resolution dated 29 April 2005.

Rahmat bin Harun
Director

Lim Teik Ee
Director

Income Statements

for the financial year ended 31 December 2004

	Note	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Revenue	4	**30,173**	61,700	**-**	-
Cost of sales	5	**(20,747)**	(43,724)	**-**	-
Gross profit		**9,426**	17,976	**-**	-
Other operating income		**4,668**	642	**-**	-
Administrative expenses		**(22,759)**	(24,356)	**(1,123)**	(314)
Research and development expenses		**(267)**	(398)	**-**	-
Selling and distribution costs		**(2,057)**	(2,918)	**-**	-
Other operating expenses					
- impairment of goodwill on consolidation	14	**(56,100)**	-	**-**	-
- amortisation of goodwill on consolidation	14	**(3,904)**	(3,111)	**-**	-
- impairment of property, plant and equipment	13	**(22,731)**	-	**-**	-
- allowance for doubtful debts on amounts due from subsidiaries	21	**-**	-	**(106,000)**	(34,637)
- allowance for diminution in value of investments in subsidiairies	15	**-**	-	**(94,003)**	(300)
- allowance for slow-moving inventories	18	**(3,823)**	-	**-**	-
- other expenses		**(2,346)**	(808)	**-**	-
		(88,904)	(3,919)	**(200,003)**	(34,937)
Loss from operations	6	**(99,893)**	(12,973)	**(201,126)**	(35,251)
Finance cost	9	**(6,936)**	(7,033)	**(2,188)**	(2,229)
Share of results of associates	16	**(36)**	33	**-**	-
Loss from ordinary activities before tax		**(106,865)**	(19,973)	**(203,314)**	(37,480)
Tax expense					
- Company and subsidiaries		**(1,931)**	(647)	**-**	-
- associates		**8**	(5)	**-**	-
	10	**(1,923)**	(652)	**-**	-
Loss from ordinary activities after tax		**(108,788)**	(20,625)	**(203,314)**	(37,480)
Minority interest		**157**	(1)	**-**	-
Net loss for the financial year		**(108,631)**	(20,626)	**(203,314)**	(37,480)
Loss per share (sen)					
- basic	11	**(105.67)**	(20.07)		
- diluted	11	**-**	-		
Dividend per share (sen)	12	**-**	-		

Balance Sheets
as at 31 December 2004

	Note	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Non-current assets					
Property, plant and equipment	13	**71,000**	122,049	**-**	-
Goodwill on consolidation	14	**-**	59,989	**-**	-
Subsidiaries	15	**-**	-	**-**	93,988
Associates	16	**314**	342	**-**	-
Investment	17	**-**	8,719	**-**	-
Deferred tax assets	27	**6,173**	8,093	**-**	-
		77,487	199,192	**-**	93,988
Current assets					
Property, plant and equipment	13	**13,484**	-	**-**	-
Investment	17	**7,253**	-	**-**	-
Inventories	18	**2,148**	1,870	**-**	-
Receivables, deposits and prepayments	19	**3,599**	4,591	**-**	594
Amounts due from subsidiaries	21	**-**	-	**17,954**	126,721
Tax recoverable		**2,112**	2,207	**1,668**	1,668
Deposits with a licensed bank	20	**2,025**	4,393	**-**	-
Cash and bank balances	29	**1,568**	2,635	**69**	143
		32,189	15,696	**19,691**	129,126
Less: Current liabilities					
Payables	22	**26,475**	27,345	**1,663**	1,364
Hire-purchase payables	26	**58**	170	**-**	-
Post-employment benefit obligations	25	**676**	307	**-**	-
Borrowings (interest bearing)	23	**70,645**	17,068	**14,460**	14,915
Bank overdrafts	24	**39,383**	37,474	**12,180**	12,133
Current tax liabilities		**712**	712	**652**	652
		137,949	83,076	**28,955**	29,064
Net current (liabilities)/assets		**(105,760)**	(67,380)	**(9,264)**	100,062
Less: Non-current liabilities					
Post-employment benefit obligations	25	**3,594**	1,220	**-**	-
Hire-purchase payables	26	**166**	89	**-**	-
Borrowings (interest bearing)	23	**-**	54,110	**-**	-
		3,760	55,419	**-**	-
		(32,033)	76,393	**(9,264)**	194,050
Capital and reserves					
Share capital	28	**102,806**	102,806	**102,806**	102,806
Reserves		**(138,700)**	(30,431)	**(112,070)**	91,244
Shareholders' equity		**(35,894)**	72,375	**(9,264)**	194,050
Minority interest		**3,861**	4,018	**-**	-
		(32,033)	76,393	**(9,264)**	194,050

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2004

	Note	Issued and fully paid ordinary shares of RM1.00 each Nominal value RM'000	Share premium RM'000	Merger deficit RM'000	Currency translation differences RM'000	Accumulated loss RM'000	Total RM'000
At 1 January 2003		102,706	129,782	(15,045)	(398)	(124,886)	92,159
Issue of shares							
- Employees' Share Option Scheme (ESOS)	28	100	-	-	-	-	100
Currency translation differences:							
- arising in the year		-	-	-	742	-	742
Net gain not recognised in income statement		-	-	-	742	-	742
Net loss for the financial year		-	-	-	-	(20,626)	(20,626)
At 31 December 2003		102,806	129,782	(15,045)	344	(145,512)	72,375
At 1 January 2004		**102,806**	**129,782**	**(15,045)**	**344**	**(145,512)**	**72,375**
Currency translation differences:							
- arising in the year		**-**	**-**	**-**	**362**	**-**	**362**
Net gain not recognised in income statement		**-**	**-**	**-**	**362**	**-**	**362**
Net loss for the financial year		**-**	**-**	**-**	**-**	**(108,631)**	**(108,631)**
At 31 December 2004		**102,806**	**129,782**	**(15,045)**	**706**	**(254,143)**	**(35,894)**

Deficit arising on merger represents the difference between the nominal value of the ordinary shares issued as consideration for the acquisition of Lityan Systems Sdn. Berhad and the nominal value of the ordinary shares transferred.

Company Statement of Changes in Equity

for the financial year ended 31 December 2004

		Issued and fully paid ordinary shares of RM1.00 each	Non-distributable		
	Note	Nominal value RM'000	Share premium RM'000	Accumulated loss RM'000	Total RM'000
At 1 January 2003		102,706	129,782	(1,058)	231,430
Issue of shares – ESOS	28	100	-	-	100
Net loss for the financial year		-	-	(37,480)	(37,480)
At 31 December 2003		102,806	129,782	(38,538)	194,050
At 1 January 2004		**102,806**	**129,782**	**(38,538)**	**194,050**
Net loss for the financial year		**-**	**-**	**(203,314)**	**(203,314)**
At 31 December 2004		**102,806**	**129,782**	**(241,852)**	**(9,264)**

Cash Flow Statements

for the financial year ended 31 December 2004

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Cash flow from/(used in) operating activities				
Net loss for the financial year	**(108,631)**	(20,626)	**(203,314)**	(37,480)
Adjustments for:				
Depreciation of property, plant and equipment	**9,970**	8,266	**-**	-
Profit on disposal of property, plant and equipment	**-**	(60)	**-**	-
Property, plant and equipment written off	**205**	1,068	**-**	-
Impairment losses of property, plant and equipment	**22,731**	-	**-**	-
Amortisation of goodwill on consolidation	**3,904**	3,111	**-**	-
Impairment losses of goodwill	**56,100**	-	**-**	-
Profit on disposal of subsidiaries	**-**	(15)	**-**	-
Share of results of associates	**36**	(33)	**-**	-
Loss on disposal of investment	**460**	-	**-**	-
Allowance for diminution in value of investments	**171**	-	**94,003**	300
Allowance for slow moving inventories	**3,823**	-	**-**	-
Bad debts recovered	**(183)**	(567)	**-**	-
Allowance for doubtful debts	**272**	130	**106,001**	34,637
Bad debts written off	**20**	292	**-**	-
Interest expense	**7,025**	7,126	**2,188**	2,229
Interest income	**(89)**	(93)	**-**	-
Defined benefit plan	**2,499**	219	**-**	-
Tax expense	**1,923**	652	**-**	-
Net unrealised exchange loss	**1,219**	4,655	**-**	-
Minority interest	**(157)**	1	**-**	-
Operating profit/(loss) before working capital changes	**1,298**	4,126	**(1,122)**	(314)
Movements in working capital				
Inventories	**564**	24,953	**-**	-
Receivables, deposits and prepayments	**883**	21,845	**594**	(594)
Payables	**(501)**	(39,156)	**299**	971
Cash flow from/(used in) operations	**2,244**	11,768	**(229)**	63
Interest paid	**(7,025)**	(7,126)	**(2,188)**	(2,229)
Interest received	**89**	93	**-**	-
Defined benefits paid	**(125)**	(319)	**-**	-
Tax paid	**(10)**	(10)	**-**	-
Tax refunded	**31**	-	**-**	-
Net cash flow from/(used in) operating activities	**(4,796)**	4,406	**(2,417)**	(2,166)

	Note	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Cash flow from/(used in) investing activities					
Acquisition of property, plant and equipment	13(g)	**(809)**	(3,983)	**-**	-
Proceeds from disposal of property, plant and equipment		**-**	116	**-**	-
Increase in shareholding in a subsidiary	15(c)	**(15)**	-	**(15)**	(4,750)
Repayment from/(advance to) subsidiaries		**-**	-	**2,766**	6,146
Proceeds from disposal of investment		**835**	-	**-**	-
Net cash flow from/(used in) investing activities		**11**	(3,867)	**2,751**	1,396
Cash flow from/(used in) financing activities					
Proceeds from borrowings		**1,694**	5,436	**-**	980
Repayments of borrowings		**(2,227)**	(3,490)	**(455)**	(65)
Hire-purchase principal repayments		**(35)**	(283)	**-**	-
Deposits pledged for banking facilities	20	**342**	-	**-**	-
Bank balance released as collateral	29	**-**	1,117	**-**	-
Proceeds from issuance of shares		**-**	100	**-**	100
Net cash flow from/(used in) financing activities		**(226)**	2,880	**(455)**	1,015
Net movement in cash and cash equivalents during the financial year		**(5,011)**	3,419	**(121)**	245
Currency translation differences		**9**	(19)	**-**	-
Cash and cash equivalents at beginning of financial year		**(30,788)**	(34,188)	**(11,990)**	(12,235)
Cash and cash equivalents at end of financial year	29	**(35,790)**	(30,788)	**(12,111)**	(11,990)

1 General information

The principal activity of the Company during the financial year is that of an investment holding company. The principal activities of the Group consist of the sale and maintenance of computer and telecommunication equipment, peripherals and related services, and providing support services for the installation and maintenance of pay telephone systems. There were no significant changes in the nature of these activities during the financial year.

The average number of employees during the financial year was 306 (2003: 317) in the Group. The Company has no employee (2003: Nil) during the financial year.

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

The address of the registered office and the principal place of business of the Company is as follows:

Bangunan C, Peremba Square
Saujana Resort, Section U2
40150 Shah Alam
Selangor Darul Ehsan

2 Significant accounting policies

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The financial statements of the Group and of the Company comply with the provisions of the Companies Act, 1965 and MASB approved accounting standards in Malaysia except for MASB 29 "Employee Benefits".

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and MASB approved accounting standards in Malaysia requires the use of 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 revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

(i) The Group and the Company incurred a net loss of RM108,631,000 and RM203,314,000 respectively during the financial year ended 31 December 2004. As of that date, the shareholders' equity of the Group and the Company were in deficit of RM35,894,000 and RM9,264,000 respectively, and the current liabilities of the Group and the Company exceeded their current assets by RM105,760,000 and RM9,264,000 respectively. As of 31 December 2004, the Group and the Company have been experiencing difficulties in settling their obligations as they fall due and have also defaulted on the repayment of certain bank borrowings as mentioned in Notes 23 and 24 to the financial statements. These factors raise substantial doubts on the appropriateness of preparing the financial statements of the Group and the Company on the going concern basis. If the Group and the Company are not able to continue as going concerns, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify the non-current assets and non-current liabilities as current assets and current liabilities respectively.

2 Significant accounting policies (Cont'd)

(a) Basis of preparation (Cont'd)

(ii) Therefore, in response to the need to improve the immediate financial position of the Group and the Company, the Directors have undertaken to carry out the following:

(I) On 27 October 2004, the Company, on behalf of its wholly-owned subsidiary entered into a conditional sale and purchase agreement with third parties to dispose of its investment in quoted shares for a total cash consideration of AUD1.81 million (approximately RM5.08 million). The proposed disposal of its investment is subject to the approvals of the Company's shareholders at an Extraordinary General Meeting ("EGM") to be held at a later date and the relevant authorities. However, the time frame stipulated in the sale and purchase agreement for the conditions precedent to be fulfilled has lapsed. The Company is now in the midst of extending the new date for the conditions precedent to be met.

(II) On 26 April 2005, the Company, on behalf of its wholly-owned subsidiaries, had entered into conditional sale and purchase agreements for the acquisitions of the subsidiaries' 194 acres of freehold land for a total consideration of RM9,684,000. The proposed disposals by the subsidiaries are subject to the approvals of the Company's shareholders at an EGM to be held at a later date and the relevant authorities and/or parties.

The proceeds from the disposals of non-core assets mentioned in paragraphs (I) and (II) above will be used to address certain bank borrowings for which some of these assets are pledged as securities. The remaining proceeds shall be used for the immediate working capital requirements of the Group to sustain its current operations.

(III) In the absence of a more comprehensive financial plan, the Group is taking immediate action to further mitigate its difficulties by considering the need to dispose of its other non-core assets such as its freehold land and building, and the remaining 104 acres of freehold land to address certain bank borrowing requirements and for working capital purposes.

(iii) The Group remains optimistic that it could weather the current financial predicaments over time as it still has its on-going business operations. The Group expects that the current position would be improved by:

a. Strategic tie-ups with other telecommunication companies towards achieving economies of scale;

b. Maintaining, enhancing and expanding the current businesses with existing customers in the Government sector as well as Government linked companies;

c. Tie-ups with strategic alliances for development of new businesses within the Group's area of core competencies; and

d. Reducing the level of dependence on the current customers' base and re-look at potential areas to expand within its core businesses.

(iv) Accordingly, the Directors have prepared the financial statements on a going concern basis based on the continued financial support from the lenders in the form of borrowing facilities, the ability of the Group and the Company to generate sufficient cash inflows to sustain their operations, and the subsequent approvals of the shareholders and relevant authorities for the implementation of the proposals as mentioned in paragraphs (I) and (II) above.

(b) Basis of consolidation

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

Subsidiaries are consolidated from the date of acquisition up to the date of disposal. Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

2 Significant accounting policies (Cont'd)

(b) Basis of consolidation (Cont'd)

Subsidiaries are consolidated using the acquisition method of accounting except for the following subsidiaries which were consolidated prior to 1 July 2001 using the merger method of accounting in accordance with Malaysian Accounting Standard No. 2 "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time.

Slam Atomised Metal Sdn. Bhd.
Advanced Business Solutions (M) Sdn. Bhd.
Lityan Systems Sdn. Berhad

The Group has taken advantage of the exemption provided to apply MASB 21 "Business Combinations" prospectively. Accordingly, business combinations entered into prior to 1 July 2001 have not been restated to comply with this Standard.

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

In a piecemeal acquisition, the fair value adjustment attributable to previously held equity interests is accounted for as post-acquisition revaluation.

Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying value of the investment in these subsidiaries over the nominal value of the shares acquired is taken to merger reserve.

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

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill on consolidation and exchange differences which were not previously recognised in the consolidated income statement.

(c) Goodwill on consolidation

Goodwill represents the excess of the acquisition cost over the Group's share of the fair value of the subsidiaries' identifiable net assets at the date of acquisition and is amortised using the straight line method over its estimated useful life of twenty five (25) years.

During the financial year, the Group changed its estimate to amortise goodwill arising from the consolidation of a subsidiary in the Philipines over its remaining concession period of eleven (11) years. The Director are of the opinion that the change in accounting estimate is not material to the Group's results for the financial year ended 31 December 2004.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note (h) on impairment of assets.

Negative goodwill represents the excess of the fair value of the Group's share of identifiable net assets acquired over the acquisition cost. Negative goodwill is presented in the same balance sheet classification as goodwill.

2 Significant accounting policies (Cont'd)

(d) Subsidiaries

Subsidiaries are those corporations in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiaries are shown in the Company's financial statements at cost less impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note (h) on impairment of assets.

(e) Associates

The Group treats as associates, those corporations in which a long-term equity of between twenty (20) and fifty (50) percent is held and where it exercises significant influence over the financial and operating policy decisions but not control over those policies and has representation on the Board of Directors. Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising the Group's share of the post-acquisition results of associates for the financial year in the income statement and its share of post-acquisition movements within reserves in reserves. The Group's investments in associates are carried in the balance sheet at an amount that reflects its share of the net assets of the associates and includes goodwill (net of accumulated amortisation) on acquisition. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

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

Investments in associates are accounted for in the Company's financial statements at cost less impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note (h) on impairment of assets.

(f) Investments

Investments in other non-current investments are shown at cost and an allowance for permanent diminution in value. Allowance for permanent diminution in value is only made where in the opinion of the Directors, there is a permanent diminution in the value of such investments. Permanent diminution in the value of an investment is recognised as an expense in the financial year in which the diminution is identified.

Investments held for sale are classified as current assets. Current investment is stated at the lower of cost and market value.

(g) Property, plant and equipment

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

Capital work-in-progress comprise the cost of equipment, accessories and all other direct attributable costs for the setting up of a wireless telecommunication data network and payphone operation and are not depreciated.

2 Significant accounting policies (Cont'd)

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

Freehold land is not depreciated as it has an infinite life. Depreciation of other property, plant and equipment is calculated on a straight line basis so as to write off the cost of each asset to its residual value over the term of its estimated useful life, as stated below:

	Years
Freehold building	45
Computer equipment	3
Office and test equipment	5 - 10
Furniture and fittings	10
Motor vehicles	5
Plant and machinery	10
Renovations	5
Payphone network	7 - 14

At each balance sheet date, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note (h) on impairment of assets.

Property, plant and equipment held for sale are classified as current assets, and are stated at the lower of cost less accumulated depreciation and impairment losses and net realisable value.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the profit/(loss) from operations.

Repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

(h) Impairment of assets

Property, plant and equipment, goodwill on consolidation and investments in subsidiaries and associates are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

Impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is recognised in the income statement. The increased carrying amount of the asset does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes import duties, transport and handling costs and any other direct attributable costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

(j) Trade receivables

Trade receivables are carried at invoiced amount less an estimate made for doubtful debts based on a review of outstanding amounts at the financial year end. Bad debts are written off in the financial year in which they are identified.

2 Significant accounting policies (Cont'd)

(k) Cash and cash equivalents

For purposes of the cash flow statements, cash and cash equivalents comprise cash in hand, bank balances, deposits held with banks excluding deposits which are pledged for banking facilities, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Post-employment benefit obligations

(i) Short-term employee benefits

Wages, salaries, bonuses, and non-monetary benefits are accrued in the financial year in which the associated services are rendered by employees of the Group.

(ii) Post-employment benefits

Defined benefit plan

The Group operates an unfunded final salary defined benefit plan for its employees, taking into account the recommendations of independent qualified actuaries. The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for actuarial gains/losses and past service cost. The Group determines the present value of the defined benefit obligation with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

The service and retirement benefits accounting cost is assessed using the projected unit credit method. Under this method, the cost of providing service and retirement benefits is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries. The service and retirement benefits obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions.

Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (ie. Employees Provident Fund - "EPF") and will have no legal or constructive obligations to pay further employee service in the current and prior years. The Group's contributions to EPF are charged to the income statement in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(m) Hire-purchase commitments

Property, plant and equipment acquired under hire-purchase agreements are included in property, plant and equipment. The hire-purchase rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against income statement so as to give a constant periodic rate of charge on the remaining balance outstanding at each financial year.

Property, plant and equipment acquired under hire-purchase are depreciated over the estimated useful lives of equivalent-owned assets.

2 Significant accounting policies (Cont'd)

(n) Income taxes

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits, including withholding taxes payable by a foreign subsidiary or associate on distributions of retained earnings to companies in the Group and real property gains taxes payable on disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

(o) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

(iii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when declared before the balance sheet date. Proposed final dividends are accrued as liabilities only after approval by the shareholders.

(p) Revenue recognition

Income earned from the sale of goods and services are recognised as goods delivered and accepted or services rendered, net of discounts, and after eliminating sales within the Group.

Other sources of income earned by the Group including interest income, rental income and management fee are recognised on an accrual basis.

Dividend income from investment in subsidiaries is accounted for in the Company's income statement when the Company's right to receive payment is established.

(q) Foreign currencies

(i) Reporting currency

The financial statements are presented in Ringgit Malaysia.

2 Significant accounting policies (Cont'd)

(q) Foreign currencies (Cont'd)

(ii) Foreign entities

The Group's foreign entities are those operations that are not an integral part of the operations of the Company. Income statements of foreign entities are translated into Ringgit Malaysia at average exchange rates for the financial year and the balance sheets are translated at exchange rates approximating those ruling at the balance sheet date. Exchange differences arising from the retranslation of the net investment in foreign entities and of borrowings that hedge such investments are taken to 'Currency Translation Differences' in shareholders' equity. On disposal of the foreign entity, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

Goodwill on consolidation and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and are translated accordingly at the exchange rate ruling at the date of the transaction.

(iii) Foreign currency transactions and balances

Foreign currency transactions in Group companies are accounted for at exchange rates approximating those ruling at the transaction dates, whereas foreign currency monetary assets and liabilities are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

(iv) Closing rates

The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	**2004**	2003
	RM	RM
1 US Dollar	**3.80**	3.80
1 Australian Dollar	**2.96**	2.85
100 Philippines Peso	**6.77**	6.84

(r) Research and development

Research and development expenditure is recognised as an expense when incurred.

(s) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income statement on the straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(t) Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group of a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

2 Significant accounting policies (Cont'd)

(t) Contingent liabilities and contingent assets (Cont'd)

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyound the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(u) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractural obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Financial instruments recognised on the balance sheet

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

(iii) Fair value estimation for disclosure purposes

The fair value of quoted investment outside Malaysia is based on quoted market price at the balance sheet date.

The fair value of financial guarantees given to third parties is derived from the bankers' quotation in respect of the amount required to settle the contingent obligation at the balance sheet date.

The face values of financial assets, less any estimated credit adjustments, and financial liabilities with a maturity of less than one (1) year and floating rate long-term debts are assumed to approximate their fair values.

(v) Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are differrent from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environment.

Segment revenue, expenses, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expenses, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

3 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risk, including foreign currency exchange risk, interest rate risk, market risk, credit risk, liquidity and cash flow risk. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not trade in financial derivatives.

(a) Foreign currency exchange risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into by subsidiaries in currencies other than their functional currency. These companies did not use any derivative financial instrument during the financial year to limit their exposure on foreign currency receivables and payables, and on cash flows generated from anticipated transactions denominated in foreign currencies.

(b) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowings and deposits and is managed through the use of floating rate debts.

(c) Market risk

For key product and asset purchases, the Group negotiates with suppliers on the acceptable price levels including quantity discounts and enters into physical supply agreements, where necessary, to achieve these levels.

The Group does not use any derivative financial instrument to limit its exposure from changes in the price of quoted investment outside Malaysia.

(d) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to invest cash assets safely and profitably. It also seeks to control credit risk by setting counterparty limits and ensuring that sales of products and services are made to customers with an appropriate credit history. Furthermore, sales to customers will be considered for suspension when earlier amounts are overdue by more than 120 days. The Board of Directors regularly reviews those customers with outstanding balance overdue by more than 120 days and the actions taken to recover the debts. The Group considers the risk of material loss in the event of non-performance by a financial conterparty to be unlikely.

The Group has no significant concentration of credit risk except that the majority of its deposits are placed with major financial institutions in Malaysia. In addition, the Group has given financial guarantees to its trade customers and the Company has also given corporate guarantees to subsidiaries for banking facilities.

(e) Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

4 Revenue

Revenue of the Group consists mainly of sale of goods and services rendered at invoiced value less discounts, and can be analysed as follows:

	Group	
	2004	2003
	RM'000	RM'000
Sale of goods	**5,182**	31,507
Rendering of services	**24,774**	30,037
Management fees	**-**	84
Rental income	**217**	72
	30,173	61,700

5 Cost of sales

	Group	
	2004	2003
	RM'000	RM'000
Cost of inventories sold	**2,445**	21,062
Cost of services rendered	**18,302**	22,662
	20,747	43,724

6 Loss from operations

		Group		Company	
	Note	**2004**	2003	**2004**	2003
		RM'000	RM'000	**RM'000**	RM'000
Loss from operations is stated after charging:					
Auditors' remuneration:					
Statutory audit fee	7				
- current financial year		**140**	143	**25**	25
- underaccrual in prior year		**9**	6	**-**	9
Non-statutory audit fee		**277**	84	**141**	12
		426	233	**166**	46
Rental of premises		**443**	567	**-**	-
Staff costs (including remuneration of Executive Directors):					
- wages, salaries and bonuses		**9,359**	10,440	**-**	-
- defined contribution plan		**1,083**	1,254	**-**	-
- defined benefit plan (Note 25)					
- current financial year		**1,111**	190	**-**	-
- underprovision in prior years		**1,388**	29	**-**	-
- other employment benefits		**786**	1,209	**-**	-
		13,727	13,122	**-**	-
Depreciation of property, plant and equipment	13	**9,970**	8,266	**-**	-
Property, plant and equipment written off		**205**	1,068	**-**	-
Allowance for diminution in value of current investment		**171**	-	**-**	-
Loss on disposal of investment		**460**	-	**-**	-
Allowance for doubtful debts		**272**	130	**-**	-
Bad debts written off		**20**	292	**-**	-
Net unrealised exchange loss		**1,219**	4,655	**-**	-

6 Loss from operations (Cont'd)

	Note	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
and crediting:					
Profit on disposal of property, plant and equipment		**-**	60	**-**	-
Profit on disposal of subsidiaries		**-**	15	**-**	-
Bad debts recovered		**183**	567	**-**	-
Waiver of debts		**4,419**	-	**-**	-

7 Auditors' remuneration

	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Statutory audit (Note 6)				
- PricewaterhouseCoopers Malaysia	**101**	90	**25**	34
- Member of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia	**30**	42	**-**	-
- Other external auditors	**18**	17	**-**	-
	149	149	**25**	34
Non-statutory audit				
- review of profit and cashflow forecasts and projections	**120**	120 *	**120**	120 *
- tax advisory and compliance work	**150**	77	**14**	5
- others	**7**	7	**7**	7
	277	204	**141**	132
Total:	**426**	353	**166**	166

* To be accounted for in Share Premium Account upon issuance of shares

8 Directors' remuneration

The Directors who held office during the financial year were as follows:

Executive Directors
Rahmat bin Harun
Lim Teik Ee

Non-executive Directors
Pikri bin Haji Mohd Amin
Wong Wing Kui @ Wong Weng Kwai
Dato' Syed Sidi Idid bin Syed Abdullah Idid
Dato' Mohd Noh bin Rajab
Adi Azuan bin Abdul Ghani

8 Directors' remuneration (Cont'd)

The aggregate amount of emoluments receivable by Directors of the Company during the financial year were as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Executive Directors:				
- fees	**12**	10	**12**	10
- basic salaries and bonus	**1,060**	958	**-**	-
- defined contribution plan	**127**	111	**-**	-
Non-executive Directors:				
- fees	**41**	40	**41**	40
	1,240	1,119	**53**	50
Executive Directors:				
- estimated monetary value of benefits-in-kind	**21**	35	**-**	-

9 Finance cost

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Interest expense	**7,025**	7,126	**2,188**	2,229
Less : Interest income	**(89)**	(93)	**-**	-
	6,936	7,033	**2,188**	2,229

10 Tax expense

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Current tax				
- Malaysian income tax	**49**	7	**-**	-
- Real property gains tax	**10**	-	**-**	-
	59	7	**-**	-
Deferred tax (Note 27)				
- Malaysia	**1,221**	1,400	**-**	-
- Philippines	**643**	(755)	**-**	-
	1,864	645	**-**	-
	1,923	652	**-**	-

10 Tax expense (Cont'd)

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Current tax				
Current year	**(8)**	5	**-**	-
Underaccrual in prior years	**67**	2	**-**	-
Deferred tax				
Reversal and origination of temporary differences	**2,126**	2,316	**-**	-
Benefit from current year's tax losses	**-**	(755)	**-**	-
Previously unrecognised tax losses and capital allowances	**(262)**	(916)	**-**	-
	1,923	652	**-**	-

A reconciliation of income tax expense applicable to loss from ordinary activities before tax at the statutory tax rate to income tax expense at the effective income tax rate of the Group and Company is as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Loss before tax	**(106,865)**	(19,973)	**(203,314)**	(37,480)
Tax calculated at the Malaysian tax rate of 28% (2003: 28%)	**(29,922)**	(5,592)	**(56,928)**	(10,494)
Tax effects of:				
- different tax rate in other country	**493**	(792)	**-**	-
- previously unrecognised tax losses	**(262)**	(896)	**-**	-
- previously unrecognised capital allowances	**-**	(20)	**-**	-
- non-deductible expenses for tax purposes	**27,111**	2,606	**1,663**	10,494
- income not subject to tax	**(23)**	(1,616)	**-**	-
- current year's tax loss not recognised	**3,479**	6,505	**-**	-
- deductible temporary differences not recognised	**964**	455	**55,265**	-
- others	**16**	-	**-**	-
Underaccrual in prior years	**67**	2	**-**	-
Tax charge for the year	**1,923**	652	**-**	-

11 Loss per share

The basic loss per share is calculated based on the Group's net loss for the financial year of RM108.63 million (2003: RM20.63 million) and the weighted average number of ordinary shares in issue during the financial year of 102,805,882 (2003: 102,751,635).

Computation of diluted loss per share is not applicable as the conversion of all potential ordinary shares is anti-dilutive which will cause a reduction in loss per share. This is on the basis that all unexercised options under the ESOS were not exercised as the current market price of the Company is lower than the option prices.

12 Dividend

The Directors do not recommend any dividend for the financial year ended 31 December 2004.

13 Property, plant and equipment

Group Non-current	(a) Freehold land RM'000	(b) Freehold land and building RM'000	(c) Freehold building RM'000	(d) Computer equipment RM'000	(e) Office and test equipment RM'000	(f) Furniture and fittings RM'000
2004						
Cost						
At 1 January 2004	18,859	30,005	162	2,554	706	1,995
Additions	-	-	-	85	38	-
Disposals	-	-	-	(9)	-	-
Write-offs	-	-	-	(2)	-	-
Currency translation differences	-	-	(2)	(8)	(3)	-
Reclassified to current assets	(18,859)	-	-	-	-	-
At 31 December 2004	-	30,005	160	2,620	741	1,995
Accumulated impairment losses						
At 1 January 2004	3,599	3,355	-	-	-	-
Reclassified to current assets	(3,599)	-	-	-	-	-
At 31 December 2004	-	3,355	-	-	-	-
Accumulated depreciation						
At 1 January 2004	-	3,177	17	1,920	391	1,098
Charge during the year	-	527	3	375	81	199
Disposals	-	-	-	(5)	-	-
Write-offs	-	-	-	(2)	-	-
Currency translation differences	-	-	-	(5)	(2)	-
At 31 December 2004	-	3,704	20	2,283	470	1,297
Net book value						
At 31 December 2004	-	22,946	140	337	271	698

13 Property, plant and equipment (Cont'd)

Group 2004	(g) Motor vehicles RM'000	(h) Plant and machinery RM'000	(i) Renovations RM'000	(j) Payphone network RM'000	(k) Capital work-in progress RM'000	(a) to (k) Total RM'000
Cost						
At 1 January 2004	1,643	10,432	249	65,165	22,994	154,764
Additions	1	9	4	593	148	878
Disposals	(13)	-	-	-	-	(22)
Write-offs	-	-	-	(861)	-	(863)
Currency translation differences	(7)	-	(1)	(738)	(142)	(901)
Transfer	-	1,089	-	4,305	(5,394)	-
Transfer to inventories	-	-	-	-	(4,666)	(4,666)
Reclassified to current assets	-	-	-	-	-	(18,859)
At 31 December 2004	1,624	11,530	252	68,464	12,940	130,331
Accumulated impairment losses						
At 1 January 2004	-	-	-	-	-	6,954
Reclassified to current assets	-	-	-	-	-	(3,599)
Charge during the year	-	-	-	15,795	5,160	20,955
At 31 December 2004	-	-	-	15,795	5,160	24,310
Accumulated depreciation						
At 1 January 2004	1,003	4,798	207	13,150	-	25,761
Charge during the year (Note 6)	293	1,106	26	7,360	-	9,970
Disposals	-	-	-	-	-	(5)
Write-offs	-	-	-	(656)	-	(658)
Currency translation differences	(3)	-	(1)	(36)	-	(47)
At 31 December 2004	1,293	5,904	232	19,818	-	35,021
Net book value						
At 31 December 2004	331	5,626	20	32,851	7,780	71,000

Group Current 2004	Freehold land RM'000
Cost	
At 1 January 2004	-
Reclassified from non-current assets	18,859
At 31 December 2004	18,859
Accumulated impairment losses	
At 1 January 2004	-
Reclassified from non-current assets	3,599
Charge during the year	1,776
Net book value	5,375
At 31 December 2004	13,484

13 Property, plant and equipment (Cont'd)

Group	(a) Freehold land RM'000	(b) Freehold land and building RM'000	(c) Freehold building RM'000	(d) Computer equipment RM'000	(e) Office and test equipment RM'000	(f) Furniture and fittings RM'000
2003						
Cost						
At 1 January 2003	18,859	30,005	169	2,468	693	1,995
Additions	-	-	-	135	23	-
Disposals	-	-	-	(15)	-	-
Currency translation differences	-	-	(7)	(34)	(10)	-
At 31 December 2003	18,859	30,005	162	2,554	706	1,995
Accumulated impairment losses						
At 1 January 2003/ 31 December 2003	3,599	3,355	-	-	-	-
Accumulated depreciation						
At 1 January 2003	-	2,650	15	1,484	302	899
Charge during the year	-	527	3	465	96	199
Disposals	-	-	-	(9)	-	-
Currency translation differences	-	-	(1)	(20)	(7)	-
At 31 December 2003	-	3,177	17	1,920	391	1,098
Net book value						
At 31 December 2003	15,260	23,473	145	634	315	897

Group	(g) Motor vehicles RM'000	(h) Plant and machinery RM'000	(i) Renovations RM'000	(j) Payphone network RM'000	(k) Capital work-in progress RM'000	(a) to (k) Total RM'000
2003						
Cost						
At 1 January 2003	2,425	9,706	259	75,331	32,203	174,113
Additions	43	14	-	3,778	21	4,014
Disposals	(791)	-	-	-	-	(806)
Write-offs	-	(318)	-	(1,750)	-	(2,068)
Currency translation differences	(34)	-	(10)	(19,801)	(593)	(20,489)
Transfer	-	1,030	-	7,607	(8,637)	-
At 31 December 2003	1,643	10,432	249	65,165	22,994	154,764
Accumulated impairment losses						
At 1 January 2003/ 31 December 2003	-	-	-	-	-	6,954
Accumulated depreciation						
At 1 January 2003	1,072	3,717	180	25,283	-	35,602
Charge during the year (Note 6)	407	1,081	31	5,457	-	8,266
Disposals	(466)	-	-	-	-	(475)
Write-offs	-	-	-	(1,000)	-	(1,000)
Currency translation differences	(10)	-	(4)	(16,590)	-	(16,632)
At 31 December 2003	1,003	4,798	207	13,150	-	25,761
Net book value						
At 31 December 2003	640	5,634	42	52,015	22,994	122,049

13 Property, plant and equipment (Cont'd)

(a) The cost of freehold land and building with net book value amounting to RM22,946,000 (2003: RM23,473,000) cannot be split between land and building because there is no separate value assigned. Risks, rewards and effective title to this asset have been passed to a wholly-owned subsidiary upon unconditional completion of the sale and purchase agreement. The developer of this asset has submitted the relevant documents to the land authorities for transfer of strata title to the subsidiary and is awaiting the process and formalities of this transfer to be completed. A third party first legal charge has been created over the asset as security for short-term borrowing facilities of the Company as set out in Notes 23 (a) and 24 (i).

(b) Property, plant and equipment of certain subsidiaries with net book values of RM73,710,000 (2003: RM105,163,000) have been pledged as securities for banking facilities mentioned in Notes 23, 24 and 32.

(c) The Group recognised impairment losses of RM15,795,000 (2003 : Nil) in respect of the payphone network during the financial year ended 31 December 2004. Recoverable amount of the payphone network was determined by reference to the estimated future net cash flows to be derived from the continuing use of the asset over the concession period of the payphone contract which will end in the year 2014 and discounted at 4% per annum.

(d) The Group recognised impairment losses of RM5,160,000 (2003 : Nil) in respect of capital work in progress during the financial year ended 31 December 2004. The recoverable amount of the capital work in progress was determined by reference to the estimated remaining useful life of the assets held under capital work in progress.

(e) The Group has also recognised impairment losses of RM1,776,000 (2003: Nil) in respect of its freehold land during the financial year ended 31 December 2004. The recoverable amount of the freehold land was determined based on its net selling price which was based on the best information available to reflect the amount that the Group could obtain at the balance sheet date for the disposal of this asset in an arm's length transaction between knowledgeable, willing parties.

(f) Included in the property, plant and equipment of the Group are the following assets held under hire-purchase agreements:

	Group	
	2004	2003
	RM'000	RM'000
Net book value at end of financial year		
- motor vehicles	**319**	587

(g) Net cash outflow for the acquisition of property, plant and equipment during the financial year is:

	Group	
	2004	2003
	RM'000	RM'000
Total acquisition of property, plant and equipment	**878**	4,014
Less: Amount financed by hire-purchase (Note 29)	**(69)**	(31)
Net cash outflow on acquisition of property, plant and equipment	**809**	3,983

14 Goodwill on consolidation

	Group 2004 RM'000	Group 2003 RM'000
At 1 January	**59,989**	63,100
Acquisition of a subsidiary		
- increase in shareholding	**15**	-
Amortisation during the year	**(3,904)**	(3,111)
Impairment losses during the year	**(56,100)**	-
At 31 December	**-**	59,989

	Group 2004 RM'000	Group 2003 RM'000
At 31 December		
Cost	**77,748**	77,733
Accumulated amortisation	**(21,648)**	(17,744)
Accumulated impairment losses	**(56,100)**	-
Net book value	**-**	59,989

Impairment losses on goodwill amounting to RM56,100,000 (2003 : Nil) were recognised as the recoverable amounts are lower than their carrying amounts as at balance sheet date. Recoverable amounts of goodwill are determined by estimating the cash flow projections of the respective subsidiaries over a period of between five and ten years and using a discount rate of 4% per annum.

15 Subsidiaries

	Company 2004 RM'000	Company 2003 RM'000
(a) Unquoted shares, at cost	**98,959**	98,944
Allowance for diminution in value	**(98,959)**	(4,956)
	-	93,988

15 Subsidiaries (Cont'd)

(b) The details of the subsidiaries are as follows:

	Name	Country of incorporation	Group's effective equity interest 2004 Direct %	2004 Indirect %	2003 Direct %	2003 Indirect %	Principal activities
¢	Lityan Systems Sdn. Berhad	Malaysia	**100**	**-**	100	-	Selling and provision of maintenance services and rental of computer equipment, peripherals, telecommunication equipment, other office equipment and supplies
α+*	Advanced Business Solutions (M) Sdn. Bhd.	Malaysia	**-**	**100**	-	100	Dealers, software writers, compilers and testers, system developers, trainers and consultants in computers and all services related to IT industry
¢+	Slam Atomised Metal Sdn. Bhd.	Malaysia	**99**	**1**	99	1	Dormant
α*	Digital Transmission Systems Sdn. Bhd.	Malaysia	**51**	**-**	51	-	Selling and provision of maintenance and professional services on data communication and information networking systems
α+*	Integrated Telecommunication Technology Sdn. Bhd.	Malaysia	**90**	**10**	60	10	Marketing of telecommunication equipment and related services
¢	Lityan Management Sdn. Bhd.	Malaysia	**100**	**-**	100	-	Provision of building maintenance and management services
¢	Sistem Komunikasi Gelombang Sdn. Bhd.	Malaysia	**100**	**-**	100	-	Temporarily ceased operations
¢+	Teem Business Solutions Sdn. Bhd.	Malaysia	**-**	**100**	-	100	Developing and marketing of new client-server programming tools and application software
¢+	Konsortium Jaya Sdn. Bhd.	Malaysia	**99**	**1**	99	1	Sale and maintenance of computer and telecommunication equipment, peripherals and related services
¢	Lityan Marketing Sdn. Bhd.	Malaysia	**100**	**-**	100	-	Property investment
¢#	KJ Telecommunications Sdn. Bhd.	Malaysia	**-**	**70**	-	70	Assemblers, manufacturers, distributors of telecommunication equipment and parts

15 Subsidiaries (Cont'd)

(b) The details of the subsidiaries are as follows: (Cont'd)

	Name	Country of incorporation	Group's effective equity interest 2004 Direct %	2004 Indirect %	2003 Direct %	2003 Indirect %	Principal activities
α*	Imagebase Sdn. Bhd.	Malaysia	**100**	**-**	100	-	Property investment
α*	Impianas Sdn. Bhd.	Malaysia	**100**	**-**	100	-	Public mobile data network operator
α*	Imageword (M) Sdn. Bhd.	Malaysia	**100**	**-**	100	-	Dormant
α*	Lityan Foreign Equities Sdn. Bhd.	Malaysia	**100**	**-**	100	-	Dormant
α*	Lityan Overseas Sdn. Bhd.	Malaysia	**100**	**-**	100	-	Investment holding
¢#	KJ Mobidata Sdn. Bhd.	Malaysia	**-**	**100**	-	100	Supply, installation and commission of public mobile data network
¢#	Kirium Solutions Sdn. Bhd.	Malaysia	**-**	**100**	-	100	Carrying on business associated with or in promotion of IT industry
α*	Hi Pro Edar (M) Sdn. Bhd.	Malaysia	**100**	**-**	100	-	Carrying on business associated with or in promotion of IT industry
¢∞	Lityan (L) Incorporated	Malaysia	**-**	**100**	-	100	Investment holding and offshore trading in telecommunication equipment
^¢@	Lityan (Philippines) Inc.	Philippines	**-**	**98**	-	98	Providing support services for the installation, repair, operation and maintenance of pay telephone system equipment, accessories and parts

* Audited by a firm other than member firm of PricewaterhouseCoopers International Litmited
@ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers Malaysia
+ Indirect interest is held through Lityan Systems Sdn. Berhad
# Indirect interest is held through Konsortium Jaya Sdn. Bhd.
∞ Indirect interest is held through Lityan Overseas Sdn. Bhd.
^ Indirect interest is held through Lityan Overseas Sdn. Bhd. and Lityan (L) Incorporated
¢ Subsidiaries with disclaimer of audit opinion on going concern
α Subsidiaries with qualified opinion on going concern

(c) Increase in shareholding in a subsidiary

On 13 April 2004, Integrated Telcommunication Technology Sdn Bhd became a wholly-owned subsidiary of the Group through the acquisition of an additional equity interest of 30% for RM15,000. The net cash outflow of the Group and Company on the acquisition is RM15,000.

16 Associates

	Group 2004 RM'000	Group 2003 RM'000
Unquoted shares, at cost	**98**	98
Group's share of post-acquisition profits	**216**	244
Share of net assets	**314**	342

The Group's share of the assets and liabilities of the associates is as follows:

	Group 2004 RM'000	Group 2003 RM'000
Intangible assets	**-**	32
Current assets	**947**	1,199
Current liabilities	**(633)**	(881)
Non-current liabilities	**-**	(8)
Net assets	**314**	342

The Group's share of the revenue and expenses of the associates is as follows:

	Group 2004 RM'000	Group 2003 RM'000
Revenue	**-**	492
Operating expenses	**(36)**	(459)
Profit/(loss) from ordinary activities before tax	**(36)**	33
Tax credit/(expense)	**8**	(5)
Profit/(loss) from ordinary activities after tax	**(28)**	28

The details of the associates are as follows:

	Name	Country of incorporation	Group's effective equity interest 2004 %	Group's effective equity interest 2003 %	Financial year end	Principal activities
+	Lityan Applications Sdn. Bhd.	Malaysia	**30**	30	31 December	Marketing of computer products, both hardware and software, provision of application development services and all other computer related activities
∞*	Iland-Net Inc.	Philippines	**39**	39	31 December	Dormant
##∞*	ReadySoft Inc.	Philippines	**40**	40	31 December	Dormant

* Audited by a firm other than member firm of PricewaterhouseCoopers International Limited
\+ Indirect interest is held through Lityan Systems Sdn. Berhad
∞ Indirect interest is held through Lityan Overseas Sdn. Bhd.
In the process of deregistration

17 Investment

	Group	
	2004	2003
	RM'000	RM'000
	Current	Non-current
Quoted investment outside Malaysia, at cost	**10,064**	11,819
Allowance for diminution in value	**(2,811)**	(3,100)
	7,253	8,719
Market value of quoted investment outside Malaysia	**7,253**	5,184

18 Inventories

	Group	
	2004	2003
	RM'000	RM'000
Equipment and supplies	**14,253**	10,152
Allowance for slow moving inventories	**(12,105)**	(8,282)
	2,148	1,870
At cost	**-**	189
At net realisable value	**2,148**	1,681
	2,148	1,870
Amount pledged as security for banking facilities (Notes 23, 24 and 32)	**301**	708

19 Receivables, deposits and prepayments

	Note	Group		Company	
		2004	2003	**2004**	2003
		RM'000	RM'000	**RM'000**	RM'000
Trade receivables					
Allowance for doubtful debts		**24,720**	24,603	**-**	-
		(23,176)	(23,097)	**-**	-
	(a)	**1,544**	1,506	**-**	-
Other receivables		**55,621**	56,030	**-**	-
Allowance for doubtful debts		**(54,834)**	(54,844)	**-**	-
	(b)	**787**	1,186	**-**	-
Amounts receivable from staff		**59**	76	**-**	-
		2,390	2,768	**-**	-
Deposits		**480**	487	**-**	-
Prepayments		**729**	1,336	**-**	594
		3,599	4,591	**-**	594

19 Receivables, deposits and prepayments (Cont'd)

	Note	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
The currency exposure profile of receivables and deposits is as follows:					
- Ringgit Malaysia		**1,850**	1,998	**-**	-
- Philippines Peso		**1,020**	1,257	**-**	-
		2,870	3,255	**-**	-

(a) Credit terms of trade receivables range from 30 days to 45 days. (2003 : 30 days to 45 days).

The Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to this factor, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's receivables.

(b) Included in the other receivables of the Group are the amounts of:

(i) RM36,008,000 (2003: RM36,008,000) owing by an overseas corporation of which full allowance for doubtful debts had been made in prior years; and

(ii) RM16,630,000 (2003: RM16,630,000) being consequential debts arising from the amount called-upon from a standby letter of credit issued in support of a credit facility granted to a third party and accrued interest expense. Full allowance for doubtful debts had been made in prior years.

20 Deposits with a licensed bank

Deposits with a licensed bank, denominated in Ringgit Malaysia, have been pledged as securities for banking facilities as mentioned in Note 24.

	Group 2004	Group 2003
Interest rate (per annum)	**2.65%-3.00%**	2.58%-3.20%
Maturity period (days)	**30**	30

21 Amounts due from subsidiaries

	Company 2004 RM'000	Company 2003 RM'000
Amounts due from subsidiaries	**158,591**	161,358
Allowance for doubtful debts	**(140,637)**	(34,637)
	17,954	126,721

Amounts due from subsidiaries, denominated in Ringgit Malaysia, are interest free (2003: interest free), unsecured and have no fixed terms of repayment.

22 Payables

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Trade payables	**11,679**	16,379	**-**	-
Fees payable to Directors	**133**	98	**133**	98
Other payables	**5,143**	4,961	**1,168**	928
Billings in advance	**23**	19	**-**	-
Accrued liabilities	**9,497**	5,888	**362**	338
	26,475	27,345	**1,663**	1,364
The currency exposure profile of payables is as follows:				
- Ringgit Malaysia	**13,974**	14,941	**1,663**	1,364
- US Dollar	**3,320**	4,535	**-**	-
- Philippines Peso	**9,181**	7,869	**-**	-
	26,475	27,345	**1,663**	1,364

Credit terms of trade and other payables granted to the Group vary from no credit to 60 days (2003 : no credit to 60 days).

23 Borrowings (interest bearing)

Borrowings comprise the following:

		Group		Company	
	Note	**2004**	2003	**2004**	2003
		RM'000	RM'000	**RM'000**	RM'000
CURRENT					
Secured					
Term loan I	(a)	**14,000**	14,000	**14,000**	14,000
Term loan II	(b)	**4,150**	2,000	**-**	-
Revolving Al-Bai Bithaman-Ajil	(c)	**51,460**	-	**-**	-
		69,610	16,000	**14,000**	14,000
Unsecured					
Trust receipts and bills payable		**411**	153	**-**	-
Term loans		**624**	915	**460**	915
		1,035	1,068	**460**	915
Total		**70,645**	17,068	**14,460**	14,915
NON-CURRENT					
Secured					
Term loan II		**-**	2,650	**-**	-
Revolving Al-Bai Bithaman-Ajil		**-**	51,460	**-**	-
Total		**-**	54,110	**-**	-
TOTAL		**70,645**	71,178	**14,460**	14,915

23 Borrowings (interest bearing) (Cont'd)

Borrowings comprise the following (Cont'd):

	Note	Group 2004 RM'000	Group 2003 RM'000	Company 2004 RM'000	Company 2003 RM'000
Currency exposure profile:					
- Ringgit Malaysia		**19,185**	19,718	**14,460**	14,915
- US Dollar		**51,460**	51,460	**-**	-
		70,645	71,178	**14,460**	14,915
Repayable due:					
- Not later than 1 year		**70,645**	17,068	**14,460**	14,915
- Later than 1 year and not later than 2 years		**-**	2,000	**-**	-
- Later than 2 years and not later than 5 years		**-**	52,110	**-**	-
		70,645	71,178	**14,460**	14,915

	Group 2004 %	Group 2003 %	Company 2004 %	Company 2003 %
Range of floating interest rates:				
Trust receipts and bills payable	**5.15-8.00**	3.40-5.51	**-**	-
Term loans	**8.00-8.90**	8.90-9.45	**8.50-8.65**	8.50 - 8.90
Range of floating profit rate:				
Revolving Al-Bai Bithaman-Ajil	**3.67-4.70**	3.61-3.89	**-**	-

(a) Term loan I has a bullet repayment which was due and payable on 31 March 2005. The term loan is secured by third party first legal charge over the freehold land and building of a subsidiary of the Group (Note 13). The Company has not obtained an indulgence from its bank to defer the bullet repayment.

(b) Term loan II is secured by:

(i) fixed charge over the freehold land of certain subsidiaries of the Group (Note 13); and

(ii) fixed and floating charge over the assets of certain subsidiaries of the Group (Note 13);

and is guaranteed by the Company.

The bank has initiated legal proceedings against the Company and certain subsidiaries of the Group for a sum of RM4,213,771 as at 30 April 2004 being the outstanding repayment due to the bank plus the interest accrued therein until the date of full settlement. The Company and the subsidiaries have filed in their Statement of Defence to the court on 13 August 2004. The indulgence to withhold the legal action was a condition granted by the bank. However, as the Company and the subsidiaries were unable to fulfill the condition of the indulgence, the bank continued with the legal proceedings by submitting a supporting affidavit on 30 October 2004. A reply affidavit from the subsidiaries and the Company was submitted in January 2005. The hearing for a Summary Judgement was fixed on 24 March 2005 but the case was subsequently dismissed by the court. The Directors, based on the legal opinion received, are of the opinion that the Company has a weak defence on this case.

The Group has initiated the disposal of the freehold land which is secured against the loan to address the borrowing requirements as mentioned in paragraph (ii)(II) of Note 2(a) to the financial statements.

23 Borrowings (interest bearing) (Cont'd)

(c) The Revolving Al-Bai Bithaman-Ajil is secured by:

(i) fixed and floating charge over the assets of certain subsidiaries of the Group (Notes 13 and 18); and

(ii) shares in a subsidiary of the Group;

and is guaranteed by the Company.

As of 31 December 2004, the Group has defaulted the profit repayment of RM3,210,000 in respect of the Revolving Al-Bai Bithaman-Ajil facility. Accordingly, on 20 April 2005, the Group received a Writ of Summons and Statement of Claim dated 30 March 2005 from the bank for the following amounts:

a. the principal sum of USD$ 13,542,083 (approximately RM 51,459,915);

and

b. overdue profit on the sum of USD$ 742,185 (approximately RM 2,820,303).

The carrying amounts of borrowings of the Group and the Company at the balance sheet date approximated their fair values.

24 Bank overdrafts

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Secured	**36,779**	35,044	**11,149**	11,147
Unsecured	**2,604**	2,430	**1,031**	986
Total (Note 29)	**39,383**	37,474	**12,180**	12,133

	Group		Company	
	2004	2003	**2004**	2003
	%	%	**%**	%
Range of floating interest rates	**7.50-9.50**	7.50 – 8.90	**8.00-9.50**	8.00 – 8.90

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Undrawn borrowing facilities				
Bank overdrafts	**-**	4,276	**-**	-

24 Bank overdrafts (Cont'd)

Bank overdrafts, denominated in Ringgit Malaysia, are secured by:

(i) third party first legal charge over the freehold land and building of a subsidiary of the Group (Note 13);

(ii) fixed and floating charge over the assets of a subsidiary of the Group (Notes 13 and 18); and

(iii) deposits with a licensed bank of a subsidiary of the Group (Note 20);

and are guaranteed by the Company and a subsidiary of the Group.

A bank has initiated legal proceedings against the Company and certain subsidiaries of the Group for:

(i) a sum of RM680,344 as at 14 October 2004 with interest at 3.5% per annum above the prevailing base lending rate from 15 October 2004 until the date of full settlement;

(ii) cost including legal costs; and

(iii) any other relief, order or judgements given by the courts.

The Writ of Summons together with the Statement of Claims dated 25 November 2004 were served on the Company and the subsidiaries of the Group. The Statement of Defence dated 24 January 2005 was filed to the High Court. The Company and the subsidiaries are currently waiting for the Summary Judgement to be submitted by third party.

Based on the legal opinion received, the Directors are of the opinion that the Company has a weak defence on this case and have been advised to settle the matter in an amicable manner.

25 Post-employment benefit obligations

	Defined benefit plan RM'000	**Defined contribution plan RM'000**	**Total RM'000**
Group			
At 31 December 2004			
Current	**-**	**676**	**676**
Non-current	**3,594**	**-**	**3,594**
	3,594	**676**	**4,270**
At 31 December 2003			
Current	-	307	307
Non-current	1,220	-	1,220
	1,220	307	1,527

(a) Defined benefit plan

The Group operates an unfunded final salary defined benefit plan for its employees. The scheme is valued by independent qualified actuaries and the last valuation was done on 27 November 2001.

25 Post-employment benefit obligations (Cont'd)

(a) Defined benefit plan (Cont'd)

The movements during the financial year in the amounts recognised in the consolidated balance sheet are as follows:

	Group	
	2004	2003
	RM'000	RM'000
Defined benefit plan		
At 1 January	**1,220**	1,320
Charged to income statement (Note 6)	**2,499**	219
Benefits paid	**(125)**	(319)
At 31 December	**3,594**	1,220

The disclosures as required by MASB 29 have not been presented.

(b) Defined contribution plan

Group companies incorporated in Malaysia contribute to the Employees Provident Fund, the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

26 Hire-purchase payables

	Group	
	2004	2003
	RM'000	RM'000
Minimum payments:		
- not later than 1 year	**72**	213
- later than 1 year and not later than 5 years	**210**	112
	282	325
Less: Future hire-purchase charges	**(58)**	(66)
Present value	**224**	259
Repayable due:		
- within 1 year	**58**	170
- later than 1 year and not later than 5 years	**166**	89
	224	259

27 Deferred tax

	Group	
	2004	2003
	RM'000	RM'000
Subject to income tax		
Deferred tax assets	**6,173**	8,093
At 1 January	**8,093**	8,930
Charged to income statement (Note 10)		
- tax losses	**(1,864)**	(973)
- property, plant and equipment	**-**	328
Currency translation differences	**(56)**	(192)
At 31 December	**6,173**	8,093

27 Deferred tax (Cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority. The amounts are shown as follows:

	Group	
	2004	2003
	RM'000	RM'000
Subject to income tax		
Deferred tax assets (before offsetting)		
Tax losses	**7,106**	9,903
Offsetting	**(933)**	(1,810)
Deferred tax assets (after offsetting)	**6,173**	8,093
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	**933**	1,810
Offsetting	**(933)**	(1,810)
Deferred tax liabilities (after offsetting)	**-**	-

The amount of deductible temporary differences and unused tax losses for which no deferred tax asset is recognised in the balance sheet are as follows:

	Group	
	2004	2003
	RM'000	RM'000
With no expiry date		
Deductible temporary differences	**12,596**	9,154
Tax losses	**59,537**	58,165

	Group	
	2004	2003
	RM'000	RM'000
With expiry date		
Tax losses expiring on:		
- 2004	**-**	13,079
- 2005	**7,141**	7,217
- 2006	**7,445**	6,868
- 2007	**9,617**	-

28 Share capital

	Group and Company			
	2004		2003	
	Number of shares '000	**Nominal value RM'000**	**Number of shares '000**	**Nominal value RM'000**
Authorised ordinary shares of RM1.00 each:				
At 1 January/31 December	**200,000**	200,000	**200,000**	200,000
Issued and fully paid ordinary shares of RM1.00 each:				
At 1 January	**102,806**	102,806	**102,706**	102,706
Issue of shares				
- ESOS	**-**	-	**100**	100
At 31 December	**102,806**	102,806	**102,806**	102,806

28 Share capital (Cont'd)

Employees' Share Option Scheme ("ESOS" or "the Scheme")

The ESOS of the Company which is governed by the original by-laws approved by the shareholders at the EGM held on 23 February 1999 with subsequent amendments approved by the shareholders on 20 June 2000 and 27 June 2003 respectively has expired on 11 October 2004.

29 Cash and cash equivalents

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

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
Deposits with a licensed bank	**2,025**	4,393	**-**	-
Cash and bank balances	**1,568**	2,635	**69**	143
Less: Amount pledged as collateral	**-**	(342)	**-**	-
	3,593	6,686	**69**	143
Bank overdrafts (Note 24)	**(39,383)**	(37,474)	**(12,180)**	(12,133)
	(35,790)	(30,788)	**(12,111)**	(11,990)
The currency exposure profile of cash and bank balances is as follows:				
- Ringgit Malaysia	**3,029**	6,072	**69**	143
- US Dollar	**4**	3	**-**	-
- Philippines Peso	**560**	611	**-**	-
	3,593	6,686	**69**	143

The principal non-cash transaction during the financial year is the acquisition of property, plant and equipment by the Group of which RM69,000 (2003:RM31,000) (Note 13(g)) is by means of hire-purchase arrangements.

30 Segmental reporting

(a) Primary reporting format - business segments

Group	Telecommunication equipment and services RM'000	Information technology RM'000	Others RM'000	Total RM'000
Financial year ended 31 December 2004				
Revenue				
Total revenue	**15,041**	**18,877**	**3,639**	**37,557**
Inter-segment revenue	**(2,082)**	**(1,880)**	**(3,422)**	**(7,384)**
External revenue	**12,959**	**16,997**	**217**	**30,173**
Results				
Segment results	**(57,059)**	**(37,759)**	**(5,075)**	**(99,893)**
Finance cost				**(6,936)**
Share of results of associates				**(36)**
Loss from ordinary activities before tax				**(106,865)**
Tax expense				**(1,923)**
Loss from ordinary activities after tax				**(108,788)**
Minority interest				**157**
Net loss for the financial year				**(108,631)**
Financial year ended 31 December 2003				
Revenue				
Total revenue	18,141	53,117	5,098	76,356
Inter-segment revenue	(5,925)	(3,789)	(4,942)	(14,656)
External revenue	12,216	49,328	156	61,700
Results				
Segment results	(15,286)	4,661	(2,348)	(12,973)
Finance cost				(7,033)
Share of results of associates				33
Loss from ordinary activities before tax				(19,973)
Tax expense				(652)
Loss from ordinary activities after tax				(20,625)
Minority interest				(1)
Net loss for the financial year				(20,626)

30 Segmental reporting (Cont'd)

	Telecommunication equipment and services RM'000	Information technology RM'000	Others RM'000	Total RM'000
Group				
At 31 December 2004				
Other information				
Segment assets	**51,122**	**11,346**	**37,529**	**99,997**
Associates				**314**
Unallocated assets				**9,365**
Total assets				**109,676**
Segment liabilities	**(13,860)**	**(12,462)**	**(4,423)**	**(30,745)**
Unallocated liabilities				**(110,964)**
Total liabilities				**(141,709)**
Capital expenditure	**832**	**61**	**-**	**893**
Depreciation and amortisation	**10,504**	**2,414**	**956**	**13,874**
Allowances and write-offs	**3,905**	**414**	**172**	**4,491**
Impairment losses	**40,086**	**36,969**	**1,776**	**78,831**
At 31 December 2003				
Other information				
Segment assets	106,833	55,858	40,929	203,620
Associates				342
Unallocated assets				10,926
Total assets				214,888
Segment liabilities	(14,980)	(10,413)	(3,496)	(28,889)
Unallocated liabilities				(109,606)
Total liabilities				(138,495)
Capital expenditure	3,874	139	1	4,014
Depreciation and amortisation	7,854	2,449	1,074	11,377
Allowances and write-offs	1,127	114	249	1,490

The Group is organised on a worldwide basis into two main business segments:

(a) Telecommunication equipment and services; and
(b) Information technology

Other operations of the Group mainly comprise investment holding, property investment and provision of building maintenance services, neither which are of a sufficient size to be reported separately.

Inter-segment revenue comprise sale of payphone equipment to telecommunication equipment and services segment, rendering of engineering services to information technology segment and rendering of building maintenance services to telecommunication equipment and services and information technology segments on an arm's length basis.

Segment assets consist primarily of property, plant and equipment, goodwill on consolidation, inventories, receivables and operating cash, and exclude investments and tax recoverable which are included in unallocated assets. Segment liabilities comprise operating liabilities and exclude items such as tax, borrowings and hire-purchase payables.

Capital expenditure comprise additions to property, plant and equipment (Note 13) and goodwill on consolidation (Note 14).

30 Segmental reporting (Cont'd)

(b) Secondary reporting format - geographical segments

	Revenue		Total assets		Capital expenditure	
	2004	2003	**2004**	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Malaysia	**18,278**	49,983	**68,644**	127,981	**240**	176
Philippines	**11,895**	11,717	**40,718**	86,565	**653**	3,838
	30,173	61,700	**109,362**	214,546	**893**	4,014
Associates			**314**	342		
Total assets			**109,676**	214,888		

Although the Group's business segments are managed on a worldwide basis, they operate in two main geographical areas:

(a) Malaysia* - information technology and telecommunication and equipment services

(b) Philippines - telecommunication and equipment services

* Company's home country

31 Commitments

(a) Non-cancellable operating lease commitment

The Group has entered into a non-cancellable operating lease agreement for equipment. Commitments for future minimum lease payments are as follows:

	Group	
	2004	2003
	RM'000	RM'000
Future minimum lease payments		
Payable:		
- within 1 year	**127**	335

(b) Other commitments

The Company will provide continuing financial support to the following subsidiaries so as to enable them to meet their liabilities and financial obligations as and when they fall due:

(i) Advanced Business Solutions (M) Sdn. Bhd.
(ii) Slam Atomised Metal Sdn. Bhd.
(iii) Integrated Telecommunication Technology Sdn. Bhd.
(iv) Lityan Management Sdn. Bhd.
(v) Sistem Komunikasi Gelombang Sdn. Bhd.
(vi) Teem Business Solutions Sdn. Bhd.
(vii) Lityan Marketing Sdn. Bhd.
(viii) KJ Telecommunications Sdn. Bhd.
(ix) Imagebase Sdn. Bhd.
(x) Impianas Sdn. Bhd.

31 Commitments (Cont'd)

(b) Other commitments (Cont'd)

The Company will provide continuing financial support to the following subsidiaries so as to enable them to meet their liabilities and financial obligations as and when they fall due: (Cont'd)

(xi) Imageword (M) Sdn. Bhd.
(xii) Lityan Foreign Equities Sdn. Bhd.
(xiii) Lityan Overseas Sdn. Bhd.
(xiv) KJ Mobidata Sdn. Bhd.
(xv) Kirium Solutions Sdn. Bhd.
(xvi) Hi Pro Edar (M) Sdn. Bhd.
(xvii) Lityan (L) Incorporated
(xviii) Lityan (Philippines) Inc.

(c) Additional investment in a subsidiary, Digital Transmission Services Sdn Bhd

The Company has an obligation of RM 1,180,000 payable to the minority shareholders of a subsidiary for the acquisition of an additional 14% equity interest in Digital Transmission Systems Sdn Bhd. The shares will be transferred to the Company upon full settlement of the purchase consideration.

32 Contingent liabilities

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
(a) Bank guarantees issued to trade customers	**4,099**	3,880	**68**	676

The bank guarantees are secured by:

(i) fixed charge over the freehold land and building of a subsidiary of the Group (Note 13);

(ii) fixed and floating charge over the assets of a subsidiary of the Group (Notes 13 and 18); and

(iii) bank balance of a subsidiary of the Group (Note 29);

and are guaranteed by the Company and a subsidiary of the Group.

	Group		Company	
	2004	2003	**2004**	2003
	RM'000	RM'000	**RM'000**	RM'000
(b) Corporate guarantees issued to secure banking facilities for subsidiaries denominated in:				
- Ringgit Malaysia	**-**	-	**60,103**	65,840
- US Dollar	**-**	-	**54,777**	57,000
	-	-	**114,880**	122,840

32 Contingent liabilities (Cont'd)

(c) A third party initiated legal action claiming damages amounting to RM23,074,000 or alternatively USD2,000,000 (approximately RM7,600,000) against the Company arising from an alleged breach of condition precedent contained in a Subscription and Shareholders Agreement. The Company's application to strike out the case was heard on 25 February 2003 and 3 April 2003. However, the judge had given his decision disallowing the application. The Company appealed against the decision and the appeal was heard on 16 August 2004 together with the pre-trial case management. During the said hearing, the Company's appeal was dismissed by the judge as the judge found that there were several issues of fact which needed to be resolved at trial and the matter was fixed for pre-trial case management on 4 April 2005. However, the third party's solicitors did not turn up for the court and the case is now postponed to 20 October 2005 for pre-trial case management. The parties are currently negotiating for an amicable settlement.

The Directors, based on the legal opinion received, are of the view that the Company has a reasonably good defence on the claims and that no material losses are expected to arise.

(d) A third party has initiated legal action against a subsidiary claiming for compensation of RM1,354,768 arising from an early termination of a consultancy contract. A letter of demand was issued on 23 December 2003 to the subsidiary, followed by a notice pursuant to Section 218(2)(a) of the Companies Act , 1965 dated 31 December 2003 but the notice was void through irregular service. Both parties have reached a consensus to refer the case for arbitration and have executed the arbitration agreement on 23 July 2004. Under the agreement, the parties agree that each party's claim is limited to a maximum of RM1,000,000 only. The parties shall bear equally the arbitration cost and each party shall bear their own legal cost in connection with the arbitration. The plaintif then decided to terminate the Arbitration Agreement on 27 September 2004 and proceed with a civil suit. On 16 December 2004, the subsidiary was served a writ of summon and statement of claim, both dated 13 October 2004. The affidavit was submitted in January 2005. During the hearing on 16 March 2005, the court has fixed 12 April 2005 to hear the subsidiary's application for stay of proceedings pending the matter being referred to an arbitrator. The case has now been set for mention on 12 May 2005 and 15 July 2005 respectively.

The Directors, based on legal opinion, are of the view that the Company has a reasonable defence on the claims and that no material losses are expected to arise.

(e) A third party has initiated legal proceedings against a subsidiary and an associate for alleged claims on 2 contracts with sums of RM253,423 and RM550,000 respectively. The company has filed a Statement of Defense to the Court on 21 March 2005. No date has been fixed for mention by the Court.

The Directors, based on the legal opinion received, are of the view that the Company has a reasonably good defence on the claim of RM550,000 and the claim against the associate is likely to fail.

(f) A third party has initiated legal proceedings against a subsidiary for the claim of RM115,000 and interest being delivery of software and services rendered. The Court has fixed 28 June 2005 for mention.

The Directors, based on the legal opinion received, are of the view that the Company has good defence on the claim.

33 Fair values

The carrying amounts of financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values except as set out below:

	Note	Group Carrying amount RM'000	Fair value RM'000
At 31 December 2004			
Hire-purchase payables	26	**224**	**207**
At 31 December 2003			
Non-current investment (quoted)	17	8,719	5,184
Hire-purchase payables	26	259	242

The method by which fair value information was determined and any significant assumptions made in its application are as follows:

- quoted investment - quoted market prices at balance sheet date.
- bank overdrafts, cash equivalents, receivables and payables with a maturity period of less than one year (all of which were subject to normal credit terms) and have floating rate terms- carrying value at balance sheet date.
- financial guarantees given to third parties - quotation from bankers in respect of the amount required to settle the contingent obligations at the balance sheet date.

34 Significant post balance sheet event

Lityan Marketing Sdn Bhd and Imagebase Sdn Bhd, both wholly owned subsidiaries of the Group, on 26 April 2005 had entered into a conditional sales and purchase agreement with a third party for disposal of twenty two pieces of freehold land in total measuring approximately 193.686 acres.

The disposal is subject to the approvals of the shareholders of the Company at an EGM to be held at a later date and any other relevant authorities and/or parties.

35 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 April 2005.

Statement by Directors

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

We, Rahmat bin Harun and Lim Teik Ee, two of the Directors of Lityan Holdings Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 27 to 69 are drawn up so as to exhibit a true and fair view of the state of affairs of the Group and the Company as at 31 December 2004 and of the results and the cash flows of the Group and the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, 1965 and MASB approved accounting standards in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 29 April 2005.

Rahmat bin Harun
Director

Lim Teik Ee
Director

Statutory Declaration

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

I, Lim Teik Ee, the Executive Director primarily responsible for the financial management of Lityan Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 27 to 69 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Lim Teik Ee
Executive Director

Subscribed and solemnly declared by the abovenamed Lim Teik Ee at Kuala Lumpur on
29 April 2005, before me.

Mohd Radzi Bin Yasin (No W327)
Commissioner for Oaths

1 We were engaged to audit the financial statements set out on pages 27 to 69. These financial statements are the responsibility of the Company's Directors.

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

3 As stated in paragraph (i) in Note 2(a) to the financial statements, the Group and the Company incurred a net loss of RM108,631,000 and RM203,314,000 respectively during the financial year ended 31 December 2004. As of that date, the shareholders' equity of the Group and the Company were in deficit of RM35,894,000 and RM9,264,000 respectively, and the current liabilities of the Group and the Company exceeded their current assets by RM105,760,000 and RM9,264,000 respectively. As of 31 December 2004, the Group and the Company have been experiencing difficulties in settling their obligations as they fall due and have also defaulted on the repayment of certain bank borrowings as stated in Notes 23 and 24 to the financial statements.

4 As stated in paragraph (iv) in Note 2(a) to the financial statements, there are multiple uncertainties that may affect the ability of the Group and the Company to obtain continued financial support from the lenders in the form of borrowing facilities, to generate sufficient cash inflows to sustain their operations, and to obtain the approvals of the shareholders and relevant authorities for the implementation of proposals (I) and (II) as described in Note 2(a)(ii) to the financial statements.

5 We have not been provided with the explanations we needed regarding management's consideration of projections of cash flows and the financial position, and we are unable to satisfy ourselves by other means that it is appropriate to prepare the financial statements on the going concern basis.

6 In view of the matters set out in paragraphs 3 to 5 above, there is substantial doubt on the appropriateness of preparing the financial statements of the Group and the Company on the going concern basis. If the Group and the Company are not able to continue as going concerns, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify the non-current assets and non-current liabilities as current assets and current liabilities respectively.

7 As stated in Notes 23 and 24 to the financial statements, the subsidiaries have defaulted on certain bank borrowings as at 31 December 2004 for which the Company has provided the corporate guarantees, as described in Note 32(b). Management has not been able to quantify reliably the net exposure of the Company to these corporate guarantees as a result of the default. Accordingly, the Company has not provided for the liabilities arising from these corporate guarantees.

8 As stated in Note 25(a) to the financial statements, the valuation of the Group's defined benefit obligation and the related disclosures are not prepared in accordance with MASB 29 "Employee Benefits". Accordingly, the present value of the defined benefit obligations as at 31 December 2004 of RM3,594,000 and the related disclosures as of that date cannot presently be ascertained.

9 In view of the significance of the matters referred to in the preceding paragraphs, we do not express an opinion as to whether:

(a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB 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; and

(ii) the state of affairs of the Group and the Company as at 31 December 2004 and of the results and cash flows of the Group and the Company for the financial year ended on that date.

10 In our opinion, the accounting and other records required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

11 The names of the subsidiaries of which we have not acted as auditors are indicated in Note 15(b) to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

12 Except for the matters stated in paragraphs 3 to 8 above, we are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

13 As stated in Note 15(b) to the financial statements, the auditors' reports on the financial statements of the subsidiaries were subject to qualification and included comments made under subsection (3) of Section 174 of the Act.

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Jayarajan A/L U. Rathinasamy
(No. 2059/06/06 (J))
Partner of the firm

Kuala Lumpur
29 April 2005

List of Properties

as at 31 December 2004

Location	Description & area (acres)	Existing use	Tenure & expiry date	Age of building	Net book value (RM'000)	Date of acquisition
MELAKA						
Lots 253, 534-536 Geran Nos. 10954 10963-10965 Mukim of Rembia Daerah Alor Gajah	Agricultural land (104.3 acres)	Vacant, for future development	Freehold	N/A	3,799	19/6/96
Lots 755-776 Mukim of Krubong District of Melaka Tengah	Agricultural land (193.8 acres)	Vacant, for future development	Freehold	N/A	9,685	19/6/96
SELANGOR						
H.S. (D) 86913 PT No. 100 Mukim Damansara Daerah Petaling	6 storey office complex (7.24 acres)	Office (5,972 sq.m.)	Freehold (title not issued yet)	7 years	22,946	30/1/97
PHILIPPINES						
Unit No. 937 Cityland Pioneer Condominium Pioneer St. Mandaluyong City	Residential condominium (0.0228 acres)	Residential	Freehold	6 years	140	10/9/98

Analysis of Shareholdings

as at 3 May 2005

Authorised Share Capital	:	RM500,000,000
Issued & Paid-up Capital	:	RM102,805,882
Class of Shares	:	Ordinary Shares of RM1/- each
Voting Rights		
On show of hands	:	1 vote
On a poll	:	1 vote for each share held

Distribution of Shareholdings

Range of Shareholdings	Number of Shareholders	Percentage of Shareholders (%)	Number of Shares	Percentage of Issued Capital (%)
Less than 100	6	0.05	202	Negligible
100 to 1,000	4,109	35.44	4,067,244	3.96
1,001 to 10,000	6,354	54.80	26,127,300	25.41
10,001 to 100,000	1,064	9.18	27,662,700	26.91
100,001 to 5,140,293 (less than 5% of the issued shares)	59	0.51	12,409,700	12.07
5,140,294 (5% of issued shares and above)	3	0.02	32,538,736	31.65
	11,595	**100**	**102,805,882**	**100**

Thirty Largest Securities Account Holders

		Number of Shares	Percentage of Issued Capital (%)
1	Lembaga Tabung Haji	19,171,836	18.65
2	Employees Provident Fund Board	6,866,900	6.68
3	RC Nominees (Tempatan) Sdn Bhd - *Rahmat Bin Harun*	6,500,000	6.32
4	Al-Wakalah Nominees (Tempatan) Sdn Bhd *- Pledged securities account for Rahmat Bin Harun*	2,150,000	2.09
5	Choo Shiow Charn	531,000	0.52
6	HDM Nominees (Tempatan) Sdn Bhd *- Pledged securities account for Tham Kok Sing*	500,000	0.49
7	Leow Fong Kam	500,000	0.49
8	BIMSEC Nominees (Tempatan) Sdn Bhd *- Bank Islam Malaysia Berhad*	309,700	0.30
9	Chan Foong Cheng	300,000	0.29
10	Leong Poh Hoong	260,000	0.25
11	Senawang Land Sdn Bhd	250,000	0.24
12	Tan Gek Toh	250,000	0.24
13	Mayban Securities Nominees (Asing) Sdn Bhd *- OCBC Securities Private Limited For Hoo Len Yuh*	230,000	0.22
14	Eng Nominees (Asing) Sdn Bhd *- Kim Eng Securities Pte Ltd For Cheah Thye Hong*	200,000	0.19
15	Eng Nominees (Tempatan) Sdn Bhd *- Pledged securities account for Tee Jin Gee Enterprise Sdn Bhd*	200,000	0.19
16	Yap In Cheong	200,000	0.19
17	Lim Kim Hua	190,000	0.18
18	Samsuddin Bin Husain	190,000	0.18
19	Yen Pick Har	181,900	0.18
20	Liew Wai Kiat	181,000	0.18
21	Rudy Ng Chong Jin	179,000	0.17
22	Cheng Lee Wah	177,000	0.17
23	Lye Yew Loon	172,500	0.17
24	Mayban Nominees (Tempatan) Sdn Bhd *- Pledged securities account for Chua Hian Hock*	170,300	0.17

Thirty Largest Securities Account Holders (Cont'd)

		Number of Shares	Percentage of Issued Capital (%)
25	Chiew Poh Chin	170,000	0.17
26	HLG Nominee (Tempatan) Sdn Bhd *- Pledged securities account for Leong Poh Hoong*	170,000	0.17
27	Lim Chee Wah	170,000	0.17
28	M.Solehan B. Ahmad	170,000	0.17
29	Chen Ming Jen	161,700	0.16
30	Tan Kuan Lee	160,000	0.16
		40,862,836	**39.75**

Substantial Shareholders
as per Register of Substancial Shareholders

		Direct Shareholdings	Percentage of Issued Capital (%)	Indirect Shareholdings	Percentage of Issued Capital (%)
Lembaga Tabung Haji		9,171,836	18.65	-	-
Employees Provident Fund Board		6,866,900	6.68	-	-
Rahmat bin Harun		8,650,000	8.41	75	Negligible
- RC Nominees (Tempatan) Sdn Bhd	6,500,000				
- Al Wakalah Nominees (Tempatan) Sdn Bhd	2,150,000				
- Deemed interest by virtue of Section 6A of the Companies Act 1965	75				

Directors' direct and indirect interest in Lityan Holdings Berhad ("the Company") and its related corporations

Other than as disclosed below, there is no other Director of the Company who has direct or indirect interest in the Company and its related corporations.

	Number of Shares Held	Percentage of Issued Capital (%)
<u>Shares in the Company</u>		
Direct Interest:		
- Rahmat Bin Harun	8,650,000	8.41
- Lim Teik Ee	1,000	Negligible
Deemed Interest by virtue of Section 6A of the Companies Act 1965:		
Rahmat Bin Harun	75	Negligible
<u>Shares in Related Corporation of the Company – Digital Transmission Systems Sdn Bhd</u>		
Direct Interest:		
- Rahmat Bin Harun	5,000	5

<u>Indirect Interest</u>

Encik Rahmat Bin Harun and Mr. Lim Teik Ee by virtue of their interests in the Company, are also deemed interested in shares in subsidiaries of the Company to the extent that the Company has an interest.

1. Utilisation of proceeds

Lityan Holdings Berhad ("LHB" or "Company") did not implement any corporate proposal during the financial year ended 31 December 2004.

2. Share buybacks

There were no share buybacks during the financial year.

3. Options, warrants and convertible securities

The Company did not issue any warrants and convertible securities during the financial year. There were no ESOS options exercised during the financial year.

4. American Depository Receipt ("ADR")/ Global Depository Receipt ("GDR")

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

5. Sanctions and/ or penalties

There were no sanctions and/or penalties imposed on the Company, its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

6. Non-audit fees

The Company has paid RM10,000 of non-audit fees to the external auditors during the financial year.

7. Variance in results

There is a deviation of RM66,473,000 representing approximately 158% between the loss after tax and minority interest of RM42,158,000 as stated in the unaudited results for the fourth quarter ended 31 December 2004 announced on 28 February 2005 and the loss after tax and minority interest of RM108,631,000 as stated in the audited financial statements for the year ended 31 December 2004 of the LHB Group.

The reconciliation of the deviation is set out below:-

	RM'000	RM'000
Loss after tax and minority interest as stated in the unaudited results for the fourth quarter ended 31 December 2004		(42,158)
Add:		
Foreign exchange gain	51	
Adjustment for overprovision of allowance for diminution on investment	1,909	
Overprovision for taxation in subsidiary	205	
Share of results of associates	25	
Overprovision of minority interest share of losses	157	
		2,347
Less:		
Additional allowances for slow moving inventories	(3,363)	
Additional allowances for impairment losses of property, plant and equipment	(16,831)	
Additional allowances for impairment losses of goodwill	(46,883)	
Allowances for doubtful debts	(184)	
Reversal of deferred taxation	(643)	
Late adjustments on operating expenses for overseas operations	(916)	
		(68,820)
Loss after tax and minority interest as stated in the audited financial statements for the year ended 31 December 2004		(108,631)

8. Profit guarantee

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

9. Material contracts

Save as disclosed below, there is no other director and major shareholder of the Company who has any material contract with the Company and/ or its subsidiaries during the financial year.

Rahmat bin Harun ("RH"), the Group Managing Director & Chief Executive Officer and a major shareholder of LHB, has entered into an Indemnity Agreement dated 25 February 2004 with LHB, whereby LHB shall indemnify RH and keep RH fully indemnified against the total amount claimed by United Overseas Bank (Malaysia) Berhad ("UOB") up to RM28,500,000 plus interest, together with the cost and expenses incurred by RH in the course of defending the claim by UOB pursuant to the personal guarantee dated 27 November 2002 given by RH to UOB for the sum of RM28,500,000 in consideration of the credit facilities which UOB has given to LHB.

10. Revaluation policy

The Company did not carry out any revaluation on landed properties during the financial year.

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Form of Proxy

LITYAN
HOLDINGS BERHAD
(260002-W)

I/We ____

of ____

being a member/ members of **LITYAN HOLDINGS BERHAD**

hereby appoint ____

of ____

or failing him/ her, the Chairman of the Meeting, as my /our proxy to vote for me/ us on my/ our behalf at the TWELFTH ANNUAL GENERAL MEETING of LITYAN HOLDINGS BERHAD to be held at The Greens II Room, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 28 June 2005 at 10.00 a.m. and at any adjournment thereof, in the manner indicated below:-

No.	Resolutions	For	Against
1.	To receive the audited financial statements together with the reports of the Directors and Auditors for the year ended 31 December 2004.		
2.	To re-elect the retiring Director, Dato' Syed Sidi Idid Bin Syed Abdullah Idid.		
3.	To re-elect the retiring Director, Mr. Wong Wing Kui @ Wong Weng Kwai.		
4.	To approve the Directors' fees for the year ended 31 December 2004.		
5.	To appoint Messrs Wong Weng Foo & Co. as Auditors of the Company in place of the retiring Auditors, Messrs PricewaterhouseCoopers and to authorise the Directors to fix their remuneration.		
6.	To pass the ordinary resolution giving authority to the Directors to allot shares under Section 132D.		

Please indicate with "X" how you wish your vote to be cast. In the absence of specific instruction, your proxy will vote or abstain as he/ she thinks fit.

No. of Shares Held	

Signed (and sealed) this _____ day of _______________, 2005

____
Signature (s)

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and vote in his stead and such a proxy need not be a member of the Company. Where a member appoints more than one proxy, the appointment shall be invalid he specifies the proportions of his holdings to be represented by each proxy.
2. The Form of Proxy shall be under the hand of the appointor or of his attorney duly authorised in writing. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or its duly authorised attorney.
3. The instrument appointing a proxy must be deposited with the Share Registrars, Tenaga Koperat Sdn Bhd, 20th Floor, Plaza Permata, Jalan Kampar, Off Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia not less than forty- eight (48) hours before the time set for holding the meeting or adjourned meeting.

STAMP

TENAGA KOPERAT SDN BHD
20TH FLOOR, PLAZA PERMATA
JALAN KAMPAR, OFF JALAN TUN RAZAK
50400 KUALA LUMPUR