



Annual Report 2005

CHOO BEE METAL INDUSTRIES BERHAD

Contents

Notice of Annual General Meeting	2
Statement Accompanying Notice of 2006 Annual General Meeting	5
Chairman's Statement	7
Corporate Information	11
Profile of Directors	12
Corporate Governance Statement	15
Additional Compliance Information	20
Audit Committee Report	21
Statement on Internal Control	24
Financial Statements	
Directors' Report	26
Report of the Auditors	32
Income Statements	33
Balance Sheets	34
Statements of Changes in Equity	35
Cash Flow Statements	37
Notes to the Financial Statements	41
Statement by Directors	70
Declaration by the Officer	70
List of Group's Properties	71
Statement of Shareholdings	74
Proxy Form	79

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2006 Annual General Meeting of the Company will be held at Heritage Hotel, Jalan Raja DiHilir, 30350 Ipoh, Perak Darul Ridzuan, Malaysia on Friday, 23 June 2006 at 11.30 a.m.

A G E N D A

1. To receive the Audited Financial Statements for the year ended 31 December 2005, together with the Directors' and Auditors' Reports thereon.
2. To sanction the declaration of a final dividend of 6% less 28% income tax.
3. To approve payment of increased Directors' fee of RM196,000.
4. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:-

Soon Ah Khun @ Soon Lian Huat
Soon Cheng Hai
Soon Cheng Boon
5. To appoint Auditors and authorise the Directors to fix their remuneration.
6. To transact any other business appropriate to an Annual General Meeting.
7. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following resolutions:-

ORDINARY RESOLUTION NO. 1 –

AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

"That, subject to the Companies Act, 1965 and the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad, the Securities Commission and other relevant governmental or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the capital of the Company from time to time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

ORDINARY RESOLUTION NO. 2 –

AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO THE EMPLOYEES' SHARE OPTION SCHEME

"That, subject to the Companies Act, 1965 and the Articles of Association of the Company, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue such number of new ordinary shares of RM1.00 each in the capital of the Company as may be required to be issued pursuant to the exercise of options under the Employees' Share Option Scheme which was approved by an Ordinary Resolution passed at the Extraordinary General Meeting of the Company on 23 August 2001."

ORDINARY RESOLUTION NO. 3 –

PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY

"That, subject to compliance with all applicable laws, regulations and guidelines, authority be and is hereby given to the Directors of the Company to purchase (Proposed Share Buy Back) ordinary shares of RM1.00 each in the Company up to the limit of 8,000,000 shares inclusive of those shares already purchased and retained in treasury, which as at 5 May 2006 amounted to 3,575,600 shares, through Bursa Malaysia Securities Berhad, representing 7.41% of the Company's total issued and paid-up share capital as at 5 May 2006 of 107,983,000 shares of RM1.00 each;

Notice of Annual General Meeting (cont'd)

That an amount of RM15,000,000 be allocated for the Proposed Share Buy Back out of the total of the audited retained profits and share premium account as at 31 December 2005, so that the total consideration of shares purchased and held as treasury shares or cancelled at any time do not exceed RM15,000,000. The retained profits and share premium account of the Company based on the audited financial statements for the year ended 31 December 2005 and unaudited management accounts for the period ended 31 March 2006 are as follows:

	As at 31 December 2005	As at 31 March 2006
Retained profits	RM98,160,704	RM97,813,598
Share premium	RM23,585,045	RM23,634,545

That the Directors may resolve to immediately cancel the shares so purchased, and/or retain them as treasury shares and/or re-sell and/or cancel them and that an announcement will be made to Bursa Malaysia Securities Berhad on the Directors' intention for the proposed treatment of shares bought back and the rationale of the alternatives chosen and if available, information as to the percentage or number of shares purchased which are to be retained and/or cancelled;

That the Directors be and are hereby empowered to take all such steps as are necessary to give full effect to the Proposed Share Buy Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities AND THAT such authority shall commence upon the passing of this Ordinary Resolution and shall expire at the conclusion of the next Annual General Meeting of the Company unless renewed by ordinary resolution passed at that meeting; or at the expiration of the period within which the next annual general meeting is required by law to be held; or earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, whichever occurs first.

ORDINARY RESOLUTION NO. 4 - PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE ON RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AND IN THE NATURE OF PROVISION OF FINANCIAL ASSISTANCE

"That, subject always to the Listing Requirements of Bursa Malaysia, the Company and/or its subsidiaries shall be mandated to enter into the category of Recurrent Related Party Transactions of a Revenue or Trading Nature and in the Nature of Provision of Financial Assistance as specified in Part B Section 3 of the Circular dated 31 May 2006 subject further to the following:-

- (i) the transactions are in the ordinary course of business and are on terms which are not more favourable to the Related Parties than those generally available to the public or in the case of Financial Assistance provided not more favourable than terms generally available from commercial banks in the financial market and are not to the detriment of the minority shareholders of the Company; and
- (ii) the Proposed Shareholders' Mandate shall apply in respect of the Recurrent Related Party Transactions to be entered into from 23 June 2006 to the next Annual General Meeting of the Company. The Proposed Shareholders' Mandate shall only continue to be in force until:
 - the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting the authority is renewed; or
 - the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965; or
 - revoked or varied by a resolution passed by the shareholders in general meeting before the next Annual General Meeting;

whichever is earlier.

Thereafter, approval from shareholders for a renewal of the recurrent related party transactions mandate will be sought at each subsequent Annual General Meeting of the Company; and

Notice of Annual General Meeting (cont'd)

- (iii) disclosure is made in the annual report of the breakdown of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year and in the annual reports for the subsequent financial year during which the Proposed Shareholders' Mandate is in force based on the type of recurrent transactions made and the names of the related parties involved in each type of the recurrent transactions made and their relationship with the listed issuer, provided that such transactions are made on normal commercial terms not more favourable to the related parties than those generally available to the public or in the case of Financial Assistance provided not more favourable than terms generally available from commercial banks in the financial market and are not to the detriment of the minority shareholders of the Company on an arm's length basis; and
- (iv) the Directors and/or any of them be and are hereby authorised to complete and do such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

By Order of the Board

CHAN YOKE YIN
WOO YING PUN
Company Secretaries

Ipoh, Perak Darul Ridzuan, Malaysia
31 May 2006

NOTE:- *A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company, No. 35 Jalan Hussein, 30250 Ipoh, Perak Darul Ridzuan, Malaysia not less than 48 hours before the time appointed for holding the Meeting.*

EXPLANATORY NOTES TO THE SPECIAL BUSINESS:

1) ORDINARY RESOLUTION NO. 1

Pursuant to Section 132D of the Companies Act, 1965, the Directors of the Company may, subject to the approval of the Shareholders of the Company, exercise any power to allot and issue shares in general from time to time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit and that such authority shall continue in force until the conclusion of the next Annual General Meeting. As such, the Directors seek the Shareholders' approval to allot and issue shares in general.

2) ORDINARY RESOLUTION NO. 2

On 23 August 2001, the Shareholders of the Company had approved the Employees' Share Option Scheme ("ESOS"). According to Section 132D of the Companies Act, 1965, the approval given by the Shareholders to the Directors of the Company to allot and issue shares pursuant to the ESOS expires at the forthcoming 2006 Annual General Meeting. As such, the Directors seek the Shareholders' renewed approval to allot and issue the shares for the ESOS.

3) ORDINARY RESOLUTION NO. 3

Further information on the above Ordinary Resolution is set out in the Circular to Shareholders of the Company, which is sent out together with the Company's 2005 Annual Report.

4) ORDINARY RESOLUTION NO. 4

Further information on the above Ordinary Resolution is set out in the Circular to Shareholders of the Company, which is sent out together with the Company's 2005 Annual Report.

Statement Accompanying Notice of the 2006 Annual General Meeting of Choo Bee Metal Industries Berhad

Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad

1. 2006 Annual General Meeting of Choo Bee Metal Industries Berhad:

Place : Heritage Hotel, Jalan Raja DiHilir, 30350 Ipoh, Perak Darul Ridzuan, Malaysia
Date : Friday, 23 June 2006
Time : 11.30 a.m.

2. Name of individuals who are standing for re-election and their shareholdings in the Company and its subsidiary companies are as follows:

Ordinary shares of RM1.00 each			
Name of Directors	Shareholdings in the Company as at 5 May, 2006		Options over Ordinary Shares of RM1.00 each at a price of RM1.20 each as at 5 May, 2006
	Direct	Deemed	Options
Soon Ah Khun @ Soon Lian Huat	310,600	54,423,000	120,000
Soon Cheng Hai	404,000	-	300,000
Soon Cheng Boon	398,000	-	300,000

By virtue of his interest in the Company and in the holding company, Soon Ah Khun @ Soon Lian Huat is deemed to have an interest in the shares of all the subsidiary companies to the extent that the Company and the holding company have interests.

Other than as disclosed above, none of the other directors above have any direct or deemed interest in the shares of the Company or its related companies.

Details of the above Directors are set out in the Profile of Directors of this Annual Report.

3. Details of attendance of Directors at Board Meetings:

Four Board Meetings were held during the financial year from 1 January 2005 till 31 December 2005:

25 February 2005
27 May 2005
18 August 2005
22 November 2005

Details of attendance of Directors at the Board Meetings are as follows:

Name of Directors	Number of Meetings Attended
Soon Ah Khun @ Soon Lian Huat	3 / 4
Soon Cheng Hai	4 / 4
Soon Cheng Boon	4 / 4
Leong Keng Yuen	4 / 4
Dato' Robert Lim Git Hooi	3 / 4
Datin Shahrizan binti Abdullah	4 / 4
Khoo Choon Yam	4 / 4
Soon Hean Hooi	4 / 4
Lee Sieng Tzi @ Vincent Lee	3 / 4



Aerial view of the plant in Pengkalan, Ipoh.

Chairman's Statement (cont'd)



On behalf of the Board of Directors of Choo Bee Metal Industries Berhad, I am pleased to present the Annual Report 2005 and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2005.

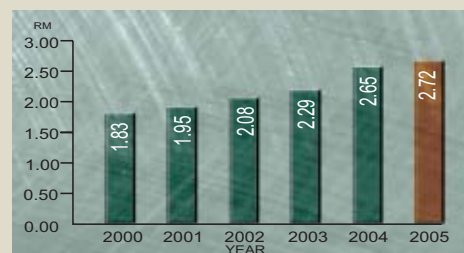
Financial Review

I am pleased to inform shareholders that despite slow economic conditions, lower steel prices and demand in 2005 compared to 2004, the Group achieved a turnover of RM329 million in 2005, a slight decrease in comparison with the turnover of RM337 million in the previous year. The Group's profit before tax for the year of RM23.9 million is also lower in comparison to RM63.7 million in 2004 but is nevertheless a reasonable level of profit given the conditions prevailing. The Group Net Tangible Assets (NTA) at the end of the financial year was RM283.6 million (NTA per share of RM2.72 per share) compared to RM272.9 million (NTA per share of RM2.65 per share) at the end of the previous year.

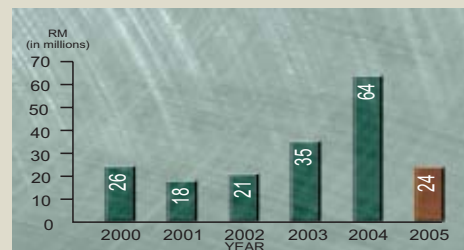
Financial Results at a Glance



Turnover



NTA / share



Profit before Tax

Chairman's Statement (cont'd)

Dividend

The Board is pleased to recommend a final dividend of 6% less 28% tax in respect of the financial year ended 31 December 2005.

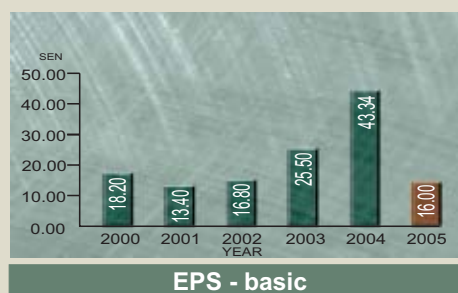
Performance

At the beginning of 2005, the steel market started to turn bearish as China progressed from a major importer into a net exporter of steel. The slow economic growth in Malaysia exacerbated by falling global steel prices made marketing more challenging. However, we were still able to reduce stock levels from a high of RM192 million to RM123 million at the end of the year and return a reasonable profit before tax of RM23.9 million. From a management standpoint, performance can be seen to be better this year where operating circumstances were much more difficult compared to the previous year when prices were on the rise. Over the long term, it would be this ability to successfully manage in all stages of the price cycle that would drive the company towards greater sustainable achievement.

In terms of performance, the successful commissioning of the new 16" diameter tubemill on schedule is worth a mention. This required close co-operation, monitoring, testing and scheduling at all stages of the project. These efforts do not stop here but continue to flow through to the transformation of the new capability into value for customers.

On a less visible level, the Company has also been continuously investing and improving its internal processes and this should gradually bring about manifold improvements in efficiency and work culture which would again prepare the company to continuously improve efficiency and productivity to better serve our customers.

Financial Results at a Glance

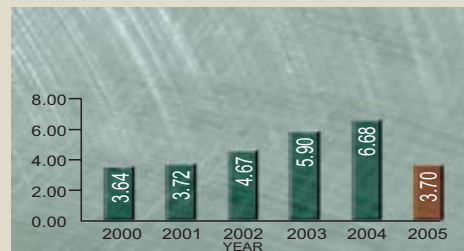


Chairman's Statement (cont'd)

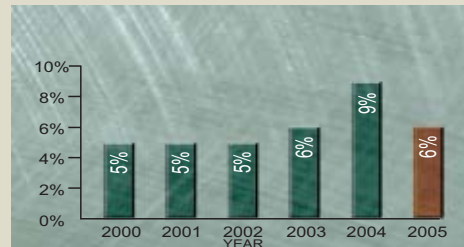
Industry Trend and Developments

The bullish trend in the global steel industry since 2000 fueled primarily by rapid growth in China has come to a head in 2005. From being a major importer of steel, China has quickly progressed to being a net exporter of mainly long steel and commodity grade flat steel products. However, higher cost of raw materials such as iron ore and coke, higher energy cost, limited port and logistics facilities have dampened China's rush towards further expanding its steel output. China is reported to be also moving towards rationalising its steel industry which hopefully would provide more stability in steel prices. With the culmination of similar efforts by major producers elsewhere, prices should not be receding to much below the current levels.

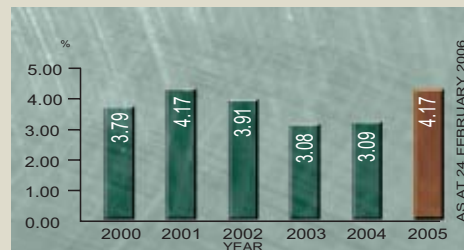
Financial Results at a Glance



Dividend Cover



Dividend Rate



Gross Dividend Yield

The New Tube Mill Line



Chairman's Statement (cont'd)



In the local market, the implementation of the Ninth Malaysia Plan, commencement of projects for the replacement of water pipes and recent announcements of some major construction projects should augur well for the local steel industry.

Future Prospects

The Group is effectively positioned to meet the challenges ahead whichever the direction prices take. We place our prospects in the potential to increase return on assets which are increasingly concentrated on higher value-added flat steel products and servicing. We are positive and enthusiastic about our future prospects.

Acknowledgement

On behalf of the Board, I would like to place on record our sincere appreciation to the management team and staff for their contribution throughout the year and to our customers, suppliers and other business associates, bankers and shareholders for their invaluable support, confidence and assistance given to us. We are confident that this continued co-operation and support will place the Group in a stronger position to meet the challenges of the year ahead and to achieve greater success.

Soon Ah Khun @ Soon Lian Huat

Group Executive Chairman

24 February 2006

Corporate Information

BOARD OF DIRECTORS

Soon Ah Khun @ Soon Lian Huat
Group Executive Chairman

Soon Cheng Hai
Managing Director

Soon Cheng Boon
Executive Director

Leong Keng Yuen
Senior Independent Non-Executive Director

Dato' Robert Lim Git Hooi
Independent Non-Executive Director

Datin Shahrizan Binti Abdullah
Non-Executive Director

Khoo Choon Yam
Independent Non-Executive Director

Soon Hean Hooi
Executive Director

Lee Sieng Tzi @ Vincent Lee
Executive Director

EXECUTIVE COMMITTEE

Chairman:

Soon Cheng Hai

Members:

Soon Ah Khun @ Soon Lian Huat
Soon Cheng Boon
Soon Hean Hooi

AUDIT COMMITTEE

Chairman:

Leong Keng Yuen

Members:

Soon Cheng Boon
Dato' Robert Lim Git Hooi
Khoo Choon Yam

NOMINATING COMMITTEE

Chairman:

Khoo Choon Yam

Members:

Leong Keng Yuen
Dato' Robert Lim Git Hooi

REMUNERATION COMMITTEE

Chairman:

Dato' Robert Lim Git Hooi

Members:

Soon Cheng Hai
Leong Keng Yuen
Khoo Choon Yam

ESOS COMMITTEE

Members:

Soon Ah Khun @ Soon Lian Huat
Soon Cheng Hai
Soon Cheng Boon

SECRETARIES

Chan Yoke Yin (MAICSA 7043743)
Woo Ying Pun (MAICSA 7001280)

REGISTERED OFFICE

35 Jalan Hussein,
30250 Ipoh, Perak Darul Ridzuan, Malaysia.
Tel: 605-2415633 Fax: 605-2415578

PRINCIPAL PLACE OF BUSINESS

46-48, Lebuhraya Bendahara,
31650 Ipoh, Perak Darul Ridzuan, Malaysia.
Tel: 605-2558111 Fax: 605-2543073

WEBSITE AND E-MAIL ADDRESS

Homepage: www.choobee.com.my
E-mail Address: enquiries@choobee.com.my

REGISTRARS

Symphony Share Registrars Sdn. Bhd.
35 Jalan Hussein,
30250 Ipoh, Perak Darul Ridzuan, Malaysia.
Tel: 605-2415633 Fax: 605-2415578

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad
RHB Bank Berhad

AUDITORS

Deloitte KassimChan
Chartered Accountants

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Board

Profile of Directors

Soon Ah Khun @ Soon Lian Huat (Group Executive Chairman)

Executive Director
Aged 67, Malaysian

Soon Ah Khun @ Soon Lian Huat was first appointed Director of Choo Bee Metal Industries Berhad on 19 April 1971 and was subsequently appointed the Group Executive Chairman of Choo Bee Metal Industries Berhad on 1 November 1993.

Soon Ah Khun @ Soon Lian Huat is the founder of Choo Bee Metal Industries Berhad and has about 49 years experience in the iron and steel business. He is credited with the early expansion and transformation of the initial business of trading in iron and steel to an integrated manufacturing, marketing and distribution network that the Group now is. He has diverse practical knowledge and experience in the business and management of iron and steel and related businesses.

Soon Ah Khun @ Soon Lian Huat is the father of Soon Cheng Hai, Soon Cheng Boon and Soon Hean Hooi and father-in-law of Lee Sieng Tzi @ Vincent Lee. He is a director and shareholder in Choo Bee Holdings Sdn. Bhd. and Soon Lian Huat Holdings Sdn. Berhad, major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.

Soon Cheng Hai (Group Managing Director)

Executive Director
Aged 43, Malaysian

Soon Cheng Hai was appointed to the Board on 10 April 1985. He received his higher education in Japan and graduated with a Diploma in Business Management from Sangyo Noritsu College, Japan.

Soon Cheng Hai has substantially worked within the Group during the past 20 years in the various core processes such as management of the supply chain, marketing, product development and manufacturing management. Based on a successful performance record he was promoted to the position of Group Deputy Managing Director in 1992 and subsequently promoted to Group Managing Director in 1994.

Soon Cheng Hai is the son of Soon Ah Khun @ Soon Lian Huat. Soon Cheng Boon and Soon Hean Hooi are the brothers while Lee Sieng Tzi @ Vincent Lee is the brother-in-law. He is a director and shareholder in Choo Bee Holdings Sdn. Bhd. and a shareholder in Soon Lian Huat Holdings Sdn. Berhad, major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.

Soon Cheng Boon

Executive Director
Aged 41, Malaysian

Soon Cheng Boon was appointed to the Board on 19 September 1985. He joined Choo Bee Hardwares Sdn. Berhad in 1982 and is currently serving as the Group Business Manager.

Soon Cheng Boon underwent training overseas as well as locally. He has extensive experience in the field of sales and marketing management. He is responsible for the overall business development and formulation of all marketing plans and policies for the Group.

Soon Cheng Boon is the son of Soon Ah Khun @ Soon Lian Huat. Soon Cheng Hai and Soon Hean Hooi are the brothers while Lee Sieng Tzi @ Vincent Lee is the brother-in-law. He is a director and shareholder in Choo Bee Holdings Sdn. Bhd. and a shareholder in Soon Lian Huat Holdings Sdn. Berhad, major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.

Leong Keng Yuen

Senior Independent Non-Executive Director
Aged 55, Malaysian

Leong Keng Yuen was appointed to the Board on 25 September 1998. He holds a Bachelor of Engineering degree from the University of Queensland, Australia and a Master of Science in Management from the Massachusetts Institute of Technology, United States. He is a fellow of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

Leong Keng Yuen started his career as a Mine Manager in a tin mining company and subsequently held the position of a Mining Executive with The Straits Trading Company Ltd before qualifying as an accountant. He has been in the accounting profession since 1979 initially specialising in Corporate Law and Secretarial Practice. Currently, he is an Independent Non-Executive Director of Hexza Corporation Berhad, which is listed on the Bursa Malaysia Securities Berhad. He also holds directorship in several private limited companies. In December 2005, he retired as a partner of Ernst & Young.

Leong Keng Yuen does not have any family relationship with any other Director and/or major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.

Profile of Directors (cont'd)

Dato' Robert Lim Git Hooi

Independent Non-Executive Director **Aged 67, Malaysian**

Dato' Robert Lim Git Hooi was appointed to the Board on 27 December 2001. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

Dato' Robert Lim Git Hooi was previously a partner in Ernst & Young and he is also an Independent Non-Executive Director of Gopeng Berhad, Seloga Holdings Berhad and YNH Property Bhd. which are listed on the Bursa Malaysia Securities Berhad. He also holds directorships in several other private limited companies.

Dato' Robert Lim Git Hooi does not have any family relationship with any other Director and/or major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.

Datin Shahrizan Binti Abdullah

Non-Executive Director **Aged 55, Malaysian**

Datin Shahrizan Binti Abdullah was appointed to the Board on 12 June 2004. She holds a Bachelor of Economics degree from University of Malaya. She started as an Advisory Services Executive with Majlis Amanah Rakyat Malaysia after graduation. In 1975, she joined South East Asia Development Corporation as an Investment Analyst and in 1978, became a Financial Analyst with Amanah Chase Merchant Bank. She held the position of Senior Corporate Services Manager in Permodalan Nasional Berhad from 1979 to 1984. She is the chairperson of Amanah SSCM Asset Management Bhd. and a director of Malaysia Discounts Berhad and other private limited companies. In 2005, she was appointed as an Independent Non-Executive Director of Commerce Life Assurance Berhad, which is not listed on the Bursa Malaysia Securities Berhad.

Datin Shahrizan Binti Abdullah does not have any family relationship with any other Director and/or major shareholders of the Company. She has no conflict of interest with the Company and has had no past conviction for offences.

Khoo Choon Yam

Independent Non-Executive Director **Aged 53, Malaysian**

Khoo Choon Yam was appointed to the Board on 27 December 2001. He graduated from Osaka Industrial University, Japan in 1976 with a Bachelor degree in Engineering.

After graduation, Khoo Choon Yam was trained in Kubota Ltd, Japan prior to his joining Tractors Malaysia Berhad as a Mechanical Engineer in 1977. In 1982, he joined Pilecon Engineering Berhad as an engineer in charge of the construction equipment department. Subsequently in 1992, he was transferred to E&E Equipment Sdn. Bhd., a wholly owned subsidiary of Pilecon Engineering Berhad as an Executive Director. In 1999, he ventured into his own business dealing in construction equipment. He is also a director of several private limited companies.

Khoo Choon Yam does not have any family relationship with any other Director and/or major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.

Soon Hean Hooi

Executive Director **Aged 35, Malaysian**

Soon Hean Hooi was appointed to the Board on 1 November 1995. He joined Choo Bee Metal Industries Berhad in August 1993 as Group Maintenance Engineer and was later promoted to Assistant Group Factory Manager in 1994. He received his early secondary education in Melbourne, Australia at Saint Kevin College and subsequently graduated with an Associate Diploma in Mechanical Engineering from the Royal Melbourne Institute of Technology in June 1993.

Upon graduation, Soon Hean Hooi has since worked within the Group on various aspects of factory operations management and technical advancements.

Soon Hean Hooi is the son of Soon Ah Khun @ Soon Lian Huat. Soon Cheng Hai and Soon Cheng Boon are the brothers while Lee Sieng Tzi @ Vincent Lee is the brother-in-law. He is a director and shareholder in Choo Bee Holdings Sdn. Bhd. and a shareholder in Soon Lian Huat Holdings Sdn. Berhad, major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.

Profile of Directors (cont'd)

Lee Sieng Tzi @ Vincent Lee

Executive Director
Aged 43, Malaysian

Lee Sieng Tzi @ Vincent Lee was appointed to the Board on 25 September 1998. He joined Choo Bee Metal Industries Berhad in 1989 as a Sales Executive and is currently serving as the Assistant Group Business Manager. He obtained his Bachelor of Science degree from the University of Dublin, Ireland majoring in Management in July 1985.

After graduation, he joined City-Link Express (M) Sdn. Bhd. as an executive prior to joining Choo Bee Metal Industries Berhad.

Lee Sieng Tzi @ Vincent Lee is the son-in-law of Soon Ah Khun @ Soon Lian Huat. Soon Cheng Hai, Soon Cheng Boon and Soon Hean Hooi are the brothers-in-law. He has no conflict of interest with the Company and has had no past conviction for offences.

Corporate Governance Statement

The Board of Directors is committed to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

Set out below is a statement of how the Company has applied these principles and its compliance with best practices in corporate governance in so far as is applicable to the Group.

PART A : DIRECTORS

Board of Directors

The Board will normally hold meetings every quarter and will hold additional meetings as the occasion requires. The Board has a formal schedule of matters reserved to it for decision, including the approval of annual and quarterly results, budgets, acquisitions and disposals, as well as material agreements, major capital expenditures and the review of business operations and performance of the Group. All Board members bring an independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

4 Board Meetings were held during the financial year ended 31 December 2005. Details of attendance of Directors at the Board Meetings are presented in the Statement Accompanying the Notice of the 2006 Annual General Meeting.

The Board has delegated certain functions to the Committees it established to assist with the execution of its responsibilities to the Group. The Committees operate under clearly defined terms of reference. The Chairmen of the respective Committees report to the Board the outcome of deliberations of the Committee meetings.

1. Executive Committee

The Executive Committee was established on 12 October 2001 and its members consist of Soon Cheng Hai (the Managing Director as Chairman of the Committee), Soon Ah Khun @ Soon Lian Huat (Group Executive Chairman), Soon Cheng Boon (Executive Director) and Soon Hean Hooi (Executive Director). The Executive Committee meets quarterly to review the performance of the Group's operating units, risk management issues and internal control process improvements. In attendance at Executive Committee meetings are the Group General Manager and respective heads of operating units.

2. Audit Committee

The Audit Committee was established on 6 July 1994. The Audit Committee provides a forum for the effective communication between the Board, internal auditors and the external auditors. The Audit Committee reviews the annual and quarterly financial statements prior to their approval by the Board, the effectiveness of management information systems and systems of internal control, and the efficiency and effectiveness of the external and internal audit functions.

Other detailed information on the Audit Committee is presented in the Audit Committee Report.

3. Nominating Committee

The Nominating Committee was established on 24 November 2001. The terms of reference of the Nominating Committee include the following:

- Recommend to the Board, candidates for all directorships to be filled;
- Consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer ("CEO");
- Recommend to the Board, directors to fill the seats on Board committees;
- To assist the Board to annually review its required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board;
- To carry out annually, the process implemented by the Board for assessing the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual director;
- Training and orientation of directors; and
- In conjunction with the CEO and the Remuneration Committee, succession planning for the CEO and other senior officers and key group managers.

Corporate Governance Statement (cont'd)

The members of the Nominating Committee during the year, composed wholly of non-executive Directors, a majority of whom are independent, were as follows:

Name of member

Khoo Choon Yam - Independent Non-Executive Director (Chairman)

Leong Keng Yuen - Senior Independent Non-Executive Director

Dato' Robert Lim Git Hooi - Independent Non-Executive Director

During the year ended 31 December 2005, 1 meeting was held, which was attended by all members of the Nominating Committee.

4. Remuneration Committee

The Remuneration Committee was established on 24 November 2001. The terms of reference of the Remuneration Committee include the following:

- To recommend to the Board, the remuneration of the executive directors in all its forms;
- To recommend to the Board, the director's fees to be paid to each of the non-executive directors; and
- In conjunction with the CEO and the Nominating Committee, succession planning for key group managers and staff.

The members of the Remuneration Committee during the year, composed mainly of non-executive Directors, were as follows:

Name of member

Dato' Robert Lim Git Hooi - Independent Non-Executive Director (Chairman)

Soon Cheng Hai - Executive Director

Leong Keng Yuen - Senior Independent Non-Executive Director

Khoo Choon Yam - Independent Non-Executive Director

During the year ended 31 December 2005, 1 meeting was held, which was attended by all members of the Remuneration Committee.

5. Employees' Share Option Scheme (ESOS) Committee

The ESOS Committee was established on 1 July 1996. The ESOS Committee is authorised to administer the ESOS in such a manner as it shall in its discretion deem in accordance with the bye-laws of the ESOS. The ESOS Committee comprises Soon Ah Khun @ Soon Lian Huat, Soon Cheng Hai and Soon Cheng Boon.

Board Balance

The Board currently has 9 members, 5 executive Directors (which includes the Group Executive Chairman) and 4 non-executive Directors. Of the 4 non-executive Directors, 3 are independent. A brief description of the background of each Director is presented in the Profile of Directors.

The roles and responsibilities of the Group Executive Chairman and the Chief Executive Officer who is the Group Managing Director have been clearly defined in the Board Policy Manual to ensure that there is a balance of power and authority.

The Board is appropriately balanced with the presence of 4 non-executive Directors out of a total of 9 Directors all of whom are of a caliber necessary to carry sufficient weight in Board decisions. 3 of the 4 non-executive Directors are independent.

Leong Keng Yuen acts as the senior independent non-executive Director. Any concerns relating to the Group may be conveyed to him.

Corporate Governance Statement (cont'd)

Supply of Information

All Directors review a quarterly Board report prior to the Board meeting. This is issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board report includes, among others, the following details:

- an operational report from the Management Team;
- financial reports;
- corporate plans, major issues and opportunities for the Company;
- changes to management and control structure of the Group;
- the annual and quarterly financial statements, reports to Shareholders and public announcements;
- risk assessment and controls; and
- key policies, procedures and authority limits.

The Board has approved an agreed procedure for Directors to take independent professional advice if necessary at the Company's expense.

All Directors have unrestricted access to timely and accurate information and access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed.

Appointments to the Board

The Nominating Committee reviews the composition of the Board annually and makes recommendations to the Board where considered necessary to ensure the Board comprises an appropriate mix of skills and experience.

Directors' Training

On joining the Board, Directors are given background documents describing the Company and its activities. For new Directors, site visits are arranged to the major business units.

All Directors have attended the Mandatory Accreditation Programmes and Continuing Education Programme as required under the Bursa Malaysia Securities Berhad listing requirements. The Directors have undergone relevant training during the financial year to effectively discharge their duties as directors. They will continue to undergo training and other relevant programmes to further enhance their skills and knowledge where relevant.

Re-election

In accordance with the Articles of Association of the Company, all Directors who are appointed by the Board are subject to election at the first opportunity after their appointment and at least one third of the remaining directors are subject to re-election by rotation at each Annual General Meeting. The Articles of Association also provide that all Directors shall retire at least once in 3 years.

PART B : DIRECTORS' REMUNERATION

The Level and Make-up of Remuneration

The Company has adopted the objective as recommended by the Code to determine the remuneration for a Director so as to ensure that the Company attracts, motivates and retains the Directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of executive Directors. In the case of non-executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular non-executive Director concerned.

The Remuneration Committee recommends to the Board the framework of executive remuneration for fixing the remuneration packages of individual Directors. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of these Directors.

Corporate Governance Statement (cont'd)

Disclosure

A summary of the remuneration of Directors for the year ended 31 December 2005 is as follows:

Directors' Remuneration	Executive Directors	Non-Executive Directors
	RM	RM
Fee	128,000	96,000
Salaries and EPF	2,154,254	-
Bonus	1,996,470	-
Allowances	-	33,600
Benefits-in-kind	56,392	-

Directors' Remuneration RM	Number of Directors	
	Executive Directors	Non-Executive Directors
Below 50,000	-	4
50,000 - 100,000	1	-
850,000 - 900,000	1	-
1,050,000 - 1,100,000	2	-
1,100,000 - 1,150,000	1	-

In the interest of security, additional information have not been provided other than the details stipulated in the Listing Requirements of the Bursa Malaysia Securities Berhad.

PART C : RELATIONS WITH SHAREHOLDERS

Dialogue between Company and Investors

The Board recognises the importance of good communication with all shareholders. The Company has established a website (www.choobee.com.my) which provides general and financial information and is accessible to all stakeholders.

During the financial year in review, the Company has actively pursued its investor relations activities in an effort to keep shareholders duly informed on the performance of the Company. Numerous meetings with the media, local and foreign fund managers and research houses were held during the year as part of the Company's ongoing investor relations programme.

The Company appreciates feedback from their valued shareholders and in this regard, investor relations aim to serve as a channel for shareholders to provide such feedback and views on the Company's performance and direction.

Annual General Meeting

At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution.

PART D : ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

Corporate Governance Statement (cont'd)

Statement of Directors' Responsibilities

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable Approved Accounting Standards and give a true and fair view of the state of affairs of the Group and Company for the financial year.

In preparing the financial statements, the Directors have:

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

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for safeguarding the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Internal Control

The Group's Internal Control is described in the Statement on Internal Control.

Relationship with the Auditors

The Company has established transparent and appropriate relationships with the Company's auditors through the Audit Committee.

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report.

Additional Compliance Information

UTILISATION OF PROCEEDS

The Company did not raise funds through any corporate proposal during the financial year.

SHARE BUYBACK

The information on share buybacks for the financial year is presented in the Directors' Report.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The amount of options exercised in respect of the financial year is presented in the Directors' Report.

The Audit Committee has verified that the allocation of the Employees' Shares Options during the year is in accordance with the criteria set out in the ESOS bye-laws.

The Company did not issue any warrants or convertible securities during the financial year.

AMERICAN DEPOSITARY (ADR) OR GLOBAL DEPOSITARY RECEIPT (GDR) PROGRAMME

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

SANCTIONS/PENALTIES IMPOSED

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

NON-AUDIT FEES

Non-audit fees amounting to RM8,000 were paid to the external auditors for the Group during the financial year.

PROFIT ESTIMATE, FORECAST OR PROJECTION

There is no material variance between the result for the financial year and unaudited result previously announced. The Company did not make or release any profit estimate, forecast or projection for the financial year.

PROFIT GUARANTEE

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

MATERIAL LITIGATIONS

Other than as disclosed in Note 29 to the financial statements, there were no other material litigations faced by the Group.

MATERIAL CONTRACTS

Other than as disclosed in Note 23 to the financial statements, there were no material contracts entered into by the Company during the financial year.

REVALUATION OF LANDED PROPERTIES

There were no revaluations of landed properties during the financial year.

Audit Committee Report

TERMS OF REFERENCE

Membership

The Committee shall be appointed by the Board from amongst its Directors (except alternate directors) which fulfils the following requirements:

- (a) the audit committee must be composed of no fewer than 3 members;
- (b) a majority of the audit committee must be independent directors; and
- (c) at least 1 member of the audit committee;
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (bb) 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
 - (iii) fulfills such other requirements as prescribed by the Exchange.

The members of the Committee shall elect a chairman from among their number who shall be an independent director.

The Board shall, within 3 months of a vacancy occurring in the Committee which result in the number of members reduced to below 3, appoint such number of new members as may be required to make up the minimum number of 3 members.

The Board shall review the term of office and performance of the Committee and each of its members at least once every 3 years.

Rights

The Committee shall, in accordance with the procedure determined by the Board and at the cost of the Company:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

Functions

The functions of the Committee shall include the following:

- (1) review the following and report the same to the Board:
 - (a) with the external auditors, the audit plan;
 - (b) with the external auditors, their evaluation of the system of internal controls;
 - (c) with the external auditors, their audit report;
 - (d) the auditable areas and systems review covered by the internal audit function, the results of investigation undertaken, any major weaknesses noted and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (e) the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements;

Audit Committee Report (cont'd)

- (f) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (g) any letter of resignation from the external auditors of the Company; and
- (h) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment; and

(2) recommend the nomination of a person or persons as external auditors.

Meetings

Meetings of the Committee shall be held not less than 4 times a year. The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee. The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting. Written notice of the meeting together with the agenda shall be given to the members of the Committee and external auditor where applicable. The quorum for a meeting of the Committee shall be 2 Provided Always that the majority of members present must be independent directors.

Other Board members and employees may attend any particular meeting only at the Committee's invitation.

The Company Secretary shall be the Secretary of the Committee.

Reporting Procedures

The Secretary shall maintain minutes of the proceedings of the meetings of the Committee and circulate such minutes to all members of the Board.

MEMBERS AND MEETINGS

The Audit Committee comprises 3 Independent Non-Executive and 1 Executive Directors of the Board with Leong Keng Yuen who is a member of the Malaysian Institute of Accountants, as Chairman.

The members of the Audit Committee, and their attendance at the meetings, were as follows:

Name of member	No. of meetings attended
Leong Keng Yuen	
- <i>Senior Independent Non-Executive Director (Chairman)</i>	4 out of 4
Soon Cheng Boon	
- <i>Executive Director</i>	4 out of 4
Dato' Robert Lim Git Hooi	
- <i>Independent Non-Executive Director</i>	3 out of 4
Khoo Choon Yam	
- <i>Independent Non-Executive Director</i>	4 out of 4

The Group's external auditors were in attendance at 2 meetings during the year. One of these meetings commenced with a discussion between the Committee and the external auditors without the presence of any Executive Directors and key personnel of the Group.

Audit Committee Report (cont'd)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the year ended 31 December 2005 in the discharge of its duties and responsibilities:

- Reviewed and approved the Internal Audit audit plan, strategy and scope of work;
- Reviewed the Internal Audit reports, recommendations and management responses;
- Reviewed the audit strategy and scope for the statutory audits of the Group accounts for the financial year ended 31 December 2005 with the external auditors;
- Reviewed the external auditors management letter and finalisation of the financial statements for the year ended 31 December 2005;
- Reviewed the reports from the Executive Committee managing the risk management issues and internal control process improvements for the Group;
- Reviewed the annual and quarterly financial statements and reporting to the Bursa Malaysia Securities Berhad and ensured compliance with additional disclosure requirements in accordance with the Bursa Malaysia Securities Berhad's Listing Requirements;
- Reviewed the related party transactions and conflict of interest situations that arose within the Company or Group during the year; and
- Verified that the allocation of the Employees' Shares Options during the year is in accordance with the criteria set out in the ESOS bye-laws.

INTERNAL AUDIT FUNCTION

The Group has a System Assurance Department (which carries out the Internal Audit function), which reports to the Audit Committee and assists the Board in reviewing the adequacy and integrity of the internal control systems to manage risks exposures over key processes within the Group. During the financial year, The System Assurance Department was actively involved in the design and implementation of a customised total enterprise management system ("TEMS") built on the Oracle 10G platform developed by an external consultant, to improve on the business processes and the internal controls within these processes. Review of the current system of internal control was performed in line with this project. The review did not reveal any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

Statement on Internal Control

INTRODUCTION

The Malaysian Code of Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Bursa Malaysia Securities Berhad Listing Requirements require directors of listed companies to include a statement in annual reports on the state of their internal controls as a Group. The Statement on Internal Control has been prepared in accordance with the Statement on Internal Control : Guidance for Directors of Public Listed Companies.

THE BOARD'S RESPONSIBILITY

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board has overall responsibility for the Group's system of internal controls and for reviewing its effectiveness whilst the role of management is to implement the Board's policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss and fraud or breach of set regulations.

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group. This risk management process has been in place for the financial year under review and up to the date of approval of the annual report and financial statements. The process is regularly reviewed by the Board to ensure the effectiveness and integrity of the system in managing risks.

RISK MANAGEMENT FRAMEWORK

The long term risk management objective is to create a risk-awareness culture and to enhance understanding by staff of the risks potentially affecting the achievement of the company's business objectives.

The senior management team is collectively responsible for the management of risks, for developing, operating and monitoring the system of internal control and providing assurance to the Board that policies adopted by the Board are adhered to. The management of risks is guided by the Group's Risk Management Manual which forms the framework within which senior management manage risks in order to achieve the Group's corporate objectives. Further independent assurance is provided by the System Assurance Department which carries out the internal audit function and operates across the Group.

Further details of the Group's financial risk management policies are set as a note to the financial statements.

SYSTEM ASSURANCE FUNCTION

The Group has a System Assurance Department, independent of the activities or operations of other Operating Centres in the Group, which provides assurance to the Audit Committee and the Board regarding the adequacy of the system of Internal Control.

During the financial year, the Group has appointed an external consultant to develop a customised total enterprise management system ("TEMS") built on the Oracle 10G platform to better meet its operational requirements. The implementation of the TEMS would involve changes to the existing work flow processes and documentation. The System Assurance Department was actively involved in the design and implementation of the TEMS to ensure that internal controls are in place for the new system and that the opportunity to improve business process within the design of the new system are achieved.

The principal responsibility of System Assurance Department is to undertake systematic reviews of the system of internal control on a risk-based approach in tandem with the on-going TEMS project requirements so as to provide reasonable assurance that such system operates satisfactorily and effectively in the Group and reports to the Audit Committee on a quarterly basis. The Internal Audit strategy and an annual internal audit plan are presented to the Audit Committee each year for approval. The development and implementation process for the TEMS is expected to be completed by 2006.

Statement on Internal Control (cont'd)

The activities that are carried out are as follows:

- undertake internal audit function based on the audit plan that has been reviewed and approved by the Audit Committee which includes the review of operational compliance with established internal control;
- participate in meetings of group senior management to keep abreast with the strategic and operational plans and on development issues;
- facilitate the formalised approach for risk assessment and management in compliance with the guidance on the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia;
- assess control for managing key business process risks at each of the Group's operations, which have been identified during the risk analysis process;
- prepare internal audit reports to the Audit Committee of the Group's operations;
- undertake review of the financial reporting requirements and impact to the Group with the new Financial Reporting Standards applicable with effective from 1 January 2006; and
- verify the basis of allocation of ESOS for 168,000 share options granted during the financial year at an option price of RM2.49 approved by the ESOS Committee.

INTERNAL CONTROL

The Board has established the system of internal control and has delegated to management the implementation and monitoring of the system of internal control within an established framework. The salient features of the framework are as follows:

- the Group has been accredited with the International Quality Assurance Standard, ISO 9001 on 12 February 2004 of which the quality and control policies and procedures are embedded into the operations;
- the Board receives and reviews quarterly financial and operations reports from the management;
- clearly defined delegation of responsibilities to committees of the Board and to operating units, including authorisation levels for all aspects of the business which are set out in an authority limits matrix;
- the Group's System Assurance Department, reporting to the Audit Committee performs regular reviews of business processes to assess the effectiveness of internal controls;
- the Audit Committee, on behalf of the Board, holds discussions with management on the action taken on internal control issues identified in reports prepared by the System Assurance Department, the external auditors and the management; and
- regular visits to operating units by executive directors and senior management.

Directors' Report

The directors of CHOO BEE METAL INDUSTRIES BERHAD have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the processing of steel coils into steel products, fabrication of steel products and trading of hardware products.

The principal activities of the subsidiary companies are disclosed under Note 14 to the Financial Statements.

There have been no significant changes in the nature of the activities of the Company and its subsidiary companies during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit before tax	23,946,693	12,924,365
Income tax expense	(6,730,699)	(3,557,216)
Profit after tax	17,215,994	9,367,149
Minority interests	(623,015)	-
Net profit for the year	<u>16,592,979</u>	<u>9,367,149</u>

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

DIVIDENDS

A final dividend of 6%, less 28% tax, and a special dividend of 3%, less 28% tax, amounting to RM6,776,149 of which RM6,664,421 has been dealt with in the previous directors' report, was paid by the Company on 18 August 2005. The difference arose from additional dividends of RM121,111 paid in respect of new ordinary shares issued pursuant to the exercise of the Company's Employees' Share Option Scheme ("ESOS"), which was offset partly by an overprovision of dividends of RM9,383 in respect of shares repurchased subsequent to the previous financial year.

The directors have proposed a final dividend of 6%, less 28% tax amounting to RM4,489,927, in respect of the year ended 31 December 2005. The proposed dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

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

Directors' Report (cont'd)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM105,593,000 to RM107,499,000 through the issues of 1,772,000, 69,000 and 65,000 new ordinary shares of RM1.00 each at RM1.20, RM1.05 and RM1.94 per share respectively pursuant to the exercise of options granted under the ESOS.

The resulting premium arising from the shares issued of RM418,950 has been credited to the share premium account.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

The Company has not issued any debentures during the financial year.

REPURCHASE OF OWN SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ("AGM") held on 17 June 2005, renewed the approval for the Company to repurchase its own shares. Details of the shares repurchased and held as Treasury Shares are as follows:

Month	No. of shares repurchased	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share (including incidental costs) RM	Total consideration RM
As at 1 Jan. 2005	2,747,000	2.28	1.01	1.46	4,020,840
Feb. 2005	5,000	2.81	2.81	2.81	14,054
March 2005	35,000	2.75	2.73	2.74	95,820
Apr. 2005	31,500	2.62	2.54	2.59	81,606
May 2005	63,000	2.54	2.29	2.47	155,429
June 2005	10,300	2.26	2.26	2.26	23,305
Aug. 2005	89,200	2.24	1.96	2.13	190,398
Sept. 2005	212,800	1.91	1.64	1.75	371,685
Oct. 2005	30,000	1.65	1.65	1.65	49,464
Nov. 2005	67,000	1.57	1.52	1.55	103,572
Dec. 2005	274,700	1.41	1.30	1.30	358,352
	<u>3,565,500</u>				<u>5,464,525</u>

The mandate given by the shareholders will expire at the forthcoming AGM and an ordinary resolution will be tabled at the AGM for shareholders to grant a fresh mandate for another year.

SHARE OPTIONS

On 23 August 2001, the shareholders of the Company approved an ESOS for the benefit of eligible employees including full-time Executive Directors of the Company and its subsidiary companies.

The salient features of the ESOS are as follows:

- The total number of new ordinary shares to be offered under the ESOS shall be up to 10% in aggregate of the issued and paid-up capital of the Company after subtracting the Treasury Shares at any point in time during the existence of the scheme;
- Eligible Malaysian employees and contract employees are those who have been confirmed in service for at least 1 continuous year, while for a non-Malaysian employee, his/her contribution must be vital to the Group, and he/she must have been employed for at least 3 continuous years, in any company within the Group, on or prior to the Date of Offer pursuant to the ESOS;

Directors' Report (cont'd)

- (c) The criterion of allotment of new shares is by reference to the position of the eligible employee. No option shall be granted for less than 1,000 ordinary shares nor more than 600,000 ordinary shares to any eligible employee;
- (d) The price payable for each ordinary share under the ESOS upon exercise of the option shall be at a discount of not more than 10% from the 5 preceding market days weighted average market price prior to the Date of Offer, or the par value of such share of the Company, whichever is higher;
- (e) The ESOS shall be in force for a period of 5 years from 26 November 2001;
- (f) The ESOS Committee is approved by the Board of Directors of the Company to administer the Scheme; and
- (g) The options granted shall be capable of being exercised subject to the limit set by the ESOS Committee and the maximum percentage as set-out in the Bye-laws.

The options granted and exercised during the financial year are as follows:

Expiring on	Exercise price per ordinary share RM	No. of options over ordinary shares of RM1.00 each				Balance as at 31 Dec. 2005
		Balance as at 1 Jan. 2005	Granted	Exercised	Lapsed	
25 Nov. 2006	1.20	4,056,000	-	(1,772,000)	(38,000)	2,246,000
25 Nov. 2006	1.05	156,000	-	(69,000)	(2,000)	85,000
25 Nov. 2006	1.94	174,000	-	(65,000)	(15,000)	94,000
25 Nov. 2006	2.49	-	168,000	-	(5,000)	163,000
		<u>4,386,000</u>	<u>168,000</u>	<u>(1,906,000)</u>	<u>(60,000)</u>	<u>2,588,000</u>

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, who have been granted options under the Company's ESOS for less than 30,000 ordinary shares each. There were no options granted to employees for and in excess of 30,000 ordinary shares during the financial year.

OTHER FINANCIAL INFORMATION

Before the income statements and the balance sheets of the Group and of 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 have satisfied themselves that all known bad debts have been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

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

- (a) which would render the amount written off as bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of 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 of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

Directors' Report (cont'd)

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

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

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 substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Soon Ah Khun @ Soon Lian Huat
Soon Cheng Hai
Soon Cheng Boon
Leong Keng Yuen
Dato' Robert Lim Git Hooi
Datin Shahrizan Binti Abdullah
Khoo Choon Yam
Soon Hean Hooi
Lee Sieng Tzi @ Vincent Lee

In accordance with Article 101 of the Company's Articles of Association, Mr. Soon Ah Khun @ Soon Lian Huat, Mr. Soon Cheng Hai and Mr. Soon Cheng Boon retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The shareholdings in the Company and in related companies of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	No. of ordinary shares of RM1.00 each			Balance as at 31 Dec. 2005
	Balance as at 1 Jan. 2005	Bought	Sold	
Shares in the Company				
Registered in the name of directors				
Soon Ah Khun @ Soon Lian Huat	160,600	150,000	-	310,600
Soon Cheng Hai	304,000	100,000	-	404,000
Soon Cheng Boon	298,000	100,000	-	398,000
Leong Keng Yuen	26,000	-	-	26,000
Dato' Robert Lim Git Hooi	14,000	-	-	14,000
Soon Hean Hooi	2,119,055	200,000	-	2,319,055
Lee Sieng Tzi @ Vincent Lee	105,000	480,000	(10,000)	575,000
Deemed interest by virtue of shares held by companies in which a director has interest				
Soon Ah Khun @ Soon Lian Huat	54,423,000	-	-	54,423,000
Deemed interest by virtue of shares held by an immediate family member of a director				
Dato' Robert Lim Git Hooi	69,000	-	-	69,000

Directors' Report (cont'd)

In addition to the above, the following directors are deemed to have an interest in the shares of the Company to the extent of options granted to them pursuant to the ESOS of the Company:

Options in Company's Shares	No. of options over ordinary shares of RM1.00 each at a price of RM1.20 each				Balance as at 31 Dec. 2005
	Balance as at 1 Jan. 2005	Granted	Exercised	Lapsed	
Soon Ah Khun @ Soon Lian Huat	240,000	-	(120,000)	-	120,000
Soon Cheng Hai	400,000	-	(100,000)	-	300,000
Soon Cheng Boon	400,000	-	(100,000)	-	300,000
Soon Hean Hooi	400,000	-	(100,000)	-	300,000
Lee Sieng Tzi @ Vincent Lee	600,000	-	(480,000)	-	120,000

Shares in holding company, Soon Lian Huat Holdings Sdn. Berhad	No. of ordinary shares of RM1.00 each			Balance as at 31 Dec. 2005
	Balance as at 1 Jan. 2005	Bought	Sold	
Registered in the name of directors				
Soon Ah Khun @ Soon Lian Huat	62,000	-	-	62,000
Soon Cheng Hai	226,667*	-	-	226,667*
Soon Cheng Boon	226,667*	-	-	226,667*
Soon Hean Hooi	226,666*	-	-	226,666*

* Denotes 5% non-cumulative preference shares of RM1.00 each.

Shares in other related company, Choo Bee Holdings Sdn. Bhd.	No. of ordinary shares of RM1.00 each			Balance as at 31 Dec. 2005
	Balance as at 1 Jan. 2005	Bought	Sold	
Registered in the name of directors				
Soon Cheng Hai	161,829	-	-	161,829
Soon Cheng Boon	161,829	-	-	161,829
Soon Hean Hooi	161,829	3	-	161,832

Deemed interest by virtue of shares held by a company in which a director has interest	No. of ordinary shares of RM1.00 each			Balance as at 31 Dec. 2005
	Balance as at 1 Jan. 2005	Bought	Sold	
Soon Ah Khun @ Soon Lian Huat	1,660,584	313,316	-	1,973,900

Shares in subsidiary company, Taik Bee Hardware Sdn. Bhd.

Registered in the name of directors	No. of ordinary shares of RM1.00 each			Balance as at 31 Dec. 2005
	Balance as at 1 Jan. 2005	Bought	Sold	
Soon Cheng Hai	24,400	-	(24,400)	-
Soon Cheng Boon	24,400	-	(24,400)	-
Soon Hean Hooi	24,400	-	(24,400)	-

Deemed interest by virtue of shares held by companies in which a director has interest	No. of ordinary shares of RM1.00 each			Balance as at 31 Dec. 2005
	Balance as at 1 Jan. 2005	Bought	Sold	
Soon Ah Khun @ Soon Lian Huat	4,556,360	1,752,872	(1,109,232)	5,200,000

Directors' Report (cont'd)

By virtue of his interest in the Company and in the holding company, Mr. Soon Ah Khun @ Soon Lian Huat is also deemed to have an interest in the shares of all the subsidiary companies to the extent that the Company and the holding company have interests.

Other than as disclosed above, none of the other directors have any direct or deemed interest in the shares of the Company or its related companies during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain directors of the Company are also directors and/or shareholders as disclosed in Notes 19 and 22 to the Financial Statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for options granted under the ESOS of the Company as disclosed above.

HOLDING COMPANY

The directors regard Soon Lian Huat Holdings Sdn. Berhad, a company incorporated in Malaysia, as the ultimate holding company.

AUDITORS

The auditors, Messrs. Deloitte KassimChan, have indicated their willingness to continue in office.

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

SOON AH KHUN @ SOON LIAN HUAT

SOON CHENG HAI

Ipoh,
24 February 2006

Report of the Auditors

TO THE MEMBERS OF CHOO BEE METAL INDUSTRIES BERHAD

(Incorporated in Malaysia)

We have audited the accompanying balance sheets as at 31 December 2005 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

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

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies have been properly kept in accordance with the provisions of the Companies Act, 1965.

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

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Sub-section (3) of Section 174 of the Companies Act, 1965.

DELOITTE KASSIMCHAN

AF 0080

Chartered Accountants

WONG GUANG SENG

787/03/07(J/PH)

Partner

24 February 2006

Income Statements

for the year ended 31 December 2005

	Note	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	4	329,036,900	336,542,760	153,699,355	164,249,525
Other operating income	8	3,341,346	1,051,960	2,452,003	603,879
Changes in inventories of manufactured and trading goods		(14,275,075)	18,525,014	(2,950,691)	(462,737)
Trading goods purchased		(157,388,679)	(159,157,167)	(19,130,530)	(17,598,845)
Raw materials and consumables used		(114,695,265)	(104,113,634)	(108,585,834)	(96,237,914)
Directors' remuneration	6	(4,408,324)	(4,727,171)	(2,226,793)	(2,471,121)
Staff costs	7	(5,504,475)	(7,641,716)	(2,773,404)	(3,900,368)
Write back of impairment loss/(Impairment loss) of property, plant and equipment	13	96,486	(1,327,896)	-	(1,327,896)
Depreciation of property, plant and equipment	13	(2,842,135)	(3,492,967)	(2,045,694)	(2,452,554)
Other operating expenses	8	(8,237,849)	(10,915,540)	(4,916,357)	(6,655,768)
Profit from operations		25,122,930	64,743,643	13,522,055	33,746,201
Finance costs	9	(1,621,655)	(1,203,187)	(1,026,762)	(805,782)
Income from other investments	10	445,418	166,396	429,072	112,399
Profit before tax		23,946,693	63,706,852	12,924,365	33,052,818
Income tax expense	11	(6,730,699)	(17,312,104)	(3,557,216)	(9,075,561)
Profit after tax		17,215,994	46,394,748	9,367,149	23,977,257
Minority interests		(623,015)	(2,143,644)	-	-
Net profit for the year		16,592,979	44,251,104	9,367,149	23,977,257
Earnings per ordinary share					
Basic (sen)	12	16.0	43.3		
Diluted (sen)	12	15.8	42.1		

The accompanying Notes form an integral part of the Financial Statements.

Balance Sheets

as at 31 December 2005

	Note(s)	The Group		The Company	
		2005 RM	2004 RM	2005 RM	2004 RM
ASSETS					
Property, plant and equipment	13	87,250,266	48,071,747	75,880,070	36,587,507
Investment in subsidiary companies	14	-	-	26,673,379	16,123,846
Other investments	15	5,796,927	1,668,776	5,776,037	1,633,826
Goodwill on consolidation	16	1,382,473	-	-	-
Deferred tax asset	25	-	230,000	-	-
Current Assets					
Inventories	17	123,300,270	192,453,173	74,709,607	131,456,751
Trade receivables	18&19	106,460,432	92,722,486	45,413,407	45,828,189
Other receivables, deposits and prepaid expenses	18	5,417,906	13,848,003	5,126,131	12,984,575
Amount owing by subsidiary companies	19	-	-	26,713,673	22,035,127
Tax recoverable		4,989,572	-	4,128,197	-
Cash and bank balances	20	7,341,301	3,357,995	5,980,612	2,060,456
Total Current Assets		247,509,481	302,381,657	162,071,627	214,365,098
Current Liabilities					
Trade payables	21	6,746,190	9,795,524	1,939,683	5,417,663
Other payables and accrued expenses	19&21	10,882,290	10,021,784	7,701,276	5,664,098
Bank borrowings	23	17,328,187	41,007,316	15,077,048	30,354,762
Tax liabilities		-	5,479,790	-	3,468,896
Total Current Liabilities		34,956,667	66,304,414	24,718,007	44,905,419
Net Current Assets		212,552,814	236,077,243	137,353,620	169,459,679
Long-term and Deferred Liabilities					
Bank borrowings - non-current portion	23	14,995,593	-	14,995,593	-
Provision for retirement benefits	24	375,218	382,509	299,317	306,608
Deferred tax liabilities	25	7,977,793	4,185,431	6,607,972	3,190,291
Total Long-term and Deferred Liabilities		(23,348,604)	(4,567,940)	(21,902,882)	(3,496,899)
Minority interests		-	(8,544,045)	-	-
Net Assets		283,633,876	272,935,781	223,780,224	220,307,959
Represented by:					
Issued capital	26	107,499,000	105,593,000	107,499,000	105,593,000
Reserves	27	176,134,876	167,342,781	116,281,224	114,714,959
Shareholders' Equity		283,633,876	272,935,781	223,780,224	220,307,959
Net tangible assets per ordinary share		2.72	2.65		

The accompanying Notes form an integral part of the Financial Statements.

Statement of Changes in Equity for the year ended 31 December 2005

The Group	Note(s)	Issued Capital RM	← Non-distributable Reserves →			Treasury Shares RM	Distributable Reserves Unappro- priated Profit RM	Total Shareholders' Equity RM
			Share Premium RM	Reserve on Consolidation RM	General Reserve RM			
Balance as at 1 January 2004		103,612,000	22,743,305	1,366,071	1,186,293	(4,018,542)	105,827,976	230,717,103
Issue of shares	26&27	1,981,000	422,790	-	-	-	-	2,403,790
Net profit for the year		-	-	-	-	-	44,251,104	44,251,104
Dividends	28	-	-	-	-	-	(4,433,918)	(4,433,918)
Shares repurchased	26	-	-	-	-	(2,298)	-	(2,298)
Balance as at 31 December 2004		105,593,000	23,166,095	1,366,071	1,186,293	(4,020,840)	145,645,162	272,935,781
Issue of shares	26&27	1,906,000	418,950	-	-	-	-	2,324,950
Net profit for the year		-	-	-	-	-	16,592,979	16,592,979
Dividends	28	-	-	-	-	-	(6,776,149)	(6,776,149)
Shares repurchased	26	-	-	-	-	(1,443,685)	-	(1,443,685)
Balance as at 31 December 2005		107,499,000	23,585,045	1,366,071	1,186,293	(5,464,525)	155,461,992	283,633,876

The accompanying Notes form an integral part of the Financial Statements.

Statement of Changes in Equity

for the year ended 31 December 2005 (cont'd)

The Company	Note(s)	Issued Capital RM	Non-distributable Reserves		Distributable	Shareholders' Equity RM
			Share Premium RM	Treasury Shares RM	Reserves Unappro- priated Profit RM	
Balance as at 1 January 2004		103,612,000	22,743,305	(4,018,542)	76,026,365	198,363,128
Issue of shares	26&27	1,981,000	422,790	-	-	2,403,790
Net profit for the year		-	-	-	23,977,257	23,977,257
Dividends	28	-	-	-	(4,433,918)	(4,433,918)
Shares repurchased	26	-	-	(2,298)	-	(2,298)
Balance as at 31 December 2004		105,593,000	23,166,095	(4,020,840)	95,569,704	220,307,959
Issue of shares	26&27	1,906,000	418,950	-	-	2,324,950
Net profit for the year		-	-	-	9,367,149	9,367,149
Dividends	28	-	-	-	(6,776,149)	(6,776,149)
Shares repurchased	26	-	-	(1,443,685)	-	(1,443,685)
Balance as at 31 December 2005		107,499,000	23,585,045	(5,464,525)	98,160,704	223,780,224

The accompanying Notes form an integral part of the Financial Statements.

Cash Flow Statement

for the year ended 31 December 2005

	Note	The Group	
		2005 RM	2004 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax		23,946,693	63,706,852
Adjustments for:			
Depreciation of property, plant and equipment		2,842,135	3,492,967
Impairment loss/(Write back of impairment loss) of property, plant and equipment		(96,486)	1,327,896
Allowance for doubtful debts		173,374	1,429,335
Property, plant and equipment written off		217,663	281,327
Write down of inventories		13,353,466	205,536
Loss/(Gain) on disposal of:			
Property, plant and equipment		(40,447)	51,367
Golf club membership		-	(1,000)
Unrealised loss on foreign exchange		23,404	-
Provision for retirement benefits		2,978	38,137
Bad debts written off		-	36,028
Interest income from operating activities		(645,508)	(526,914)
Allowance for doubtful debts no longer required		(1,482,405)	(458,530)
Write down of:			
Quoted investments		43,883	120,964
Units trusts		42,431	-
Loss/(Gain) on disposal of:			
Unit trusts		(42,239)	59,031
Quoted investments		47,370	(51,436)
Dividends received from:			
Quoted investments		(123,335)	(111,594)
Unit trusts		(276,731)	(101,510)
Interest income from investing activities		(100,947)	(46,451)
Rental income		(35,850)	(35,400)
Finance costs		1,621,655	1,203,187
Operating Profit Before Working Capital Changes		39,471,104	70,619,792
Decrease/(Increase) in:			
Inventories		55,799,437	(42,907,005)
Trade receivables		(12,428,915)	(9,450,774)
Other receivables, deposits and prepaid expenses		8,430,097	(2,584,599)
Increase/(Decrease) in:			
Trade payables		(3,049,334)	1,384,801
Other payables and accrued expenses		860,506	(2,768,627)
Cash From Operations		89,082,895	14,293,588
Interest income		645,508	526,914
Income tax paid		(13,144,349)	(15,208,703)
Retirement benefits paid	24	(10,269)	(7,825)
Net Cash From/(Used In) Operating Activities		76,573,785	(396,026)

Cash Flow Statement

for the year ended 31 December 2005 (cont'd)

	Note	The Group	
		2005 RM	2004 RM
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of unit trusts		46,095,441	9,767,442
Proceeds from disposal of quoted investments		949,090	157,198
Proceeds from disposal of property, plant and equipment		274,300	242,901
Interest on fixed and short-term deposits		100,947	46,451
Dividends received from quoted investments		89,985	89,249
Rental received		35,850	35,400
Dividends received from unit trusts		12,604	-
Purchase of unit trusts		(51,000,000)	(5,500,000)
Purchase of property, plant and equipment		(42,375,684)	(5,735,874)
Acquisition of shares from minority interest	14	(10,549,533)	-
Purchase of quoted investments		-	(84,200)
Net Cash Used In Investing Activities		(56,367,000)	(981,433)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from term loan		23,542,235	-
Proceeds from issuance of shares		2,324,950	2,403,790
Net proceeds from/(Repayment of) short-term borrowings		(31,262,239)	5,558,513
Dividends paid on share capital	28	(6,776,149)	(4,433,918)
Finance costs paid		(1,621,655)	(1,203,187)
Repurchase of own shares	26	(1,443,685)	(2,298)
Net Cash From/(Used In) Financing Activities		(15,236,543)	2,322,900
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,970,242	945,441
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,345,053	1,399,612
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	7,315,295	2,345,053

Cash Flow Statement

for the year ended 31 December 2005 (cont'd)

	Note	The Company	
		2005 RM	2004 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax		12,924,365	33,052,818
Adjustments for:			
Depreciation of property, plant and equipment		2,045,694	2,452,554
Impairment loss of property, plant and equipment		-	1,327,896
Allowance for doubtful debts		-	677,719
Write down in inventories		11,309,025	181,996
Loss/(Gain) on disposal of:			
Property, plant and equipment		(1,748)	36,522
Golf club membership		-	(1,000)
Unrealised loss on foreign exchange		26,735	-
Provision for retirement benefits		-	33,708
Bad debts written off		-	32,154
Interest income from operating activities		(1,078,966)	(520,918)
Allowance for doubtful debts no longer required		(351,677)	(50,206)
Property, plant and equipment written off		151,996	-
Write down of:			
Quoted investments		29,823	120,714
Unit trusts		42,431	-
Loss/(Gain) on disposal of:			
Unit trusts		(42,852)	68,823
Quoted investments		47,370	(51,436)
Dividends received from:			
Quoted investments		(121,775)	(111,594)
Unit trusts		(270,008)	(101,510)
Interest income from investing activities		(90,811)	(14,596)
Rental income		(23,250)	(22,800)
Finance costs		1,026,762	805,782
Operating Profit Before Working Capital Changes		25,623,114	37,916,626
Decrease/(Increase) in:			
Inventories		45,438,119	(22,109,387)
Trade receivables		766,459	(8,098,943)
Other receivables, deposits and prepaid expenses		7,858,444	(5,896,939)
Amount owing by subsidiary companies		(19,269,952)	15,213,779
Increase/(Decrease) in:			
Trade payables		(3,477,980)	1,043,455
Other payables and accrued expenses		2,037,178	(5,013,496)
Cash From Operations		58,975,382	13,055,095
Interest income		1,078,966	520,918
Income tax paid		(7,703,278)	(7,288,597)
Retirement benefits paid	24	(7,291)	(7,825)
Net Cash From Operating Activities		52,343,779	6,279,591

Cash Flow Statement

for the year ended 31 December 2005 (cont'd)

	Note	The Company	
		2005 RM	2004 RM
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from disposal of unit trusts		44,089,331	4,257,650
Repayments from/(Advances to) subsidiary companies		14,591,406	(16,717,316)
Proceeds from disposal of quoted investments		949,090	157,198
Proceeds from disposal of property, plant and equipment		34,100	79,200
Interest on short-term deposits		90,811	14,596
Dividends received from quoted investment		88,425	89,249
Rental received		23,250	22,800
Dividends received from unit trusts		12,604	-
Purchase of unit trusts		(49,000,000)	-
Purchase of property, plant and equipment		(41,522,605)	(4,863,622)
Acquisition of shares from minority interest	14	(10,549,533)	-
Purchase of quoted investments		-	(49,000)
Net Cash Used In Investing Activities		(41,193,121)	(17,009,245)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from term loan		23,542,235	-
Proceeds from issuance of shares		2,324,950	2,403,790
Net proceeds from/(Repayment of) short-term borrowings		(23,421,465)	12,374,743
Dividends paid on share capital	28	(6,776,149)	(4,433,918)
Finance costs paid		(1,026,762)	(805,782)
Repurchase of own shares	26	(1,443,685)	(2,298)
Net Cash From/(Used In) Financing Activities		(6,800,876)	9,536,535
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,349,782	(1,193,119)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,630,694	2,823,813
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	5,980,476	1,630,694

The accompanying Notes form an integral part of the Financial Statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

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 Company is principally engaged in the processing of steel coils into steel products, fabrication of steel products and trading of hardware products.

The principal activities of the subsidiary companies are disclosed under Note 14.

There have been no significant changes in the nature of the activities of the Company and its subsidiary companies during the financial year.

The total number of employees of the Group and of the Company at year end were 246 (2004: 243) and 152 (2004: 144) respectively.

The registered office of the Company is located at 35, Jalan Hussein, 30250 Ipoh, Perak Darul Ridzuan.

The principal place of business of the Company is located at 46 - 48, Lebuhraya Bendahara, 31650 Ipoh, Perak Darul Ridzuan.

The financial statements of the Group and of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 February 2006.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia. The preparation of the financial statements also uses financial estimates which are arrived at using measurement basis as provided in the notes to the Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and of the subsidiary companies controlled by the Company made up to 31 December 2005.

A subsidiary company is a company where the Group has control through the power to govern the financial and operating policies of the company so as to obtain benefits therefrom. Control is presumed to exist when the Group owns, directly or indirectly through subsidiary companies, more than half of the voting rights of the company.

Subsidiary companies are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

All significant intercompany transactions, balances and resulting unrealised gains are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue Recognition

Sales of goods are recognised upon delivery of products and when the risks and rewards of ownership have passed to the customers. Sales represent gross invoiced value of goods sold and services provided net of sales tax, trade discounts and allowances.

Dividend income represents gross dividends from quoted and unquoted investments and is recognised when the shareholder's right to receive payment is established.

Rental income is accrued on a time basis, by reference to the agreements entered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rates applicable.

Foreign Currency

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at the transaction dates or, where settlement has not yet been made at the end of the financial year, the assets and liabilities are converted at approximate exchange rates prevailing at that date. All foreign exchange gains or losses are taken up in the income statements.

Employee Benefits

Short-term benefits

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

Defined contribution plans

The Group and the Company are required by law to make monthly contributions to the Employees' Provident Fund ("EPF"), a statutory defined contribution plan for all their eligible employees based on certain prescribed rates of the employees' salaries. The Group's and the Company's contributions to the EPF are disclosed separately. The employees' contributions to the EPF are included in salaries and wages.

Retirement benefits

The Group and the Company operate a non-contributory unfunded retirement benefits scheme for those employees who are eligible. Provision has been made in the financial statements for retirement benefits of eligible employees who have completed the minimum qualifying period of eight years of continuous service and is computed after taking into consideration the length of service and basic salary earnings of the eligible employees upon reaching the age of retirement.

The provision is charged to the income statements on a systematic basis over the expected remaining working lives of the employees covered by the retirement benefits scheme. Should an employee leave after completing the qualifying period of service but before attaining the retirement age, the provision made for the employee is written back. No actuarial valuation has been conducted on the retirement benefits provision, as the directors consider the amount to be insignificant to the Group and to the Company.

Employee equity compensation benefits

The Company has an Employees' Share Option Scheme whereby options to subscribe for ordinary shares in the Company are granted to eligible employees, including executive directors of the Company and its subsidiary companies. No compensation cost is recognised upon the granting or the exercise of the options. When the options are exercised, the proceeds received are credited to share capital and share premium accordingly.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred Taxation

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised.

Property, Plant and Equipment

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

The directors have applied the transitional provisions of International Accounting Standard ("IAS") No 16 (Revised), Property, Plant and Equipment by virtue of which, a reporting enterprise which does not adopt a policy of revaluation, is allowed to retain revalued amounts on the basis of their previous revaluation (subject to continuity in depreciation policy and the requirement to write down an asset to its recoverable amount) which is adopted by the Malaysian Accounting Standards Board.

Short-term leasehold land is amortised evenly over the remaining lease periods ranging from 34 to 38 years.

Long-term leasehold land is amortised evenly over the remaining lease periods ranging from 52 to 86 years. One of the long-term leasehold land with a remaining lease period of 891 years is not amortised as the effect of the non-amortisation is not expected to be material.

Freehold land is not depreciated.

Capital work-in-progress is stated at cost and is also not depreciated. Capital work-in-progress comprises contractors' payments and directly attributable costs incurred in preparing these assets for their intended use. Depreciation on assets under construction commences when the assets are ready for their intended use.

With effect from 1 January 2005, the Group and the Company changed the method for depreciating property, plant and equipment other than leasehold land and buildings from the reducing balance method to the straight-line method so as to reflect more realistically the estimated useful life of these assets. The effect of the change in depreciation method on the current financial year is a decrease in depreciation of the Group and of the Company by an amount of RM584,326 and RM445,852 respectively. Annual depreciation rates used to depreciate property, plant and equipment over their estimated remaining useful lives using the straight-line method are as follows:

Buildings	2%
Plant and machinery	5% to 10%
Electrical installation	5%
Furniture, fittings, equipment and vehicles	5% to 20%

Investments

Investment in subsidiary companies, which is eliminated on consolidation, is stated in the Company's financial statements at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Other investments in quoted shares, unit trusts and warrants are stated at the lower of cost and market value on a portfolio basis.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Goodwill

Goodwill arising on consolidation represents the excess of the purchase consideration over the share of the fair values of the identifiable net assets of a subsidiary company at the date of acquisition.

Goodwill is recognised as an asset and is stated in the Group's financial statements at cost. Where there is an indication of impairment in the value of the Group's investment in subsidiary companies, the carrying amount of goodwill is written down immediately to the recoverable amount of the Group's investment in subsidiary companies.

Impairment of Assets

At each balance sheet date, the Group and the Company review the carrying amounts of assets (other than inventories, deferred tax assets, assets from employee benefits and financial assets, which are dealt with in their respective policies) to determine if there is any indication that those assets may be impaired. If any such indication exists, the asset's recoverable amount, which is the higher of net selling price and value in use, is estimated.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statements, unless the asset is carried at revalued amount, in which case, the impairment loss is treated as a revaluation decrease.

An impairment loss in respect of goodwill is not reversed unless the loss is caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event. In respect of other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

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

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the "Weighted Average" method. The cost of raw materials and trading goods comprise the original purchase price plus cost incurred in bringing the inventories to their present location. Cost of manufactured goods includes the cost of raw materials, direct labour and a proportion of production overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Receivables

Receivables are reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Provisions

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

Reserve on Consolidation

Reserve arising on consolidation represents the excess of the fair values of the identifiable net assets of the subsidiary company over the purchase consideration at the date of acquisition and is realised in the income statements upon disposal of the subsidiary company.

Notes to the Financial Statements (cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Treasury Shares

Shares repurchased by the Company are held as treasury shares, and are stated at the cost of repurchases, including directly attributable costs.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

4. REVENUE

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Manufacturing sales	111,868,113	127,683,931	130,118,098	140,991,738
Trading sales	217,168,787	208,858,829	23,581,257	23,257,787
	329,036,900	336,542,760	153,699,355	164,249,525

5. SEGMENT REPORTING

Business Segments

For management purposes, the Group is organised into trading and manufacturing divisions.

Inter-segment sales are transacted at arms' length.

The Group 2005	Trading RM	Manufacturing RM	Eliminations RM	Consolidated RM
Revenue				
External sales	217,168,787	111,868,113	-	329,036,900
Inter-segment sales	8,715,856	26,076,659	(34,792,515)	-
	225,884,643	137,944,772	(34,792,515)	329,036,900
Results				
Segment result	10,467,488	13,894,772	1,101,224	25,463,484
Unallocated corporate expenses				(340,554)
Profit from operations				25,122,930
Finance costs				(1,621,655)
Income from other investments				445,418
Profit before tax				23,946,693
Income tax expense				(6,730,699)
Profit after tax				17,215,994

Notes to the Financial Statements (cont'd)

5. SEGMENT REPORTING (cont'd)

The Group 2005	Trading RM	Manufacturing RM	Eliminations RM	Consolidated RM
Other information				
Capital additions	(1,156,180)	(41,219,504)	-	(42,375,684)
Write down of inventories	(2,542,538)	(10,810,928)	-	(13,353,466)
Depreciation of property, plant and equipment	(327,611)	(2,528,270)	13,746	(2,842,135)
Write back of impairment loss of property, plant and equipment	-	96,486	-	96,486
Property, plant and equipment written off	(50,917)	(166,746)	-	(217,663)
Consolidated Balance Sheet				
Assets				
Segment assets	123,647,273	198,711,142	(491,329)	321,867,086
Unallocated corporate assets				20,072,061
Consolidated total assets				<u>341,939,147</u>
Liabilities				
Segment liabilities	11,964,287	37,986,119	-	49,950,406
Unallocated corporate liabilities				8,354,865
Consolidated total liabilities				<u>58,305,271</u>
The Group 2004	Trading RM	Manufacturing RM	Eliminations RM	Consolidated RM
Revenue				
External sales	208,858,829	127,683,931	-	336,542,760
Inter-segment sales	10,588,739	26,721,352	(37,310,091)	-
	<u>219,447,568</u>	<u>154,405,283</u>	<u>(37,310,091)</u>	<u>336,542,760</u>
Results				
Segment result	<u>33,009,289</u>	<u>32,814,959</u>	<u>(743,099)</u>	65,081,149
Unallocated corporate expenses				(337,506)
Profit from operations				64,743,643
Finance costs				(1,203,187)
Income from other investments				166,396
Profit before tax				63,706,852
Income tax expense				(17,312,104)
Profit after tax				<u>46,394,748</u>
Other information				
Capital additions	(1,998,597)	(3,740,344)	3,067	(5,735,874)
Depreciation of property, plant and equipment	(383,958)	(3,123,040)	14,031	(3,492,967)
Impairment loss of property, plant and equipment	-	(1,327,896)	-	(1,327,896)
Property, plant and equipment written off	(33,804)	(247,523)	-	(281,327)

Notes to the Financial Statements (cont'd)

5. SEGMENT REPORTING (cont'd)

The Group 2004	Trading RM	Manufacturing RM	Eliminations RM	Consolidated RM
Consolidated Balance Sheet				
Assets				
Segment assets	124,893,155	222,470,672	(1,592,552)	345,771,275
Unallocated corporate assets				6,580,905
Consolidated total assets				<u>352,352,180</u>
Liabilities				
Segment liabilities	9,605,117	10,208,336	-	19,813,453
Unallocated corporate liabilities				51,058,901
Consolidated total liabilities				<u>70,872,354</u>

Information on the carrying amount of segment assets by geographical area and segment analysis by geographical market have not been provided for as the Group operates principally in Malaysia.

6. DIRECTORS' REMUNERATION

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Executive directors:				
Fees	128,000	128,000	100,000	100,000
Other emoluments:				
Current year	2,923,547	4,034,699	1,439,172	2,036,499
Previous year	1,227,177	443,118	558,021	215,008
	<u>4,150,724</u>	<u>4,477,817</u>	<u>1,997,193</u>	<u>2,251,507</u>
Non-executive directors:				
Fees	96,000	88,354	96,000	86,614
Other emoluments	33,600	33,000	33,600	33,000
	<u>4,408,324</u>	<u>4,727,171</u>	<u>2,226,793</u>	<u>2,471,121</u>

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group and the Company amounted to RM56,392 (2004: RM75,719).

7. STAFF COSTS AND EPF CONTRIBUTIONS

Contributions made to the EPF by the Group and by the Company that are included in staff costs and directors' remuneration amount to RM1,372,539 (2004: RM814,319) and RM671,799 (2004: RM397,355) respectively. Staff costs of the Group also include directors' remuneration for the directors of subsidiary companies as follows:

	The Group	
	2005 RM	2004 RM
Fees	6,000	6,000
Other emoluments:		
Current year	23,749	25,205
Previous year	1,611	784
	<u>25,360</u>	<u>25,989</u>
	<u>31,360</u>	<u>31,989</u>

Notes to the Financial Statements (cont'd)

8. OTHER OPERATING INCOME/(EXPENSES)

Included in other operating income/(expenses) are the following:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Allowance for doubtful debts no longer required	1,482,405	458,530	351,677	50,206
Interest received on:				
Overdue accounts	645,038	525,764	982,114	512,691
Others	470	1,150	268	497
Advances to subsidiary companies	-	-	96,584	7,730
Realised gain/(loss) on foreign exchange	1,065,307	(471)	933,565	(145)
Gain/(Loss) on disposal of:				
Property, plant and equipment	40,447	(51,367)	1,748	(36,522)
Golf club membership	-	1,000	-	1,000
Rental of land and premises	(227,860)	(196,935)	(50,500)	(47,000)
Property, plant and equipment written off	(217,663)	(281,327)	(151,996)	-
Allowance for doubtful debts	(173,374)	(1,429,335)	-	(677,719)
Fees paid/payable to external auditors:				
Statutory audit:				
Current year	(73,800)	(61,600)	(33,000)	(30,000)
Previous year	(12,000)	(5,000)	(3,000)	(3,000)
Non-audit services	(5,000)	(5,000)	(5,000)	(5,000)
Unrealised loss on foreign exchange	(23,404)	-	(26,735)	-
Provision for retirement benefits	(2,978)	(38,137)	-	(33,708)
Bad debts written off	-	(36,028)	-	(32,154)

9. FINANCE COSTS

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Interest on:				
Other short-term borrowings	1,303,777	1,198,849	711,505	805,230
Term loan	314,700	-	314,700	-
Bank overdrafts	682	728	557	552
Others	2,496	3,610	-	-
	1,621,655	1,203,187	1,026,762	805,782

Notes to the Financial Statements (cont'd)

10. INCOME FROM OTHER INVESTMENTS

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Dividend income from:				
Quoted investments (gross)	123,335	111,594	121,775	111,594
Unit trusts	276,731	101,510	270,008	101,510
Gain/(Loss) on disposal of:				
Unit trusts	42,239	(59,031)	42,852	(68,823)
Quoted investments	(47,370)	51,436	(47,370)	51,436
Interest income from short-term deposits	100,947	46,451	90,811	14,596
Rental income	35,850	35,400	23,250	22,800
Write down of:				
Quoted investments	(43,883)	(120,964)	(29,823)	(120,714)
Unit trusts	(42,431)	-	(42,431)	-
	445,418	166,396	429,072	112,399

11. INCOME TAX EXPENSE

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current Malaysian tax expense	2,578,000	18,046,000	181,000	9,636,000
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	4,038,000	(1,146,000)	3,433,000	(503,000)
Relating to crystallisation of deferred tax liability on surplus on revaluation of property, plant and equipment	(6,638)	(6,648)	(3,319)	(3,329)
	4,031,362	(1,152,648)	3,429,681	(506,329)
Under/(Over)provision in prior years:				
Current tax	130,337	382,752	(41,465)	(80,110)
Deferred tax (Note 25)	(9,000)	36,000	(12,000)	26,000
	6,730,699	17,312,104	3,557,216	9,075,561

Notes to the Financial Statements (cont'd)

11. INCOME TAX EXPENSE (cont'd)

A numerical reconciliation of income tax expense at the applicable income tax rate to income tax expense at the effective income tax rate is as follows:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit before tax	23,946,693	63,706,852	12,924,365	33,052,818
Tax at the applicable tax rate of 28%	6,705,000	17,611,000	3,619,000	9,255,000
Tax effects in respect of:				
Expenses that are not deductible in determining taxable profit	120,000	227,000	84,000	185,000
Reinvestment allowances utilised	-	(875,000)	-	(244,000)
Income that is not taxable in determining taxable profit	(209,000)	(63,000)	(89,000)	(63,000)
Crystallisation of deferred tax liability on surplus on revaluation of property, plant and equipment	(6,638)	(6,648)	(3,319)	(3,329)
	6,609,362	16,893,352	3,610,681	9,129,671
Income tax - prior year	130,337	382,752	(41,465)	(80,110)
Deferred tax - prior year	(9,000)	36,000	(12,000)	26,000
Income tax expense for the year	6,730,699	17,312,104	3,557,216	9,075,561

As at 31 December 2005, the subsidiary companies have tax-exempt accounts arising from their claims for reinvestment allowances under Schedule 7A of the Income Tax Act, 1967 and special tax-exempt accounts arising from chargeable income waived in 1999 in accordance with the Income Tax (Amendment) Act, 1999 and tax-exempt dividends received amounting in total to RM11,190,000 (2004: RM11,190,000). These tax-exempt accounts are available for distribution as tax-exempt dividends to the shareholders of the subsidiary companies.

As at 31 December 2005, one of the subsidiary companies has unutilised reinvestment allowances claimed amounting to approximately RM797,000 (2004: RM753,000) which are available for set-off against future taxable income.

Notes to the Financial Statements (cont'd)

12. EARNINGS PER ORDINARY SHARE

The basic and diluted earnings per share are calculated as follows:

	The Group	
	2005	2004
Basic		
Net profit attributable to ordinary shareholders	RM 16,592,979	RM 44,251,104
Number of ordinary shares in issue as at 1 January	105,593,000	103,612,000
Shares repurchased and held as treasury shares	(2,747,000)	(2,746,000)
	102,846,000	100,866,000
Effect of exercise of ESOS	1,199,083	1,240,250
Effect of shares repurchased	(255,042)	(417)
Weighted average number of ordinary shares	103,790,041	102,105,833
Basic earnings per ordinary share (sen)	16.0	43.3
Diluted		
Net profit attributable to ordinary shareholders	RM 16,592,979	RM 44,251,104
Weighted average number of ordinary shares in issue	103,790,041	102,105,833
ESOS:		
Number of unissued shares	3,040,917	5,225,417
Number of shares that would have been issued at fair value	(1,689,558)	(2,177,454)
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	105,141,400	105,153,796
Diluted earnings per ordinary share (sen)	15.8	42.1

Notes to the Financial Statements (cont'd)

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in 2005 consist of the following:

The Group	← Accumulated Depreciation →		Cost/Valuation		At end of year RM
	At beginning of year RM	Additions RM	Disposals/Write offs RM	Reclassification RM	
Freehold land and building	887,194	-	(2,680)	-	884,514
Long-term leasehold land	6,219,955	20,040	-	-	6,239,995
Short-term leasehold land	877,882	-	-	-	877,882
Buildings	19,954,533	6,863,277	(31,777)	2,116,717	28,902,750
Plant and machinery	54,858,527	31,652,067	(529,696)	935,927	86,916,825
Electrical installation	1,773,345	1,488,642	(27,312)	7,925	3,242,600
Furniture, fittings, equipment and vehicles	7,532,551	521,455	(1,063,765)	(943,852)	6,046,389
Capital work-in-progress	2,185,081	1,830,203	-	(2,116,717)	1,898,567
Total	94,289,068	42,375,684	(1,655,230)	-	135,009,522

The Group	← Accumulated Depreciation →				Accumulated Impairment Loss			
	At beginning of year RM	Charge for the year RM	Disposals/Write offs RM	Reclassification RM	At end of year RM	At beginning of year RM	Write back for the year RM	At end of year RM
Freehold land and building	57,912	8,886	(235)	-	66,563	-	-	-
Long-term leasehold land	904,670	76,888	-	-	981,558	-	-	-
Short-term leasehold land	302,718	15,136	-	-	317,854	-	-	-
Buildings	3,364,401	312,160	(1,734)	-	3,674,827	-	-	-
Plant and machinery	33,978,331	1,825,921	(368,401)	562,671	35,998,522	1,696,500	(96,486)	1,600,014
Electrical installation	825,911	112,715	(12,526)	6,838	932,938	-	-	-
Furniture, fittings, equipment and vehicles	5,045,949	490,429	(820,818)	(569,509)	4,146,051	40,929	-	40,929
Capital work-in-progress	-	-	-	-	-	-	-	-
Total	44,479,892	2,842,135	(1,203,714)	-	46,118,313	1,737,429	(96,486)	1,640,943

Notes to the Financial Statements (cont'd)

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

The Company	←		Cost/Valuation	→	
	At beginning of year RM	Additions RM	Disposals/ Write offs RM	Reclassification RM	At end of year RM
Freehold land and building	584,977	-	(2,680)	-	582,297
Long-term leasehold land	6,022,545	20,040	-	-	6,042,585
Buildings	15,970,484	6,863,277	(31,377)	2,116,717	24,919,101
Plant and machinery	41,161,495	31,574,487	(207,276)	-	72,528,706
Electrical installation	1,533,270	1,485,611	(21,331)	-	2,997,550
Furniture, fittings, equipment and vehicles	3,685,212	76,597	(491,172)	-	3,270,637
Capital work-in-progress	2,184,131	1,502,593	-	(2,116,717)	1,570,007
Total	71,142,114	41,522,605	(753,836)	-	111,910,883

	← Accumulated Depreciation →				Accumulated Impairment Loss		
	At beginning of year RM	Charge for the year RM	Disposals/ Write offs RM	At end of year RM	At beginning of year RM	Additions for the year RM	At end of year RM
Freehold land and building	57,912	8,886	(235)	66,563	-	-	-
Long-term leasehold land	876,498	75,699	-	952,197	-	-	-
Buildings	2,591,794	231,643	(1,657)	2,821,780	-	-	-
Plant and machinery	26,208,288	1,338,703	(149,704)	27,397,287	1,454,057	-	1,454,057
Electrical installation	753,339	99,530	(10,179)	842,690	-	-	-
Furniture, fittings, equipment and vehicles	2,572,830	291,233	(407,713)	2,456,350	39,889	-	39,889
Total	33,060,661	2,045,694	(569,488)	34,536,867	1,493,946	-	1,493,946

The Group	Net Book Value	
	2005 RM	2004 RM
Freehold land and building	817,951	829,282
Long-term leasehold land	5,258,437	5,315,285
Short-term leasehold land	560,028	575,164
Buildings	25,227,923	16,590,132
Plant and machinery	49,318,289	19,183,696
Electrical installation	2,309,662	947,434
Furniture, fittings, equipment and vehicles	1,859,409	2,445,673
Capital work-in-progress	1,898,567	2,185,081
Total	87,250,266	48,071,747

Notes to the Financial Statements (cont'd)

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

The Company	Net Book Value	
	2005 RM	2004 RM
Freehold land and building	515,734	527,065
Long-term leasehold land	5,090,388	5,146,047
Buildings	22,097,321	13,378,690
Plant and machinery	43,677,362	13,499,150
Electrical installation	2,154,860	779,931
Furniture, fittings, equipment and vehicles	774,398	1,072,493
Capital work-in-progress	1,570,007	2,184,131
Total	75,880,070	36,587,507

The analysis of cost and valuation is as follows:

	The Group	
	2005 RM	2004 RM
At valuation:		
Long-term leasehold land and buildings -1981	2,277,000	2,277,000
-1983	850,000	850,000
	3,127,000	3,127,000
At cost:		
Freehold land and building	884,514	887,194
Long-term leasehold land and buildings	32,015,745	23,047,488
Short-term leasehold land	877,882	877,882
Plant and machinery	86,916,825	54,858,527
Electrical installation	3,242,600	1,773,345
Furniture, fittings, equipment and vehicles	6,046,389	7,532,551
Capital work-in-progress	1,898,567	2,185,081
Total	135,009,522	94,289,068

	The Company	
	2005 RM	2004 RM
At valuation:		
Long-term leasehold land and buildings -1981	2,277,000	2,277,000
At cost:		
Freehold land and building	582,297	584,977
Long-term leasehold land and buildings	28,684,686	19,716,029
Plant and machinery	72,528,706	41,161,495
Electrical installation	2,997,550	1,533,270
Furniture, fittings, equipment and vehicles	3,270,637	3,685,212
Capital work-in-progress	1,570,007	2,184,131
Total	111,910,883	71,142,114

The strata title to a landed property of the Group and of the Company with a carrying amount of RM143,367 (2004: RM147,847) is in the process of being issued by the relevant authorities.

Notes to the Financial Statements (cont'd)

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

During the year, impairment losses of RM96,486 previously recognised by the Group in respect of certain plant and machinery were reversed upon the disposal of the plant and machinery. The reversals have been recognised in the income statements of the Group.

Certain long-term leasehold land and buildings of the Company and a subsidiary company were revalued in 1981 and 1983 by the directors based on opinions of value expressed by a firm of independent professional valuers using the "Open Market Value" basis.

The carrying amounts of the revalued leasehold properties that would have been included in the financial statements had the properties been carried at cost less accumulated depreciation have not been disclosed due to the absence of historical records.

The carrying values of freehold and leasehold properties in respect of which land values cannot be ascribed, as the building and the land on which the building is situated were acquired as one property, are not segregated. However, in the opinion of the directors, the amount is not material.

14. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2005 RM	2004 RM
Unquoted shares, at cost	<u>26,673,379</u>	<u>16,123,846</u>

The subsidiary companies, all of which were incorporated in Malaysia, are as follows:

Name of Company	Effective Equity Interest		Principal Activities
	2005 %	2004 %	
Direct subsidiary companies			
Choo Bee Hardwares Sdn. Berhad	100.00	100.00	Dealer in hardware and construction materials.
Choo Bee Steel Servicing Centre Sdn. Bhd.	100.00	100.00	Dormant.
Taik Bee Hardware Sdn. Bhd.	100.00	66.29	Fabrication and manufacturing of pipes and trading of hardware.
Indirect subsidiary company			
(Held through Taik Bee Hardware Sdn. Bhd.)			
Pan Asian Management Consultants Sdn. Bhd.	100.00	66.29	Letting out its leasehold land.

During the financial year, the Company acquired the remaining interest of 33.71% in Taik Bee Hardware Sdn. Bhd. for a total consideration of RM10,549,533.

Notes to the Financial Statements (cont'd)

15. OTHER INVESTMENTS

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Shares and warrants quoted in Malaysia, at cost	793,280	1,789,740	758,080	1,754,540
Write down to market value	(164,847)	(120,964)	(150,537)	(120,714)
	628,433	1,668,776	607,543	1,633,826
Unit trusts, at cost	5,210,925	-	5,210,925	-
Write down to market value	(42,431)	-	(42,431)	-
	5,168,494	-	5,168,494	-
	5,796,927	1,668,776	5,776,037	1,633,826
Market value:				
Quoted shares and warrants	628,433	1,668,776	607,543	1,633,826
Unit trusts	5,168,494	-	5,168,494	-
	5,796,927	1,668,776	5,776,037	1,633,826

16. GOODWILL ON CONSOLIDATION

	The Group	
	2005 RM	2004 RM
At beginning of year	-	-
Goodwill arising from acquisition of additional shares in a subsidiary company	1,382,473	-
At end of year	1,382,473	-

17. INVENTORIES

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At cost:				
Raw materials	31,713,720	106,397,128	29,208,179	101,895,881
Manufactured goods	18,081,196	21,707,906	13,669,479	18,345,131
Trading goods	33,572,468	63,780,887	2,121,584	10,791,083
	83,367,384	191,885,921	44,999,242	131,032,095
At net realisable value:				
Raw materials	20,033,721	228,142	19,098,573	207,324
Manufactured goods	5,425,136	202,847	5,065,859	194,468
Trading goods	14,474,029	136,263	5,545,933	22,864
	39,932,886	567,252	29,710,365	424,656
	123,300,270	192,453,173	74,709,607	131,456,751

Total write downs of inventories recognised as an expense for the Group and the Company amounted to RM13,353,466 (2004: RM205,536) and RM11,309,025 (2004: RM181,996) respectively.

Notes to the Financial Statements (cont'd)

18. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables	112,822,197	100,393,282	47,138,233	47,904,692
Allowance for doubtful debts	(6,361,765)	(7,670,796)	(1,724,826)	(2,076,503)
	106,460,432	92,722,486	45,413,407	45,828,189
Other receivables	2,031,424	2,672,853	1,994,726	2,059,985
Refundable deposits	3,113,922	10,918,895	3,082,889	10,888,082
Prepaid expenses	272,560	256,255	48,516	36,508
	5,417,906	13,848,003	5,126,131	12,984,575

Trade receivables of the Group and of the Company include amounts of RM580,683 (2004: RM374,765) which are denominated in Singapore Dollars.

The Group's and the Company's normal trade credit terms range from 7 to 120 days (2004: 14 to 120 days). Allowances have been made for estimated irrecoverable amounts from the sales of goods of the Group and of the Company of RM6,361,765 (2004: RM7,670,796) and RM1,724,826 (2004: RM2,076,503) respectively and have been determined by reference to past default experience.

The Group and the Company have no significant concentration of credit risk that may arise from exposure to a single customer or to a group of customers.

Refundable deposits include a security deposit of RM1,858,244 (2004: RM5,000,000) paid to a creditor to secure the supply of raw materials and a down payment for acquisition of plant and machinery of RM1,189,440 (2004: RM5,860,500).

Amounts receivable from related parties are disclosed in Note 19.

19. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS

Related Companies

The amount owing by subsidiary companies arose mainly from intercompany sales and purchases and unsecured advances which have no fixed repayment terms. The advances to subsidiary companies bear interest at rates ranging from 3.20% to 4.00% (2004: 3.20% to 4.00%) per annum. Interest on overdue trade balances are charged at a rate of 12.00% (2004: 12.00%) per annum.

Amount owing by subsidiary companies consist of:

	The Company	
	2005 RM	2004 RM
Trade account	23,927,926	4,657,974
Current account	2,785,747	17,377,153
	26,713,673	22,035,127

Notes to the Financial Statements (cont'd)

19. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (cont'd)

Other than as disclosed elsewhere in the financial statements, the related parties and their relationship with the Company and its subsidiary companies are as follows:

Names of related parties	Relationship
Chuan Bee Hardware Sdn. Bhd.	A company in which Soon Lian Lim, brother of Soon Ah Khun @ Soon Lian Huat, holds 55% equity interest.
Chua Hock Seng Hardware Sdn. Bhd.	A company in which Soon Nyuk Ben, sister of Soon Ah Khun @ Soon Lian Huat, holds 50% equity interest.
Austcorp Manufacturing Sdn. Bhd.	Subsidiary company of Soon Lian Huat Holdings Sdn. Berhad.
Austcorp Marketing Sdn. Bhd.	A wholly-owned subsidiary company of Austcorp Manufacturing Sdn. Bhd..
Tang Kim Heok	Close family member of Messrs. Soon Ah Khun @ Soon Lian Huat, Soon Cheng Hai, Soon Cheng Boon, Soon Hean Hooi and Lee Sieng Tzi @ Vincent Lee.
Amalgamated Industrial Steel Bhd.	A company in which a former director of the Company, Datuk Ismail Bin Haji Ahmad, holds 6.8% equity interest.

During the financial year, related party transactions are as follows:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Subsidiary companies				
Advances repaid	-	-	59,952,166	24,095,950
Advances granted	-	-	(62,243,750)	(23,859,750)
Trade sales	-	-	29,367,074	31,248,068
Trade purchases	-	-	(210,531)	(338,288)
Interest received on:				
Advances	-	-	96,584	7,730
Overdue account	-	-	668,978	261,880
Acquisition of				
Office equipment	-	-	-	(3,068)
Related parties				
Trade sales				
Chuan Bee Hardware Sdn. Bhd.	1,287,695	1,037,896	743,311	881,364
Chua Hock Seng Hardware Sdn. Bhd.	20,941	70,902	20,941	70,902
Austcorp Manufacturing Sdn. Bhd.	-	1,660	-	-
	1,308,636	1,110,458	764,252	952,266
Trade purchases				
Amalgamated Industrial Steel Bhd.	-	(185,875)	-	-
Purchases of consumables				
Austcorp Marketing Sdn. Bhd.	-	(10,562)	-	-

Notes to the Financial Statements (cont'd)

19. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (cont'd)

Directors' remuneration are as disclosed in Note 6.

The transactions with subsidiary and related companies are aggregated as these transactions are similar in nature and also no single transaction is significant enough to be disclosed separately in the financial statements.

The mandated amounts for related party transactions with subsidiary companies refer to transactions between the Company and Taik Bee Hardware Sdn. Bhd. (TBH), and between Choo Bee Hardwares Sdn. Berhad (CBH) and TBH.

	Mandated amounts from 1 Jan. 2005 to 31 Dec. 2005 The Group and The Company RM	Amounts transacted from 1 Jan. 2005 to 31 Dec. 2005 The Group The Company RM RM	
Subsidiary companies			
Trade sales	24,278,082	12,289,363 *	9,410,286 #
Trade purchases	(3,085,753)	(2,324,504) *	(6,643) #
Coil shearing services	107,945	43,992	43,992
Advances	(6,079,452)	(11,483,300) *	(11,483,300) #
Repayment of advances	-	11,404,783 *	11,404,783 #
Interest on advances	212,781	17,519 *	16,653 #
	<hr/>	<hr/>	<hr/>
Trade sales			
Chua Hock Seng Hardware Sdn. Bhd.	723,836	20,941	20,941
Chuan Bee Hardware Sdn. Bhd.	1,723,836	1,287,697	743,312
	<hr/>	<hr/>	<hr/>
Trade purchases			
Amalgamated Industrial Steel Bhd.	690,411	208,124	-
	<hr/>	<hr/>	<hr/>

Transactions between the Company and TBH.

* Transactions between the Company and TBH and between CBH and TBH.

The outstanding balances arising from the above transactions are as follows:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables				
Chua Hock Seng Hardware Sdn. Bhd.	20,941	20,901	20,941	20,901
Chuan Bee Hardware Sdn. Bhd.	500,406	352,806	165,161	321,790
	<hr/>	<hr/>	<hr/>	<hr/>
	521,347	373,707	186,102	342,691
	<hr/>	<hr/>	<hr/>	<hr/>
Other payables				
Austcorp Marketing Sdn. Bhd.	-	1,240	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the Financial Statements (cont'd)

20. CASH AND BANK BALANCES

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Short-term deposits with licensed banks	4,480,000	2,080,000	4,480,000	1,400,000
Cash on hand and bank balances	2,861,301	1,277,995	1,500,612	660,456
	7,341,301	3,357,995	5,980,612	2,060,456

The effective interest rate for short-term deposits of the Group and of the Company is at 2.40% (2004: 2.40%) per annum.

Deposits of the Group and of the Company have maturities ranging from 1 to 3 days (2004: 1 to 6 days).

21. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The credit periods granted to the Group and the Company for trade purchases range from 5 to 120 days (2004: 5 to 120 days) and 5 to 90 days (2004: 5 to 30 days) respectively.

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Other payables	4,567,300	3,467,653	3,715,487	2,303,182
Accrued expenses	6,314,990	6,554,131	3,985,789	3,360,916
	10,882,290	10,021,784	7,701,276	5,664,098

22. ULTIMATE HOLDING COMPANY

The directors regard Soon Lian Huat Holdings Sdn. Berhad, a company incorporated in Malaysia as the ultimate holding company.

During the year, transactions with the ultimate holding company are as follows:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Ultimate holding company				
Rental of land	204,860	191,935	45,500	42,000
		Mandated amount from 1 Jan. 2005 to 31 Dec. 2005	Amount transacted from 1 Jan. 2005 to 31 Dec. 2005	
		The Group and The Company	The Group	The Company
		RM	RM	RM
Ultimate holding company				
Rental of land		201,856	204,860	45,500

Notes to the Financial Statements (cont'd)

23. BANK BORROWINGS (UNSECURED)

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unsecured:				
Term loan	23,567,045	-	23,567,045	-
Bankers' acceptances	5,000,000	5,180,000	5,000,000	4,250,000
Trust receipts	3,730,729	34,814,374	1,505,460	25,675,000
Bank overdrafts	26,006	1,012,942	136	429,762
	32,323,780	41,007,316	30,072,641	30,354,762
Less: Amount due within 12 months (shown under current liabilities)	(17,328,187)	(41,007,316)	(15,077,048)	(30,354,762)
Non-current portion	14,995,593	-	14,995,593	-

The non-current portion is repayable as follows:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Financial years ending 31 December:				
2007	12,857,178	-	12,857,178	-
2008	2,138,415	-	2,138,415	-
	14,995,593	-	14,995,593	-

The trust receipts and term loan of the Group and of the Company are denominated in United States Dollars ("USD").

The average effective interest rates are as follows:

	The Group		The Company	
	2005 %	2004 %	2005 %	2004 %
Term loan	4.60	-	4.60	-
Bankers' acceptances	3.10 - 3.48	2.80 - 3.36	3.48	2.80 - 3.30
Trust receipts	2.50 - 4.60	1.65 - 2.78	2.90 - 4.45	1.65 - 2.70
Bank overdrafts	6.50 - 7.25	6.50 - 7.00	6.50	6.50 - 7.00

The Group's credit facilities to the extent of RM39,385,000 (2004: RM36,285,000) are secured by negative pledges over the assets of the respective subsidiary companies and guaranteed by the Company. The remaining credit facilities amounting to RM125,460,000 (2004: RM90,970,000) are secured by negative pledges over the assets of the Company.

During the financial year, the Company obtained a 2-year term loan from a licensed bank amounting to USD6,785,000, which is equivalent to RM25,840,000 to finance the purchase of plant and machinery. The term loan is also secured by the same negative pledges as mentioned above. The term loan will be fully drawndown by April 2006 and will be repayable by 24 instalments commencing one month after full drawdown.

Notes to the Financial Statements (cont'd)

24. PROVISION FOR RETIREMENT BENEFITS

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At beginning of year	382,509	352,197	306,608	280,725
Addition	2,978	38,137	-	33,708
Utilised	(10,269)	(7,825)	(7,291)	(7,825)
At end of year	375,218	382,509	299,317	306,608

The Group and the Company provide for retirement benefits for those employees who are eligible on an unfunded defined benefit basis. Full provision has been made in the financial statements for retirement benefits payable to all eligible employees who have completed their qualifying period of eight years of continuous service. The provision is computed after taking into consideration the length of service and basic salary earnings of the eligible employees upon reaching the age of retirement. Should an employee leave after completing the qualifying period of service but before attaining the retirement age, the provision made for the employee is written back.

The principal assumptions used in computing the estimated contributions are as follows:

	The Group and The Company	
	2005 %	2004 %
Discount rate at 31 December	4.0	4.0
Future salary increases	4.0	4.0
Resignation before attaining retirement age	40.0	40.0

25. DEFERRED TAX LIABILITIES/(ASSETS)

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Deferred tax liabilities:				
At beginning of year	4,185,431	5,286,079	3,190,291	3,670,620
Transfer from/(to) income statements (Note 11)	3,792,362	(1,100,648)	3,417,681	(480,329)
At end of year	7,977,793	4,185,431	6,607,972	3,190,291

Notes to the Financial Statements (cont'd)

25. DEFERRED TAX LIABILITIES/(ASSETS) (cont'd)

The deferred tax liabilities are in respect of the following:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Tax effects of:				
Temporary differences arising from:				
Property, plant and equipment	8,603,000	5,023,000	6,957,000	3,547,000
Surplus on revaluation of property, plant and equipment	345,793	352,431	222,972	226,291
General allowances for doubtful debts	-	(85,000)	-	(83,000)
Provision for retirement benefits	(105,000)	(96,000)	(84,000)	(86,000)
Unabsorbed capital allowances	(365,000)	-	(274,000)	-
Others	(501,000)	(1,009,000)	(214,000)	(414,000)
	7,977,793	4,185,431	6,607,972	3,190,291

	The Group	
	2005 RM	2004 RM
Deferred tax assets:		
At beginning of year	(230,000)	(214,000)
Transfer from/(to) income statements (Note 11)	230,000	(16,000)
At end of year	-	(230,000)

The deferred tax assets are in respect of the following:

	The Group	
	2005 RM	2004 RM
Temporary differences arising from:		
Property, plant and equipment	-	139,000
General allowance for doubtful debts	-	(88,000)
Provision for retirement benefits	-	(11,000)
Others	-	(270,000)
	-	(230,000)

26. SHARE CAPITAL

	The Group and The Company	
	2005 RM	2004 RM
Authorised:		
500,000,000 ordinary shares of RM1 each	500,000,000	500,000,000
Issued and fully paid:		
Ordinary shares of RM1 each:		
At beginning of year	105,593,000	103,612,000
Issued pursuant to the ESOS	1,906,000	1,981,000
At end of year	107,499,000	105,593,000

Notes to the Financial Statements (cont'd)

26. SHARE CAPITAL (cont'd)

The shareholders of the Company renewed the authority given to the directors to repurchase its own shares at the Annual General Meeting held on 17 June 2005. The directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

In 2005, the Company repurchased a total of 818,500 (2004: 1,000) of its issued shares from the open market for a total cost of RM1,443,685 (2004: RM2,298). The average price paid for the shares repurchased during the year was RM1.76 (2004: RM2.30) per share. The repurchase transaction was financed by internally generated funds. The shares repurchased are being held as Treasury Shares in accordance with the requirements of Section 67A of the Companies Act, 1965.

As at 31 December 2005, 3,565,500 (2004: 2,747,000) out of the total of 107,499,000 (2004: 105,593,000) issued and fully paid ordinary shares are held as Treasury Shares by the Company. The number of ordinary shares of RM1 each in issue and fully paid as at 31 December 2005 after excluding the Treasury Shares is 103,933,500 (2004: 102,846,000).

Employees' Share Option Scheme

The Group offers vested share options, without payment, to directors and other eligible employees. Eligible Malaysian employees and contract employees are those who have been confirmed in service for at least 1 continuous year, while for a non-Malaysian employee, his/her contribution must be vital to the Group, and he/she must have been employed for at least 3 continuous years, in any company within the Group, on or prior to the Date of Offer pursuant to the ESOS. Movements in the number of share options held by employees are as follows:

	2005	2004
Outstanding at 1 January	4,386,000	6,333,000
Granted	168,000	263,000
Exercised	(1,906,000)	(1,981,000)
Lapsed	(60,000)	(229,000)
	<hr/>	<hr/>
Outstanding at 31 December	2,588,000	4,386,000
	<hr/>	<hr/>
Details of share options granted during the year:		
Expiry date	25.11.2006	25.11.2006
	<hr/>	<hr/>
Exercise price per share (RM)	2.49	1.94
	<hr/>	<hr/>
Aggregate proceeds if shares are issued (RM)	418,320	510,220
	<hr/>	<hr/>
Details of share options exercised during the year:		
Expiry date	25.11.2006	25.11.2006
	<hr/>	<hr/>
Exercise price per share (RM)	1.05 - 1.94	1.05 - 1.94
	<hr/>	<hr/>
Aggregate issue proceeds (RM)	2,324,950	2,403,790
	<hr/>	<hr/>
Details of share options held by the Company's directors and the Group's key management personnel during the year are as follows:		
	2005	2004
At 1 January	2,416,000	3,374,000
Exercised during the year	(1,071,000)	(958,000)
	<hr/>	<hr/>
At 31 December	1,345,000	2,416,000
	<hr/>	<hr/>

Notes to the Financial Statements (cont'd)

26. SHARE CAPITAL (cont'd)

Terms of options outstanding at 31 December:

Expiry date	Exercise price	2005 Number	2004 Number
Nov. 25, 2006	1.20	2,246,000	4,056,000
Nov. 25, 2006	1.05	85,000	156,000
Nov. 25, 2006	1.94	94,000	174,000
Nov. 25, 2006	2.49	163,000	-
		2,588,000	4,386,000

27. RESERVES

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Non-distributable reserves:				
Share premium	23,585,045	23,166,095	23,585,045	23,166,095
Reserve on consolidation	1,366,071	1,366,071	-	-
General reserve	1,186,293	1,186,293	-	-
Treasury shares	(5,464,525)	(4,020,840)	(5,464,525)	(4,020,840)
	20,672,884	21,697,619	18,120,520	19,145,255
Distributable reserves:				
Unappropriated profit	155,461,992	145,645,162	98,160,704	95,569,704
	176,134,876	167,342,781	116,281,224	114,714,959

Share premium

Share premium represents the excess of the issue price over the par value of the ordinary shares of the Company at the date of acquisition.

Share premium arose from the following:

	The Group and The Company	
	2005 RM	2004 RM
Issue of shares in 1984	78,000	78,000
Rights issue in 1996, net of share issue expenses	21,357,805	21,357,805
Exercise of share options in 1997	866,810	866,810
Exercise of share options in 2000	106,290	106,290
Exercise of share options in 2002	52,400	52,400
Exercise of share options in 2003	282,000	282,000
Exercise of share options in 2004	422,790	422,790
Exercise of share options in 2005	418,950	-
	23,585,045	23,166,095

General reserve

General reserve represents the Group's share of a subsidiary company's unappropriated profit capitalised for bonus issue.

Notes to the Financial Statements (cont'd)

27. RESERVES (cont'd)

Revaluation reserve

Revaluation reserve relates to the surplus on revaluation of long-term leasehold land and buildings of the Group and of the Company as disclosed in Note 13, based on a valuation carried out by a firm of professional valuers.

Unappropriated profit

As at 31 December 2005, subject to agreement with the Inland Revenue Board, the Company has tax-exempt accounts and Section 108 tax credit as follows:

	The Company	
	2005 RM	2004 RM
Reinvestment allowances utilised	8,411,000	8,438,000
Tax-exempt dividends received	539,000	548,000
Exempt income arising from tax waiver	22,225,000	22,225,000
	<hr/>	<hr/>
Section 108 tax credit	44,041,000	42,798,000

Accordingly, the Company may distribute all of its unappropriated profit as at 31 December 2005 by way of dividends without having to incur any additional income tax. Any dividends declared and proposed out of the aforesaid tax-exempt accounts will be tax-exempt in the hands of shareholders.

28. DIVIDENDS

	The Group and The Company	
	2005 RM	2004 RM
Final dividends paid		
Proposed in previous year		
Final dividend of 6%, less tax for 2004 (6%, less tax for 2003)	4,442,947	4,357,411
Special dividend of 3%, less tax for 2004 (Nil% for 2003)	2,221,474	-
Additional due to exercise of options for shares	121,111	76,507
Reduction due to shares repurchased	(9,383)	-
	<hr/>	<hr/>
	6,776,149	4,433,918

The directors have proposed a final dividend of 6%, less 28% tax, amounting to RM4,489,927 in respect of the year ended 31 December 2005. The proposed dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements. Dividend per share is 4.32 sen (2004: 6.48 sen).

29. CONTINGENT LIABILITIES (UNSECURED)

Kent Engineering Works Sdn. Bhd. (KEW), a debtor of Taik Bee Hardware Sdn. Bhd. (TBH) which is a subsidiary of Choo Bee Metal Industries Berhad, filed a suit for defamation on 7 March 2000 against TBH for an amount of RM10 million claiming that the drawdown of a bank guarantee provided by KEW in favour of TBH was defamatory to KEW. In response, TBH has filed a writ of summons on defence with the High Court of Malaya on 24 April 2000 against the defamation suit and for the recovery of a debt amounting to RM118,092.

The lawyers advising TBH on the above matter, opined that it is highly unlikely that the litigant will be able to prove libel as TBH has a complete defence in justification.

The trial date has been fixed on 26 April 2006 by the Court.

Notes to the Financial Statements (cont'd)

30. CAPITAL COMMITMENTS

	The Group and The Company	
	2005 RM	2004 RM
Capital expenditure:		
Contracted but not provided for	3,074,000	29,937,000
Approved but not contracted for	-	4,334,000
	<hr/>	<hr/>
	3,074,000	34,271,000
	<hr/>	<hr/>

31. FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policies in respect of the major areas of treasury activities are set out below:

Foreign currency risk

The Group is exposed to foreign currency risk as a result of its trade and non-trade activities where the currency base differs from the local currency, Ringgit Malaysia (RM). Material foreign currency exposures are hedged, mainly with derivative financial instruments such as foreign currency forward contracts.

Interest rate risk

The Group finances its operations by a mixture of internal funds and bank and other borrowings. The Group regularly reviews the interest rate profile of borrowings against prevailing and anticipated market rates. The repayment and maturity profiles of borrowings are structured after taking into consideration the cash inflows expected to be generated from the underlying assets or operations and the economic life of the assets or operations being financed.

The Group's policy is to borrow both on the fixed and floating rate basis. The objective for the mix between fixed and floating rate borrowings is set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

Market risk

The Group's principal exposure to market risk arises mainly from the changes in steel raw material and finished goods prices. Both raw materials and finished goods are classified as current assets and are available for sale and the Group manages the sales of finished goods and procurement of its raw materials to optimise return on realisation of its inventories.

Credit risk

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. This is done through reference to credit information resources, direct and indirect enquiries and other references. In all instances, an internal credit review is conducted by the Credit Committee.

Notes to the Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS (cont'd)

Liquidity and Cash flow risk

The Group seeks to achieve a balance between the certainty of funding of short-term cash requirements and a flexible cash investment policy in order to optimise returns from any cash surplus generated from operations. Financial assets and liabilities are managed on a prudent basis to maintain sufficient cash and cash equivalents or credit facilities for contingent funding of working capital.

Financial Assets

The Group's principal financial assets are short-term deposits, cash and bank balances, trade and other receivables, amount owing by related companies and equity investments.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

Financial Liabilities

The Group's principal financial liabilities include trade and other payables, term loan, bank overdrafts, trust receipts and bankers' acceptances.

Foreign Currency Forward Contracts

The Group and the Company had contracted to buy USD3,449,000 worth of New Taiwan Dollars ("TWD") under non-deliverable forward contracts in 2004 where the settlement currency is in United States Dollar ("USD"). The average exchange rate for TWD per unit of USD in 2005 was 33.05. As at 31 December 2005, the forward contracts had been fully settled.

Other than the abovementioned contracts, as at balance sheet date the Group and the Company has not entered into any other forward contracts.

Fair Values

The carrying amounts and the estimated fair values of the Group's and the Company's investments as at 31 December 2005 are as follows:

	Note	The Group		The Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets					
Other investments					
- quoted shares and warrants	15	5,796,927	5,796,927	5,776,037	5,776,037

The market values of quoted investments, unit trusts and warrants as at balance sheet date approximate their fair values.

The carrying amounts of short-term financial assets and liabilities as reported in the balance sheets, with the exception of unsecured advances included in inter-company indebtedness approximate their fair values because of the short-term maturity of these instruments.

It is not practical to determine the fair value of unsecured advances included in inter-company indebtedness with sufficient reliability given that these balances have no fixed terms of repayment.

The fair values of term loan is estimated using discounted cash flow analysis based on current borrowing rates for similar types of borrowings arrangements. There is no material difference between the carrying amounts and the estimated fair values of the term loan of the Company.

Notes to the Financial Statements (cont'd)

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	The Group		The Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Short-term deposits with licensed banks	4,480,000	2,080,000	4,480,000	1,400,000
Cash and bank balances	2,861,301	1,277,995	1,500,612	660,456
Bank overdrafts	(26,006)	(1,012,942)	(136)	(429,762)
	7,315,295	2,345,053	5,980,476	1,630,694

Statement by Directors

The directors of **CHOO BEE METAL INDUSTRIES BERHAD** state that, in their opinion, the accompanying balance sheets and the related statements of income, changes in equity and cash flows are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Malaysian Accounting Standards Board approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and of the results of their businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,

SOON AH KHUN @ SOON LIAN HUAT

SOON CHENG HAI

Ipoh,
24 February 2006

Declaration by the Officer

Primarily Responsible for the Financial Management of the Company

I, **PAUL LIM JOO HENG**, the officer primarily responsible for the financial management of **CHOO BEE METAL INDUSTRIES BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and the related statements of income, changes in equity and cash flows 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.

PAUL LIM JOO HENG

Subscribed and solemnly declared by the
abovenamed **PAUL LIM JOO HENG** at **IPOH**
this 24th day of February, 2006.

Before me,

MOHD YUSOF BIN HARUN, PJK., PNPBB., KPP.
COMMISSIONER FOR OATHS

List of Group's Properties as at 31 December 2005

LOCATION	DESCRIPTION	AREA	TENURE	AGE OF BUILDING (YEARS)	NET BOOK VALUE RM	USAGE
Choo Bee Metal Industries Berhad						
1) Geran 26343 Mukim of Kuala Lumpur	Freehold land with a semi-detached single-storey house	10,200 sq.ft.	Freehold	25	183,441	Let out
2) HS(D)Ka 5678/80 Lot 17800 District of Kinta Perak Darul Ridzuan	Industrial land with single-storey factory	4 acres	Leasehold 99 years expiring on 20.7.2079	28	639,626	Warehouse
3) Lot 70076 District of Kinta, Perak Darul Ridzuan	Industrial land with single-storey factory	4.25 acres	Leasehold 99 years expiring on 29.12.2076	34	2,496,767	Factory
4) PT 133826,133827, 133828, 133829 Kawasan Perusahaan Pengkalan 1 Perak Darul Ridzuan	Industrial land with single-storey factory	29.11 acres	Leasehold 60 years expiring on 13.02.2056	12.50	20,754,293	Factory
5) CII Apartment Greenhill Resort Cameron Highlands	Apartment	1,006 sq.ft.	Leasehold 46 years expiring on 27.10.2038	10	143,367	Staff use
6) HS(D) 86887 PT 74 Mukim Damansara, Daerah Petaling Selangor Darul Ehsan	Condominium	1,668 sq.ft.	Freehold	7	336,205	Staff use
7) Country Lease No. 045324141 KM 25, Jalan Tuaran, District of Tuaran, Sabah	Industrial land with semi-completed single storey factory	2.95 acres	Leasehold 99 years expiring on 31.12.2090	9	2,906,624	Warehouse

List of Group's Properties as at 31 December 2005 (cont'd)

LOCATION	DESCRIPTION	AREA	TENURE	AGE OF BUILDING (YEARS)	NET BOOK VALUE RM	USAGE	
Choo Bee Hardwares Sdn. Berhad							
1)	Lots 5592S and 5593S, Town of Ipoh, District of Kinta, Perak Darul Ridzuan (No.46 and 48 Lebu Raya Bendahara, Ipoh)	Commercial land with three-storey shophouse	Lot 5592S 1,916.6 sq.ft.	Freehold	25	376,670	Office
			Lot 5593S 1,829.5 sq.ft.	Freehold	25		
2)	Lots 5594S Town of Ipoh, District of Kinta, Perak Darul Ridzuan (No.44 Lebu Raya Bendahara Ipoh)	Commercial land with three-storey shophouse	1,829.5 sq.ft.	Freehold	25	80,730	Office
3)	Lots 2874S and 2875S, Town of Ipoh, District of Kinta, Perak Darul Ridzuan (No.42 and 44 Jalan Bendahara Ipoh)	Commercial land with double-storey shophouse	Lot 2874S 2,400 sq.ft.	Freehold	44	119,950	Office
			Lot 2875S 1,742 sq.ft.	Freehold	44		
4)	Lots 18001 and 22970, Mukim of Ulu Kinta, District of Ulu Kinta, Perak Darul Ridzuan	Land with no specific zoning; has a steel portal frame-work building used as a warehouse on Lot 18001 and a single-storey detached house which is owner occupied on Lot 22970	Lot 18801 131,499 sq.ft.	Long-term leasehold 999 years expiring on 5.8.2895	N/A 34	1,410,577	Warehouse
5)	Lot P.T.23017 Mukim of Ulu Kinta, District of Kinta, Perak Darul Ridzuan (619 & 619A Jalan Tasek, Taman Seri Tasek, Ipoh)	Commercial land with two-storey shophouse	1,540 sq.ft.	Leasehold 99 years expiring on 11.3.2079	18	82,271	Let out
6)	Lot 5595S Town of Ipoh District of Kinta, Perak Darul Ridzuan	Commercial land with a temporary shed constructed on the land for cars and motor-cycles	1,829.5 sq.ft.	Freehold	N/A	12,500	Car Park

List of Group's Properties

as at 31 December 2005 (cont'd)

LOCATION	DESCRIPTION	AREA	TENURE	AGE OF BUILDING (YEARS)	NET BOOK VALUE RM	USAGE
Choo Bee Hardwares Sdn. Berhad						
7)	Lot 19493 & Lot 6969, Mukim of Kinta, Perak Darul Ridzuan	Commercial land	Lot 19493 4,356 sq.ft.	Freehold	N/A)))	67,027 Warehouse
			Lot 6969 20,963.25 sq.ft.	Freehold	N/A))	
8)	PM No. 12735 Lot No. 66108 Mukim Ulu Kinta Perak Darul Ridzuan	Commercial land	1,320 sq.ft.	Leasehold 60 years expiring on 21.8.2055	N/A	30,577 Vacant
* Taik Bee Hardware Sdn. Bhd. (TBH)/Pan Asian Management Consultants Sdn. Bhd. (PAMC)						
1)	P.T.38826 HS (D) Ka 6233/82 Mukim Ulu Kinta Perak Darul Ridzuan	Industrial land with single-storey factory	2.30 acres	Leasehold 60 years expiring on 25.8.2042	14	1,980,595 Factory

* The industrial land is registered in the name of PAMC while the building is owned by TBH.

Statement of Shareholdings as at 5 May 2006

Authorised Capital	:	RM500,000,000
Issued and fully paid-up capital	:	RM104,407,400 (Excluding 3,575,600 Treasury Shares)
Class of Shares	:	Ordinary shares of RM1.00 each fully paid
Voting Rights	:	One vote per RM1.00 share

BREAKDOWN OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	Percentage of Shareholders	No. of RM1.00 Shares	Percentage of Issued Capital
less than 100	15	0.33	340	0.00
100 to 1,000	1,302	29.01	1,190,710	1.14
1,001 – 10,000	2,793	62.22	10,028,883	9.61
10,001 – 100,000	335	7.46	8,700,600	8.33
100,001 – 5,220,369 *	41	0.91	22,029,367	21.10
5,220,370 and above **	3	0.07	62,457,500	59.82
TOTAL	4,489	100.00	104,407,400	100.00

Note: * - Less than 5% of issued holdings
** - 5% and above of issued holdings

DIRECTORS' INTERESTS AS AT 5 MAY 2006

Shares in the Company	Ordinary Shares of RM1.00 each					
	Direct Interest	%	Deemed Interest	%	Total Interest	%
Soon Ah Khun @ Soon Lian Huat	310,600	0.29	54,423,000	52.13	54,733,600	52.42
Soon Cheng Hai	404,000	0.39	-	-	404,000	0.39
Soon Cheng Boon	398,000	0.38	-	-	398,000	0.38
Soon Hean Hooi	2,419,055	2.32	-	-	2,419,055	2.32
Leong Keng Yuen	26,000	0.025	-	-	26,000	0.025
Lee Sieng Tzi @ Vincent Lee	575,000	0.55	-	-	575,000	0.55
Dato' Robert Lim Git Hooi	14,000	0.013	69,000	0.066	83,000	0.079
Khoo Choon Yam	-	-	-	-	-	-
Datin Shahrizan Binti Abdullah	-	-	-	-	-	-

Options over Ordinary Shares of RM1.00 each at a price of RM1.20 each

Options in the Company	Granted	%	Exercised	%	Balance	%
Soon Ah Khun @ Soon Lian Huat	600,000	6.72	480,000	5.37	120,000	1.34
Soon Cheng Hai	600,000	6.72	300,000	3.36	300,000	3.36
Soon Cheng Boon	600,000	6.72	300,000	3.36	300,000	3.36
Soon Hean Hooi	600,000	6.72	300,000	3.36	300,000	3.36
Lee Sieng Tzi @ Vincent Lee	600,000	6.72	480,000	5.37	120,000	1.34

Statement of Shareholdings as at 5 May 2006 (cont'd)

Ordinary Shares of RM1.00 each

Shares in holding company, Soon Lian Huat Holdings Sdn. Berhad

Director	Direct Interest	%	Deemed Interest	%	Total Interest	%
Soon Ah Khun @ Soon Lian Huat	62,000	55.36	-	-	62,000	55.36
Soon Cheng Hai	226,667*	33.33*	-	-	226,667*	33.33*
Soon Cheng Boon	226,667*	33.33*	-	-	226,667*	33.33*
Soon Hean Hooi	226,666*	33.33*	-	-	226,666*	33.33*

* Denotes 5% non-cumulative preference shares of RM1.00 each.

Ordinary Shares of RM1.00 each

Shares in related company, Choo Bee Holdings Sdn. Bhd.

Director	Direct Interest	%	Deemed Interest	%	Total Interest	%
Soon Ah Khun @ Soon Lian Huat	-	-	1,973,900	59.94	1,973,900	59.54
Soon Cheng Hai	161,829	4.91	-	-	161,829	4.91
Soon Cheng Boon	161,829	4.91	-	-	161,829	4.91
Soon Hean Hooi	161,832	4.91	-	-	161,832	4.91

By virtue of his interest in the Company and in the holding company, Soon Ah Khun @ Soon Lian Huat is also deemed to have an interest in the shares of all the subsidiary companies to the extent that the Company and the holding company have interests.

Other than as disclosed above, none of other directors have any direct or deemed interest in the shares of the Company or its related companies.

Statement of Shareholdings as at 5 May 2006 (cont'd)

SUBSTANTIAL SHAREHOLDERS AS AT 5 MAY 2006

According to the register required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:

Name of Substantial Shareholder	No. of RM1.00 Shares in which Shareholder has direct interest		Other Shareholdings in which Shareholder is deemed interested		Total interest in number of RM1.00 shares (A+B)	
	(A)	%	(B)	%	(A+B)	%
Amanah Raya Berhad - Skim Amanah Saham Bumiputera	8,034,500	7.70	-	-	8,034,500	7.70
Choo Bee Holdings Sdn. Bhd.	43,199,000	41.38	-	-	43,199,000	41.38
Soon Ah Khun @ Soon Lian Huat	310,600	0.29	54,423,000	52.13	54,733,600	52.42
Soon Lian Huat Holdings Sdn. Berhad	11,224,000	10.85	43,199,000	41.79	54,423,000	52.13
Tang Kim Heok	-	-	54,423,000	52.13	54,423,000	52.13
Allianz Aktiengesellschaft	-	-	6,834,200	6.55	6,834,200	6.55
Allianz Life Insurance Malaysia Berhad	5,834,300	5.59	-	-	5,834,300	5.59
Allianz General Insurance Malaysia Berhad	1,499,900	1.44	-	-	1,499,900	1.44

Statement of Shareholdings as at 5 May 2006 (cont'd)

LIST OF TOP THIRTY SHAREHOLDERS AS AT 5 MAY 2006

Name	Shareholdings	Percentage
1. Choo Bee Holdings Sdn. Bhd.	43,199,000	41.38
2. Soon Lian Huat Holdings Sdn. Berhad	11,224,000	10.75
3. Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	8,034,500	7.70
4. Allianz Life Insurance Malaysia Berhad MBA Life Assurance Berhad	3,103,700	2.97
5. Soon Hean Hooi	2,419,055	2.32
6. Employees Provident Fund Board	1,874,100	1.79
7. Allianz Life Insurance Malaysia Berhad	1,848,800	1.77
8. Allianz General Insurance Malaysia Berhad	1,499,900	1.44
9. Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pheim Asset Management Sdn. Bhd. for Employees Provident Fund	1,333,400	1.28
10. Yeo Lee Hong Betty	1,059,000	1.01
11. Soon Siew Leh	750,000	0.72
12. Lee Sieng Tzi @ Vincent Lee	531,000	0.51
13. Soon Lian Lim	427,875	0.41
14. Soon Cheng Hai	404,000	0.39
15. Soon Cheng Boon	398,000	0.38
16. Tan Peng Soon	389,000	0.37
17. Allianz Life Insurance Malaysia Berhad	381,800	0.37
18. Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB-Principal Asset Management Berhad for Commerce Assurance Bhd	374,700	0.36
19. Soon Lian Lim	349,890	0.34
20. Soon Ah Khun @ Soon Lian Huat	310,600	0.30
21. Chor Sek Choon	300,000	0.29
22. Tan Peng Sum	300,000	0.29
23. Tan Peng Nam	300,000	0.29
24. M & A Nominee (Tempatan) Sdn. Bhd. M&A Securities Sdn. Bhd.	280,440	0.27
25. Yeoh Kean Hua	260,000	0.25
26. Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad For Hidden Treasures Fund	250,000	0.24
27. Citigroup Nominees (Asing) Sdn. Bhd. CBNY for DFA Emerging Markets Fund	235,700	0.23
28. Tan Goh Mee	226,300	0.22
29. Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Soon Lian Lim	224,607	0.22
30. Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Su Ming Keat	200,000	0.19
	82,489,367	79.01

This page is intentionally
left blank.

FORM OF PROXY

I/We, _____

of _____

being a member of Choo Bee Metal Industries Berhad hereby appoint +the Chairman of the Meeting _____

_____ of _____ or failing him,

_____ of _____

as my/our proxy, to vote for me/us and on my/our behalf at the 2006 Annual General Meeting of the Company to be held on 23 June 2006 and at any adjournment thereof in the manner indicated below in respect of the following Resolutions:

Resolutions relating to:-	For	Against
1. The declaration of a Final Dividend		
2. The payment of Directors' fee		
3. The re-election of Directors: Soon Ah Khun @ Soon Lian Huat		
Soon Cheng Hai		
Soon Cheng Boon		
4. The appointment of Auditors and their remuneration		
5. Ordinary Resolution No. 1 - Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965		
6. Ordinary Resolution No. 2 - Authority to allot and issue shares pursuant to the Employees' Share Option Scheme		
7. Ordinary Resolution No. 3 - Proposed Renewal of Share Buy Back Authority		
8. Ordinary Resolution No. 4 - Proposed Renewal of Shareholders' Mandate on Recurrent Related Party Transaction of a Revenue or Trading Nature and in the Nature of Provision of Financial Assistance		

Please indicate with (✓) how you wish your vote to be cast

No. of shares held	
CDS A/C No.	

Date:

Signature of Shareholder

NOTES

A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company, No. 35 Jalan Hussein, 30250 Ipoh, Perak Darul Ridzuan, Malaysia not less than 48 hours before the time appointed for holding the Meeting.

+If it is desired to appoint another person as a proxy, the words "the Chairman of the Meeting" should be deleted and the name of the proxy should be inserted in block capitals, and the alteration should be initialed.

Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

If this Form is signed and returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.

In the case of a corporation, the proxy must be executed under its Common Seal, or under the hand of a duly authorised officer.



Please fold here

Affix
Stamp

To

The Company Secretary
CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
35 Jalan Hussein,
30250 Ipoh, Perak Darul Ridzuan,
Malaysia.

Please fold here

CHOO BEE METAL INDUSTRIES BERHAD (10587-A)
46-48, Lebuhraya Bendahara, 31650 Ipoh, Perak Darul Ridzuan
Tel: 605 - 2558111 • Fax: 605 - 2545943
Email: enquiries@choobee.com.my
Website: www.choobee.com.my