

**APPENDIX V AUDITED FINANCIAL STATEMENTS OF B.I.G. FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2002 TOGETHER WITH THE AUDITORS' REPORT
RELATING THERETO**

(Prepared for inclusion in this Abridged Prospectus)



■ **Chartered Accountants**
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■ Tel 082-243233
Fax 082-421287

Company No: 195285-D

Mailing Address:
P. O. Box 64,
93700 Kuching,
Sarawak, Malaysia.

**Report of the auditors to the members of
B.I.G. Industries Berhad**

We have audited the accompanying financial statements set out on pages 64 to 99. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Company and of the Group as at 31st December, 2002 and of the results and the cash flows of the Company and of the Group for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965, to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary companies have been properly kept in accordance with the provisions of the Act.

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 required by us for those purposes.

■ **Chartered Accountants**
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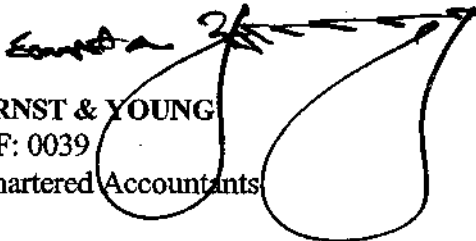
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**Report of the auditors to the members of
B.I.G. Industries Berhad (contd.)**

The Auditors' Reports on the financial statements of the subsidiary companies were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174 (3) of the Companies Act, 1965.


ERNST & YOUNG
AF: 0039
Chartered Accountants


YONG VOON KAR
1769/04/04 (J/PH)
Partner

Kuching, Malaysia.

Date: **21 APR 2003**

B.I.G. Industries Berhad**Income Statements
for the year ended 31st December, 2002**

	Note	Group		Company	
		2002 RM	2001 RM	2002 RM	2001 RM
Revenue	3	46,127,072	52,164,400	119,650	15,589,861
Other operating income		345,378	956,870	370,048	294,513
Changes in inventories of finished goods		(9,269,999)	610,258	-	-
Inventories purchased and raw materials consumed		(12,801,563)	(21,202,691)	-	-
Staff costs		(5,735,419)	(5,175,998)	-	(698,382)
Depreciation of property, plant and equipment		(4,496,066)	(4,610,237)	-	(54,315)
Amortisation of quarry development expenses		(63,653)	(46,620)	-	-
Other operating expenses		(9,497,418)	(17,546,957)	(154,762)	(621,097)
Profit from operations		<u>4,608,332</u>	<u>5,149,025</u>	<u>334,936</u>	<u>14,510,580</u>
Finance costs		(1,945,369)	(2,708,167)	(370,048)	(373,172)
Share of results of associated company		(326)	(321)	-	-
Profit/(loss) before taxation	4	<u>2,662,637</u>	<u>2,440,537</u>	<u>(35,112)</u>	<u>14,137,408</u>
Taxation	5	(277,904)	(65,892)	-	(4,197)
Profit/(loss) after taxation		<u><u>2,384,733</u></u>	<u><u>2,374,645</u></u>	<u><u>(35,112)</u></u>	<u><u>14,133,211</u></u>
Earnings per share (sen)	6	<u>12.4</u>	<u>12.3</u>		

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

B.I.G. Industries Berhad**Balance Sheets as at 31st December, 2002**

	Note	Group		Company	
		2002 RM	2001 RM	2002 RM	2001 RM
Non-current assets					
Property, plant and equipment	7	47,886,014	48,794,238	-	551,811
Quarry development expenditure	8	1,137,403	1,035,894	-	-
Investment in subsidiary companies	9	-	-	22,401,385	22,051,389
Investment in associated company	10	29,353	29,679	30,000	30,000
Other investments	11	408,263	688,263	-	-
Current assets					
Inventories	12	5,145,726	4,635,866	-	-
Trade receivables	13	20,597,201	21,177,607	-	-
Other receivables, deposits and prepayments	14	8,410,487	8,013,313	238,768	124,208
Amount due from related companies	15	111,404	111,254	20,408,680	21,039,637
Fixed deposits with licensed banks	16	298,476	196,002	-	-
Cash and bank balances		462,563	773,192	7,217	2,262
		35,025,857	34,907,234	20,654,665	21,166,107
Current liabilities					
Bank overdrafts	17	9,653,760	10,190,727	4,810,271	4,814,893
Short term borrowings	18	16,402,961	15,869,345	200,000	200,000
Trade payables	19	8,286,901	9,028,458	-	-
Other payables and accruals	20	2,728,254	3,886,159	191,423	893,716
Amount due to related companies	15	-	-	28,770	-
Lease payables	21	590,520	247,744	-	-
Land premium payable	22	685,696	885,696	-	-
Tax payable		600	23,728	-	-
		38,348,692	40,131,857	5,230,464	5,908,609
Net current (liabilities)/assets		(3,322,835)	(5,224,623)	15,424,201	15,257,498
		46,138,198	45,323,451	37,855,586	37,890,698
Financed by:					
Share capital	23	19,218,000	19,218,000	19,218,000	19,218,000
Reserves	24	20,510,303	17,951,377	18,637,586	18,672,698
Shareholders' equity		39,728,303	37,169,377	37,855,586	37,890,698
Long term and deferred liabilities					
Lease payables	21	869,506	489,335	-	-
Land premium payable	22	313,185	626,369	-	-
Term loans	25	4,485,304	6,559,485	-	-
Deferred taxation	26	741,900	478,885	-	-
		46,138,198	45,323,451	37,855,586	37,890,698

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

B.I.G. Industries Berhad**Statements of Changes in Equity
for the year ended 31st December, 2002**

	Share capital RM	Non-distributable Share premium reserve RM	Reserve arising on consolidation RM	Distributable Revenue reserve RM	Total RM
Group					
Balance at 1st January, 2001	19,218,000	1,891,113	2,495,422	11,190,197	34,794,732
Profit for the year	-	-	-	2,374,645	2,374,645
Balance at 31st December, 2001	19,218,000	1,891,113	2,495,422	13,564,842	37,169,377
Gain not recognised in the income statement	-	-	-	174,193	174,193
Profit for the year	-	-	-	2,384,733	2,384,733
Balance at 31st December, 2002	<u>19,218,000</u>	<u>1,891,113</u>	<u>2,495,422</u>	<u>16,123,768</u>	<u>39,728,303</u>
Company					
Balance at 1st January, 2001	19,218,000	1,891,113	-	2,648,374	23,757,487
Profit for the year	-	-	-	14,133,211	14,133,211
Balance at 31st December, 2001	19,218,000	1,891,113	-	16,781,585	37,890,698
Loss for the year	-	-	-	(35,112)	(35,112)
Balance at 31st December, 2002	<u>19,218,000</u>	<u>1,891,113</u>	<u>-</u>	<u>16,746,473</u>	<u>37,855,586</u>

The accompany notes form an integral part of these financial statements.

B.I.G. Industries Berhad**Cash Flow Statements
for the year ended 31st December, 2002**

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Cash flow from operating activities				
Operating profit/(loss) before taxation	2,662,637	2,440,537	(35,112)	14,137,408
Adjustments for:				
Allowance for diminution in value	280,000	-	-	-
Amortisation of quarry development expenses	63,653	46,620	-	-
Bad debts written off	18,093	18,482	-	-
Depreciation of property, plant and equipment	4,496,066	4,610,237	-	54,315
Dividends income	-	-	-	(15,443,861)
Gain on disposal of property, plant and equipment	(121,278)	(16,407)	-	-
Gain on foreign exchange	(33,957)	-	-	-
Interest expense	1,945,369	1,552,583	370,048	373,172
Interest income	(212,621)	(3,691)	(370,048)	(294,513)
Property, plant and equipment written off	1,132	-	-	-
Share of loss in an associated company	326	321	-	-
Operating profit/(loss) before working capital changes	9,099,420	8,648,682	(35,112)	(1,173,479)
Changes in working capital:				
Inventories	(509,860)	(645,271)	-	-
Receivables	369,171	(11,614,626)	(93,580)	(139,133)
Payables	(1,897,905)	6,407,046	(702,293)	751,987
Related companies	(150)	(111,254)	1,223,632	(14,636,104)
Cash generated from/(used in) operations	7,060,676	2,684,577	392,647	(15,196,729)
Interest paid	(1,435,523)	(1,050,090)	-	(78,659)
Interest received	212,621	1,603	370,048	294,513
Realised exchange gain	33,957	-	-	-
Taxation paid net of refund	(69,564)	(6,603)	(20,980)	(4,197)
Net cash generated from/(used in) operating activities	5,802,167	1,629,487	741,715	(14,985,072)

B.I.G. Industries Berhad**Cash Flow Statements
for the year ended 31st December, 2002 (contd.)**

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Cash flows from investing activities				
Acquisition of property, plant and equipment	(4,067,449)	(2,670,966)	(12,094)	(171,092)
Acquisition of shares in an associated company	-	(29,999)	-	(29,999)
Acquisition of shares in subsidiary companies	-	-	(349,996)	(4)
Addition to quarry development expenditure	(165,162)	-	-	-
Dividends received	-	-	-	15,443,861
Interest received	-	2,088	-	-
Investment in golf and country club membership	-	(53,000)	-	-
Proceed from disposal of property, plant and equipment	599,755	133,064	-	-
Repayment of land premium	(513,184)	-	-	-
Net cash (used in)/generated from investing activities	(4,146,040)	(2,618,813)	(362,090)	15,242,766
Cash flows from financing activities				
Decrease in bank borrowings	(1,540,565)	(866,216)	-	-
Increase in fixed deposits pledged	(102,324)	(175,368)	-	-
Interest paid	(509,846)	(502,493)	(370,048)	(294,513)
Lease payables obtained	1,214,734	598,261	-	-
Repayment of lease payables	(491,788)	(149,081)	-	-
Net cash used in financing activities	(1,429,789)	(1,094,897)	(370,048)	(294,513)
Net increase/(decrease) in cash and cash equivalents	226,338	(2,084,223)	9,577	(36,819)
Cash and cash equivalents at the beginning of the year	(9,417,535)	(7,333,312)	(4,812,631)	(4,775,812)
Cash and cash equivalents at the end of the year	(9,191,197)	(9,417,535)	(4,803,054)	(4,812,631)
Analysis of cash and cash equivalents:				
Cash and bank balances	462,563	773,192	7,217	2,262
Bank overdrafts	(9,653,760)	(10,190,727)	(4,810,271)	(4,814,893)
	<u>(9,191,197)</u>	<u>(9,417,535)</u>	<u>(4,803,054)</u>	<u>(4,812,631)</u>
Analysis of acquisition of property, plant and equipment:				
By cash	(2,852,715)	(2,072,705)	(12,094)	(171,092)
By lease	(1,214,734)	(598,261)	-	-
	<u>(4,067,449)</u>	<u>(2,670,966)</u>	<u>(12,094)</u>	<u>(171,092)</u>

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

B.I.G. Industries Berhad

Notes to the financial statements - 31st December, 2002

1. Significant accounting policies

(a) Basis of preparation

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

(b) Basis of consolidation

(i) Subsidiary companies

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom. A list of the Group's subsidiary companies is shown in Note 2 to the financial statements.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet.

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

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

(ii) Associated company

An associated company is defined as a company, not being a subsidiary company, in which the Group has a long-term equity interest of not less than 20% and not exceeding 50% of the equity and in whose financial and operating policy decisions of the Group exercises significant influence.

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002**

1. Significant accounting policies (contd.)**(b) Basis of consolidation (contd.)****(ii) Associated company (contd.)**

Investment in associated company is accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associated company. Under the equity method of accounting, the Group's share of profit or loss of associated company during the year is included in the consolidated income statement. The Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains or transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are eliminated unless cost cannot be recovered.

(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

(ii) Transportation and handling fees

Revenue is recognised upon delivery of products and customer acceptance, or performance of services, and is stated net of sales taxes and discounts, if any.

(iii) Construction contracts

Profits from construction contracts are recognised based on percentage of completion basis when construction work has progressed to a stage that profit recognition can be reasonably measured. When the outcome of a contract cannot be reasonably measured, revenue is recognised only to the extent of cost incurred that is recoverable and cost is recognised as an expense as incurred. In all cases, anticipated losses are provided in full.

Percentage of completion is measured by reference to the percentage of construction costs incurred and the estimated total construction costs.

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****1. Significant accounting policies (contd.)****(c) Revenue recognition (contd.)***(iv) Hiring of plant and machinery*

Revenue is recognised upon delivery of goods and customer acceptance, or performance of services, and are stated net of sales taxes and discounts, if any.

(v) Dividends

Dividends is recognised when the shareholder's right to receive the payment is established.

(vi) Management fee

Revenue is recognised as the management fee accrue unless collectability is in doubt.

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (if any). The policy for the recognition and measurement of impairment losses is in accordance with Note 1(h).

Depreciation is calculated on the straight line method to write off the cost or valuation of property, plant and equipment over their estimated useful lives as follows:

Leasehold land	Over 39 - 100 years
Buildings	4 - 10 years
Plant and machinery	10 - 20 years
Motor vehicles	5 - 10 years
Furniture, fixtures and equipment	10 years

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to retained profit.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

B.I.G. Industries Berhad

Notes to the financial statements - 31st December, 2002

1. Significant accounting policies (contd.)

(e) Quarry development expenditure

Quarry development expenditure comprises direct cost of development, cost of site infrastructure and other related expenses.

Amortisation of quarry development expenditure is calculated based on the proportion of the output of stone for the year to the estimated total stone output for the period of the quarry life. The estimated quarry life is 10 years.

(f) Investments in subsidiary and associated companies

The Company's investments in subsidiary and associated companies are stated at cost less impairment losses (if any). The policy for the recognition and measurement of impairment losses is in accordance with Note 1(h).

Income arising on these investments is included in the income statement when the shareholders' right to receive the payment is established.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. In arriving at the net realisable value, due allowance is made for all obsolete and slow-moving items.

Cost of finished goods include cost of raw materials, direct labour and attributable production overheads and are determined on the first-in-first-out basis.

(h) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories, assets arising from construction contracts, deferred tax assets, assets arising from employee benefits and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002**

1. Significant accounting policies (contd.)**(h) Impairment of assets (contd.)**

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of the impairment loss is recognised as income in the income statement.

(i) Financial instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) *Other non-current investments*

Non-current investments other than investments in subsidiary and associated companies are stated at cost less allowance for any permanent diminution in value. Such allowance is made when there is decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred.

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

(ii) *Receivables*

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

B.I.G. Industries Berhad

Notes to the financial statements - 31st December, 2002

1. Significant accounting policies (contd.)

(i) Financial instruments (contd.)

(iii) *Payables*

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

(iv) *Interest-bearing borrowings*

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

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

(v) *Equity instruments*

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

(j) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) *Finance leases*

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

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

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****1. Significant accounting policies (contd.)****(j) Leases (contd.)**

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 1(d).

(ii) Operating leases

Operating lease payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

(k) Deferred taxation

Deferred taxation is provided under the liability method in respect of all material timing differences except where it is reasonably expected that the tax effects of such deferrals will continue in the foreseeable future. No account is taken of any debit balances arising on deferred taxation account.

(l) Foreign currency

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded in Ringgit Malaysia at the rates of exchange ruling on the dates of transactions; monetary assets and liabilities at the balance sheet date are reported at year end rates of exchange. All gains and losses on exchange are dealt with through the income statement.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	2002	2001
	RM	RM
Brunei Dollar	2.05	2.03
Singapore Dollar	2.16	2.03
	<u> </u>	<u> </u>

(m) Cash and cash equivalents

Cash and cash equivalents in the Cash Flow Statements represent short-term, highly liquid investments that are readily convertible to cash with an insignificant risk of changes in value less short term borrowings repayable on demand.

For the purpose of the Cash Flow Statements, cash and cash equivalents include cash and bank balances net of outstanding bank overdrafts.

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****2. General**

The principal activities of the Company are that of investment holding and the provision of management services. There has been no significant change in the nature of these activities of the Company and of the Group during the current financial year.

The Company is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Second Board of the Kuala Lumpur Stock Exchange. The registered office of the Company is located at Lot 2225, Section 66, Jalan Dermaga Pending Industrial Estate, 93450 Kuching.

The financial statements of the Company and of the Group are expressed in Ringgit Malaysia.

The details of the Group's subsidiary and associated companies, which are incorporated and domiciled in Malaysia, are set out as follows:

Name of company	Principal activities	Effective group interest	
		2002	2001
Subsidiary companies			
B.I.G. Industrial Gas Sdn. Bhd.	Manufacture, distribution and marketing of industrial gases, marketing of welding equipment and trading in related products.	100%	100%
Uni-Mix Sdn. Bhd.	Manufacture and sale of ready-mix concrete and provision of related services	100%	100%
Hypervictory Sdn. Bhd.	Quarry operations	100%	100%
Lumanai Sdn. Bhd.	Operator of transportation services	100%	100%
Kinalaju Supply Sdn. Bhd.	Agent for distribution of cement	100%	100%
B.I.G. Communications Sdn. Bhd.	Fibre optic network contractor	100%	100%
B.I.G. Construction Sdn. Bhd.	Inactive	100%	100%
Linear Excellent Sdn. Bhd.	Inactive	100%	100%
Alpha Billion Sdn. Bhd.	Property developer	100%	100%
B.I.G. Marketing Sdn. Bhd.	General trading	100%	100%
Subsidiary company of Hypervictory Sdn. Bhd.			
Besitek Konsortium Sdn. Bhd.	Inactive	100%	100%
Associated company			
B.I.G. Oil and Gas Sdn. Bhd.	Inactive	30%	30%

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****2. General (contd.)**

All the subsidiary and associated companies are audited by Ernst & Young, Malaysia.

3. Revenue

Revenue of the Group comprises sales of goods stated after allowance for sales returns and trade discounts, transportation and handling fee, progress billings from construction contracts and hiring of plant and machinery.

Revenue of the Company comprises management fee and dividends received.

The significant categories of revenue during the year are analysed as follows:

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Sales of goods	43,444,691	43,799,564	-	-
Transportation and handling fees	2,644,149	2,581,261	-	-
Progress billings from construction contracts	-	5,723,726	-	-
Hiring of plant and machinery	38,232	59,849	-	-
Dividends from subsidiary companies	-	-	-	15,443,861
Management fee charged to subsidiary companies	-	-	119,650	146,000
	<u>46,127,072</u>	<u>52,164,400</u>	<u>119,650</u>	<u>15,589,861</u>

4. Profit/(loss) before taxation

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
(a) This is stated after charging:				
Administration fees	75,560	-	-	-
Amortisation of quarry development expenses	63,653	46,620	-	-
Auditors' remuneration:				
- statutory audits				
- current year	56,600	56,100	8,500	8,500
- under provision in prior year	4,561	4,229	-	-

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****4. Profit/(loss) before taxation (contd.)**

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
(a) This is stated after charging (contd.):				
Bad debt written off	18,093	18,482	-	-
Depreciation of property, plant and equipment	4,496,066	4,610,237	-	54,315
Directors' fees	105,000	97,834	105,000	97,834
Directors' emoluments	209,010	206,350	-	2,600
Hire of plant and equipment	887,527	877,678	-	-
Interest expense	1,945,369	1,552,583	370,048	78,659
Management fee paid	-	5,000	-	5,000
Preliminary and pre-operating expenses written off	-	2,800	-	-
Property, plant and equipment written off	1,132	-	-	-
Provision for diminution in value	280,000	-	-	-
Rental expense	168,591	304,522	-	91,150
And crediting:				
Dividend income	-	-	-	(15,443,861)
Gain on disposal of property, plant and equipment	(121,278)	(16,407)	-	-
Gain on foreign exchange	(33,957)	(2,944)	-	-
Income from hiring of plant and equipment	(275,250)	-	-	-
Interest income	(212,576)	(3,691)	(370,048)	(294,513)
Management fee received	-	-	(119,650)	(146,000)
Rental income	(30,651)	(47,630)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
(b) Employee information				
	2002	2001	2002	2001
Number of employees as at 31st December	279	258	-	4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****5. Taxation**

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Provision for Malaysian taxation in respect of profit for the year	3,100	25,597	-	4,197
Under / (Over) provision in prior years	11,789	(194)	-	-
Transfer to deferred taxation (Note 26)	263,015	40,489	-	-
	<u>277,904</u>	<u>65,892</u>	<u>-</u>	<u>4,197</u>

As at 31st December 2002, the Company has unabsorbed tax losses and unutilised capital allowances which are available for set-off against the Company's future business profit amounted to approximately RM1,483,000 (2001: RM1,464,000) and RM190,000 (2001: RM190,000) respectively, subject to agreement by the Inland Revenue Board.

As at 31st December, 2002, the Group has unabsorbed tax losses, unutilised capital allowances and reinvestment allowances which are available for set-off against chargeable income amounted to approximately RM22,524,000 (2001: RM26,354,000) subject to agreement by the Inland Revenue Board.

The effective tax rate for the Group for current year is disproportionate to the statutory rate due to the availability of tax losses, capital allowances and reinvestment allowances brought forward. The tax savings for which credit was taken during the year as a result of the utilisation of tax losses, capital allowances and reinvestments allowances brought forward amounted to RM4,662,000 (2001: RM6,798,000).

Subject to the agreement by the Revenue Authorities, the tax exempt account of the Company as at 31st December, 2002 amounted to RM63,000 (2001: RM63,000).

6. Earnings per share

The basic and diluted earnings per share have been calculated based on the consolidated profit after taxation of RM2,384,733 (2001: RM2,374,645) by the number of ordinary shares in issue during the year of 19,218,000 (2001: 19,218,000)

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****7. Property, plant and equipment**

Group	Long leasehold land RM	Short leasehold land RM	Buildings RM	Plant, machinery, and motor vehicles RM	Furniture, fixtures and equipment RM	Capital work-in-progress RM	Total RM
Cost							
At 1.1.2002	7,251,688	767,686	6,131,134	54,784,095	7,311,809	80,355	76,326,767
Reclassification	(8,759)	8,759	-	80,355	-	(80,355)	-
Additions	210,000	-	675,412	2,673,797	503,819	4,421	4,067,449
Disposals	-	-	-	(804,744)	(104,589)	-	(909,333)
At 31.12.2002	7,452,929	776,445	6,806,546	56,733,503	7,711,039	4,421	79,484,883
Accumulated depreciation							
Charge for 2001	96,124	33,886	320,596	4,021,687	137,944	-	4,610,237
At 1.1.2002	528,284	56,721	1,724,277	24,353,431	869,816	-	27,532,529
Reclassification	(350)	350	-	(475)	475	-	-
Charge for the year	120,467	14,137	342,793	3,860,807	157,862	-	4,496,066
Disposals	-	-	-	(425,865)	(3,861)	-	(429,726)
At 31.12.2002	648,401	71,208	2,067,070	27,787,898	1,024,292	-	31,598,869
Net book value							
At 31.12.2002	6,804,528	705,237	4,739,476	28,945,605	6,686,747	4,421	47,886,014
At 31.12.2001	6,723,404	710,965	4,406,857	30,430,664	6,441,993	80,355	48,794,238

Included in the above are assets acquired under lease instalments with net book value of RM2,345,573 (2001: RM1,023,517).

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****7. Property, plant and equipment (contd.)**

Company	Renovation RM	Motor vehicles RM	Furniture, fixtures and equipment RM	Total RM
Cost				
At 1.1.2002	301,660	117,661	252,280	671,601
Additions	-	-	12,094	12,094
Transfer to subsidiary company	(301,660)	(117,661)	(264,374)	(683,695)
At 31.12.2002	-	-	-	-
Accumulated depreciation				
Charge for 2001	30,166	3,974	20,175	54,315
At 1.1.2002	65,360	7,693	46,737	119,790
Charge for the year	-	-	-	-
Transfer to subsidiary company	(65,360)	(7,693)	(46,737)	(119,790)
At 31.12.2002	-	-	-	-
Net book value				
At 31.12.2002	-	-	-	-
At 31.12.2001	236,300	109,968	205,543	551,811

Certain property, plant and equipment with the following net book values are pledged to banks for banking facilities obtained.

	Group	
	2002 RM	2001 RM
Leasehold land and buildings	5,246,478	4,515,970
Plant, machinery and motor vehicles	9,316,061	8,309,782
Furniture, fixture and equipment	109,216	1,327,124
	<u>14,671,755</u>	<u>14,152,876</u>

Certain long leasehold land of the Group with a net book value of RM2,880,635 (2001: RM503,009) are held in trust by a third party, who was a former Director of a subsidiary company.

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****8. Quarry development expenditure**

	Group	
	2002	2001
	RM	RM
As at 1st January	1,035,894	1,082,514
Additions	165,162	-
Less: Amount amortised	63,653	46,620
As at 31st December	<u>1,137,403</u>	<u>1,035,894</u>

9. Investment in subsidiary companies

	Company	
	2002	2001
	RM	RM
Unquoted shares, at cost	<u>22,401,385</u>	<u>22,051,389</u>

10. Investment in associated company

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Unquoted shares, at cost	30,000	30,000	30,000	30,000
Less: Share of post-acquisition losses	647	321	-	-
	<u>29,353</u>	<u>29,679</u>	<u>30,000</u>	<u>30,000</u>

The Group's interest in the associated company is represented by:

	Group	
	2002	2001
	RM	RM
Share of net assets	17,823	18,150
Premium on acquisition	11,530	11,529
	<u>29,353</u>	<u>29,679</u>

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****11. Other investments**

	Group	
	2002	2001
	RM	RM
Quoted shares, at cost	464,263	464,263
Golf and country club membership, at cost	224,000	224,000
	<u>688,263</u>	<u>688,263</u>
Less: Allowance for diminution in value	280,000	-
	<u>408,263</u>	<u>688,263</u>
	<u>46,426</u>	<u>183,384</u>

The Directors are of the opinion that no further allowance for diminution in value of quoted investments is required as the diminution is considered not permanent and the net tangible asset values of certain investments exceeds the quoted price of those investments.

12. Inventories

	Group	
	2002	2001
	RM	RM
Industrial gases	404,288	544,859
Welding equipment and construction materials	801,064	1,438,287
Raw materials	957,597	217,141
Spare parts and consumables	386,973	349,419
Stone	721,093	546,130
Work in progress	1,838,380	1,529,665
Goods in transit	36,331	10,365
	<u>5,145,726</u>	<u>4,635,866</u>

The carrying amount of inventories is stated as follows:

At cost	5,145,726	4,635,866
At net realisable value	-	-
	<u>5,145,726</u>	<u>4,635,866</u>

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****13. Trade receivables**

	Group	
	2002 RM	2001 RM
Trade receivables	20,597,201	22,952,436
Less: Allowance for doubtful debts	-	1,774,829
	<u>20,597,201</u>	<u>21,177,607</u>

The Group's normal credit term ranges from 14 to 180 days. Other credit terms are assessed and approved on a case by case basis.

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

14. Other receivables, deposits and prepayments

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Other receivables	6,079,200	5,210,795	16,745	38,266
Deposits	225,251	820,929	5,800	10,400
Prepayments	1,911,397	1,480,664	119,701	-
Current tax assets	194,639	500,925	96,522	75,542
	<u>8,410,487</u>	<u>8,013,313</u>	<u>238,768</u>	<u>124,208</u>

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

15. Amount due from/(to) related companies

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Amount due from holding company	-	-	-	-
Amount due from subsidiary companies	-	-	20,297,276	20,928,383
Amount due from associated company	111,404	111,254	111,404	111,254
	<u>111,404</u>	<u>111,254</u>	<u>20,408,680</u>	<u>21,039,637</u>
Amount due to subsidiary companies	-	-	(28,770)	-
	<u>111,404</u>	<u>111,254</u>	<u>20,379,910</u>	<u>21,039,637</u>

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****15. Amount due from/(to) related companies (contd.)**

Certain amounts due from/(to) the related companies are unsecured, interest free and have no fixed term of repayment. Certain amount due from subsidiary companies earns interest at rates ranging from 1.50% to 7.90% (2001: 1.0% to 7.10%) per annum and are repayable on demand.

16. Fixed deposits with licensed banks

The fixed deposits are pledged to the banks as security for banking facilities granted to subsidiary companies.

The weighted average interest rates during the financial year ranges from 3.20% to 4.05% and the maturities of deposits as at 31 December, 2002 ranges from 30 to 365 days.

17. Bank overdrafts

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Secured	2,998,733	1,069,378	-	-
Unsecured	6,655,027	9,121,349	4,810,271	4,814,893
	<u>9,653,760</u>	<u>10,190,727</u>	<u>4,810,271</u>	<u>4,814,893</u>

During the financial year, the weighted average effective interest rate for bank overdrafts of the Company was 7.36% (2001: 7.59%) while the weighted average effective interest rates for the Group ranges from 7.36% to 8.26% (2001: 7.59% to 9.34%) respectively.

The secured bank overdrafts of the Group are secured by certain assets of the Group and of the Company as disclosed in Note 7 to the financial statements.

18. Short term borrowings

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Secured:				
Bill payables	2,156,000	-	-	-
Revolving credit	4,300,000	-	-	-
Term loans (Note 25)	2,195,268	2,584,748	-	-
	<u>8,651,268</u>	<u>2,584,748</u>	<u>-</u>	<u>-</u>

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****18. Short term borrowings (contd.)**

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Unsecured:				
Bankers acceptances	-	4,674,597	-	-
Bill payable	3,951,693	710,000	-	-
Revolving credit	3,200,000	7,300,000	200,000	200,000
Term loans (Note 25)	600,000	600,000	-	-
	<u>7,751,693</u>	<u>13,284,597</u>	<u>200,000</u>	<u>200,000</u>
Total borrowings:				
Bankers acceptances	-	4,674,597	-	-
Bill payable	6,107,693	710,000	-	-
Revolving credits	7,500,000	7,300,000	200,000	200,000
Term loans	2,795,268	3,184,748	-	-
	<u>16,402,961</u>	<u>15,869,345</u>	<u>200,000</u>	<u>200,000</u>

The weighted average effective interest rates during the financial year for borrowings were as follows:

	Group		Company	
	2002	2001	2002	2001
Bankers' acceptances	1.94% to 3.30%	2.43% to 3.68%	-	-
Bill payable	1.94% to 3.30%	2.43% to 3.68%	-	-
Revolving credit	3.95% to 5.25%	4.45% to 5.29%	5.25%	5.24%
Term loans	4.51% to 12.38%	4.57% to 12.19%	-	-

The secured revolving credits, trust receipts and term loans of the Group are secured by certain assets of the Group as disclosed in Note 7 to the financial statements.

19. Trade payables

The normal credit term granted to the Group ranges from 30 days to 180 days.

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****20. Other payables and accruals**

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Other payables	1,268,866	1,251,864	50,903	8,356
Accruals	1,459,388	2,634,295	140,520	885,360
	<u>2,728,254</u>	<u>3,886,159</u>	<u>191,423</u>	<u>893,716</u>

21. Lease payables

	Group	
	2002 RM	2001 RM
Repayable within twelve months	590,520	247,744
Repayable after twelve months	869,506	489,335
	<u>1,460,026</u>	<u>737,079</u>
Minimum lease payments:		
Not later than one year	697,333	312,870
Later than one year but not later than five years	939,119	540,410
	<u>1,636,452</u>	<u>853,280</u>
Less: Future finance charges on finance leases	176,426	116,201
Present value of finance lease liabilities	<u>1,460,026</u>	<u>737,079</u>

The lease payables bear interest at rates ranging from 4.00% to 10.02% (2001: 5.06% to 9.88%) per annum.

22. Land premium payable

	Group	
	2002 RM	2001 RM
Amount due within one year	685,696	885,696
Amount due after one year but within five years	313,185	626,369
	<u>998,881</u>	<u>1,512,065</u>

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****23. Share capital**

	Group and Company	
	2002	2001
	RM	RM
Authorised:		
100,000,000 (2001: 100,000,000) ordinary shares of RM1.00 each	100,000,000	100,000,000
Issued and fully paid:		
19,218,000 (2001: 19,218,000) ordinary shares of RM1.00 each	19,218,000	19,218,000

24. Reserves

Movements in reserves are shown in the statements of changes in equity.

Based on the estimated tax credits available, the entire revenue reserve of the Company is available for distribution by way of dividends without incurring additional tax liability. In addition, the Company has tax exempt credit estimated at RM14 million (2001: RM8 million) which is available for distribution as tax exempt dividends. These amounts are subject to agreement by the Inland Revenue Board.

25. Term loans

	Group	
	2002	2001
	RM	RM
Secured:		
Bank loan repayable by 20 equal quarterly instalments commencing June 1997	-	156,357
Bank loan repayable by 84 equal monthly instalments commencing August 1997	551,777	896,644
Bank loan repayable by 20 equal quarterly instalments commencing September 1998	363,976	1,041,925
Bank loan repayable by 60 monthly instalments commencing January 2000	660,718	961,151
Bank loan repayable by 60 monthly instalments commencing January 2000	1,072,075	1,531,393
Bank loan repayable by 60 monthly instalments commencing January 2001	625,725	822,198
Bank loan repayable by 47 equal monthly instalments commencing July 2001	640,876	876,050
Bank loan repayable by 60 monthly instalments commencing August 2001	83,309	103,179

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****25. Term loans (contd.)**

	Group	
	2002	2001
	RM	RM
Secured (contd.):		
Bank loan repayable by 60 monthly instalments commencing October 2001	770,792	955,336
Bank loan repayable by 33 monthly instalments commencing March 2002	711,324	-
	<u>5,480,572</u>	<u>7,344,233</u>
Unsecured:		
Bank loan repayable by 60 monthly instalments commencing January 2001	1,800,000	2,400,000
	<u>7,280,572</u>	<u>9,744,233</u>
Repayable within 12 months (Note 18)	2,795,268	3,184,748
Repayable after 12 months	4,485,304	6,559,485
	<u>7,280,572</u>	<u>9,744,233</u>

The term loans are secured by fixed and floating charges over the certain assets of the Group as described in Note 7 to the financial statements. The weighted average interest rates for term loans are stated in Note 18 to the financial statements.

26. Deferred taxation

	Group	
	2002	2001
	RM	RM
At 1st January	478,885	438,396
Transfer from income statement	263,015	40,489
At 31st December	<u>741,900</u>	<u>478,885</u>

The deferred taxation provided in the financial statements is in respect of excess of capital allowances over book depreciation.

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****27. Commitments**

	Group	
	2002	2001
	RM	RM
Capital expenditure not provided for in the financial statements:		
Authorised and contracted for	4,347,231	4,347,231
	<u>4,347,231</u>	<u>4,347,231</u>

28. Contingent liabilities

	Company	
	2002	2001
	RM	RM
Corporate guarantees granted to banks in respect of the subsidiary companies' banking facilities	26,991,299	28,341,743
	<u>26,991,299</u>	<u>28,341,743</u>

29. Segment information**(a) Business segments**

The Group is organised into three major business segments:

- (i) Manufacturing – manufacture, distribution and marketing of industrial gases.
- (ii) Construction – quarry operations and trading of cement and construction materials; and
- (iii) Transportation - operation of transportation services.

Other business segments include property development, provision for management services and fibre optic networking, none of which are of a sufficient size to be reported separately.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002**

29. Segment information (contd.)	Manufacturing RM	Construction RM	Transportation RM	Other RM	Eliminates RM	Consolidated RM
2002						
Revenue						
External sales	18,292,856	25,190,067	2,644,149	-	-	46,127,072
Inter-segment sales	5,341,572	12,484,260	685,400	119,650	(18,630,882)	-
	<u>23,634,428</u>	<u>37,674,327</u>	<u>3,329,549</u>	<u>119,650</u>	<u>(18,630,882)</u>	<u>46,127,072</u>
Result						
Profit from operations						4,425,265
Finance cost, net						(1,762,302)
Share of results of associated company						(326)
Taxation						(277,904)
Profit after taxation						<u>2,384,733</u>
Assets and liabilities						
Segment assets	39,192,743	31,163,093	1,553,295	12,548,406	-	84,457,537
Investment in associated company	-	29,353	-	-	-	29,353
Segment liabilities	16,067,397	18,197,045	493,979	10,000,166	-	<u>84,486,890</u>
Other information						
Amortisation	-	63,653	-	-	-	63,653
Depreciation	2,042,972	2,373,822	76,631	2,641	-	<u>4,496,066</u>

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002 (contd.)**

	Manufacturing RM	Construction RM	Transportation RM	Other RM	Eliminates RM	Consolidated RM
2001						
Revenue						
External sales	20,603,759	23,399,654	2,581,261	21,023,587	(15,443,861)	52,164,400
Inter-segment sales	7,729,816	12,456,863	621,180	290,000	(21,097,859)	-
	<u>28,333,575</u>	<u>35,856,517</u>	<u>3,202,441</u>	<u>21,313,587</u>	<u>(36,541,720)</u>	<u>52,164,400</u>
Result						
Profit from operations						4,893,562
Finance cost, net						(2,452,704)
Share of results of associated company						(321)
Taxation						(65,892)
Profit after taxation						<u>2,374,645</u>
Assets and liabilities						
Segment assets	38,618,405	32,484,584	1,047,844	13,274,796	-	85,425,629
Investment in associated company	-	-	-	29,679	-	29,679
Segment liabilities	22,901,833	13,463,826	521,709	11,398,563	-	<u>85,455,308</u>
Other information						
Amortisation	-	46,620	-	-	-	46,620
Depreciation	2,274,012	2,264,128	16,967	55,130	-	<u>4,610,237</u>

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****29. Segment information (contd.)****(b) Geographical segments:**

No geographical analysis has been presented as the Group's business interest is predominantly located in Malaysia.

30. Significant related party transactions

During the financial year, the Group and the Company had entered into the following significant related party transactions:

	Company	
	2002	2001
	RM	RM
(a) Transactions with subsidiary companies:		
Income		
Management fee income from		
- B.I.G. Industrial Gas Sdn. Bhd.	100,000	99,000
- Hypervictory Sdn. Bhd.	-	47,000
- Lumanai Sdn. Bhd.	19,650	-
Dividend income from		
- B.I.G. Industrial Gas Sdn. Bhd.	-	10,455,025
- Kinalaju Supply Sdn. Bhd.	-	126,000
- Uni-Mix Sdn. Bhd.	-	4,862,836
Interest income from		
- Alpha Billion Sdn. Bhd.	37,746	-
- B.I.G. Communication Sdn. Bhd.	-	34,819
- B.I.G. Construction Sdn. Bhd.	2,210	57,834
- B.I.G. Industrial Gas Sdn. Bhd.	269,753	136,967
- Hypervictory Sdn. Bhd.	59,874	64,893
- Kinalaju Sdn. Bhd.	104	-
- Lumanai Sdn. Bhd.	361	-
Expenditure		
Interest paid to Unimix Sdn. Bhd.	7,714	-

In addition to the above transactions, the Company has transferred its property, plant and equipment to a subsidiary company, B.I.G. Industrial Gas Sdn. Bhd. at a net book value of RM563,905.

The Directors are of the opinion that the above transactions were entered into with the subsidiary companies in the normal course of business and under mutually agreed terms.

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****30. Significant related party transactions (contd.)****(b) Directors' remuneration**

The remuneration paid to Executive Director and Non-Executive Directors of the Company are disclosed as follows:

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Executive Director				
Fees	12,000	12,000	12,000	12,000
Salaries, allowances and bonus	180,000	170,100	-	2,100
Employee Provident Fund	17,010	14,250	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-Executive Directors				
Fees	93,000	85,834	93,000	85,834
Salaries, allowances and bonus	12,000	22,000	-	500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The remuneration paid to Executive Director and Non-Executive Directors of the Company are further analysed as follows:

Band of remuneration	Number of Directors			
	Executive		Non-Executives	
	2002	2001	2002	2001
Nil	-	-	-	2
RM1 - RM50,000	-	-	7	8
RM50,001 - RM100,000	-	-	-	-
RM100,001 - RM150,000	-	-	-	-
RM150,001 - RM200,000	1	1	-	-

31. Significant events**(a) Additional Investments in Subsidiary Companies**

On 11th April, 2002, the Company subscribed for an additional 99,998 ordinary shares of RM1.00 each, maintaining its 100% equity interest in a subsidiary company, B.I.G. Marketing Sdn. Bhd., for a total consideration of RM99,998.

On 24th April, 2002, the Company subscribed for an additional 150,000 ordinary shares of RM1.00 each, maintaining its 100% equity interest in a subsidiary company, Lumanai Sdn. Bhd., for a total consideration of RM150,000.

B.I.G. Industries Berhad

Notes to the financial statements - 31st December, 2002

31. Significant events (contd.)

(a) Additional Investments in Subsidiary Companies (contd.)

On 15th November, 2002, the Company subscribed for an additional 99,998 ordinary shares of RM1.00 each, maintaining its 100% equity interest in a subsidiary company, Alpha Billion. Sdn. Bhd., for a total consideration of RM99,998.

(b) Corporate Exercises

On 9th December, 2002, the Company announced that it has obtained the relevant approvals on 20th November, 2002 and 3rd December, 2002 from the Foreign Investment Committee and Securities Commission respectively to undertake the following corporate exercises:-

- (i) Proposed renounceable two-call rights issue of 19,218,000 new ordinary shares of RM1.00 each in the Company together with 19,218,000 free Warrants on the basis of one new ordinary share with one free Warrant for every one existing ordinary share held, at an indicative issue price of RM1.00 per Rights Share, whereby the first call shall be in the form of a cash payment and the second call to be capitalised from the retained profits and share premium reserves of the Company;
- (ii) Proposed bonus issue of 9,609,000 new ordinary shares of RM1.00 each in the Company on the basis of one Bonus Share for every two Rights Shares subscribed by the existing shareholders of the Company and/or their renounees pursuant to the Proposed Rights Issue with Warrants;
- (iii) Proposed establishment of an ESOS by the Company for the eligible directors and employees of the Group; and
- (iv) Proposed private placement of new ordinary shares of RM1.00 each in the Company representing not more than 10% of the issued and paid-up share capital of the Company after the Proposed Rights Issue with Warrants and Proposed Bonus Issue.

At the date of this report, the above exercises are pending finalisation and completion.

32. Financial instruments

(a) Financial risk management objectives 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 interest rate, foreign exchange, liquidity and credit 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.

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****32. Financial instruments (contd.)****(b) Interest Rate Risk**

The Group's primary interest rate risk relates to interest-bearing debts, as the Group had no long-term interest-bearing assets as at 31st December, 2002. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been placed in fixed deposits.

The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) Foreign exchange risk

The Group is predominantly exposed to two foreign currencies namely, Singapore Dollar and Brunei Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

During the year, the Group has not entered into any hedging transactions.

The net unhedged financial assets and liabilities of the Group as at 31st December, 2002 that are not denominated in the functional currency of Ringgit Malaysia are as follows:

	Brunei Dollar Equivalent RM	Singapore Dollar Equivalent RM	Total RM
Functional currency			
Trade receivables			
Ringgit Malaysia	296,264	-	296,264
Cash and bank balances			
Ringgit Malaysia	143,772	-	143,772
Trade payables			
Ringgit Malaysia	-	(70,321)	(70,321)
	<u>440,036</u>	<u>(70,321)</u>	<u>369,715</u>

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****32. Financial instruments (contd.)****(d) Liquidity risk**

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

(e) Credit risk

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

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

(f) Fair values

The aggregate net fair values of financial assets and financial liabilities as at 31st December, 2002 which are not carried at fair value on the balance sheets of the Company and of the Group are represented as follows:

	Note	Group		Company	
		Carrying Amount RM	Fair value RM	Carrying Amount RM	Fair value RM
Financial assets					
Investment in golf club		224,000	*	-	-
Investment in quoted shares		184,263	46,426	-	-
Amounts due from related companies	15	111,404	**	20,408,680	**
Financial liabilities					
Amounts due to related companies	15	-	**	28,770	**
Land premium payable	22	998,881	**	-	-
Term loans	25	4,485,304	***	-	-

B.I.G. Industries Berhad**Notes to the financial statements - 31st December, 2002****32. Financial instruments (contd.)****(f) Fair values (contd.)**

- * It is not practical to estimate the fair value of the Group's investment in golf club because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable values.
- ** It is also not practical to estimate the fair values of amounts due to/from related companies and land premium payable due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.
- *** The fair value information pertaining to long-term term loans is not disclosed as it is not practicable due to timeliness or cost to determine the fair value with sufficient liability. Alternatively, the principal characteristics, namely the terms and conditions of the instruments have been disclosed in Note 25 to the financial statements.

The nominal/notional amount and net fair value of financial instruments not recognised in the balance sheet as at 31st December, 2002 are:

		Company	
		Nominal/ Notional Amount	Net Fair value
	Note	RM	RM
Contingent liabilities	28	26,991,299	****

- **** It is not practicable to estimate the fair value of contingent liabilities reliably due to the uncertainties of timing, costs and eventual outcome.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

- (i) *Cash and cash equivalents, receivables, payables, amount due to/from related companies and short-term borrowings*

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

B.I.G. Industries Berhad

Notes to the financial statements - 31st December, 2002

33. Comparatives

Certain comparative figures have been reclassified to conform with current year's presentation. The presentation and classification of items in the segment information (Note 29) of the previous financial year have been changed to comply with the requirements for MASB Standard 22: Segment Reporting which was adopted during the year.

Comparatives are not disclosed for certain information relating to financial instruments as permitted by MASB Standard 24 – Financial Instruments: Disclosure and Presentation, upon first application.

34. Authorisation for issue of financial statements

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21st April, 2003.