



HWA TAI INDUSTRIES BERHAD

Incorporated in Malaysia • Company No.: 19688-V

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth Annual General Meeting of the Company will be held at The Katerina Hotel, Diamond Room, Level 2, No. 8, Jalan Zabadah, 83000 Batu Pahat, Johor Darul Takzim, Malaysia on Monday, 28 June 2004 at 10.00 a.m.

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2003 together with the Directors' and Auditors' Reports thereon.
2. To approve payment of Directors' fee for the year ended 31 December 2003.
3. To re-elect the following Directors who retire in accordance with the Company's Articles of Association:-
 - a) Soo Thien Ming @ Soo Thien See
 - b) Lee Kah Keng @ Lee Kah Heng
 - c) Loh Poh Im
4. To re-appoint Tan Sri Dato' Mohamed Yusoff Bin Mohamed who retires in accordance with Section 129(6) of the Companies Act, 1965.
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 ordinary resolution:-

ORDINARY RESOLUTION - 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 the Securities Commission and the Bursa Malaysia Securities Berhad 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."

By Order of the Board

JESSICA CHIN TENG LI (MAICSA 7003181)
Company Secretary

Johor Darul Takzim, Malaysia
3 June 2004

NOTES:

A member entitled to attend and vote at the Meeting is entitled to appoint more than 2 proxies to attend and vote instead of him. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. 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 at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim, Malaysia, not less than 48 hours before the time appointed for holding the Meeting.

EXPLANATORY STATEMENT TO THE SPECIAL BUSINESS:

ORDINARY RESOLUTION

The proposed Ordinary Resolution, if passed, will give the Directors of the Company the power to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to specifically approve such an issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.



STATEMENT ACCOMPANYING THE NOTICE OF AGM

1) TWENTY-NINTH ANNUAL GENERAL MEETING

Place : The Katerina Hotel
Diamond Room (Level 2)
No. 8, Jalan Zabedah,
83000 Batu Pahat
Johor Darul Takzim, Malaysia

Date : Monday, 28 June 2004

Time : 10.00 a.m.

2) NAMES OF DIRECTORS STANDING FOR RE-ELECTION/RE-APPOINTMENT

The names of the Directors standing for re-election / re-appointment at the forthcoming Twenty-Ninth Annual General Meeting are as follows:-

- i) Soo Thien Ming @ Soo Thien See
- ii) Lee Kah Keng @ Lee Kah Heng
- iii) Loh Poh Im
- iv) Tan Sri Dato' Mohamed Yusoff Bin Mohamed

3) DETAILS OF DIRECTORS STANDING FOR RE-ELECTION/RE-APPOINTMENT

The details of the Directors standing for re-election/re-appointment at the forthcoming Twenty-Ninth Annual General Meeting are set out in the Directors' Profile appearing on pages 5 to 7 of this Annual Report.

4) DETAILS OF ATTENDANCE OF DIRECTORS AT DIRECTORS' MEETINGS

There were four (4) Directors' Meetings held during the financial year ended 31 December 2003. The details of attendance of the Directors are set out in the Directors' Profile appearing on page 7 of this Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Soo Thien Ming @ Soo Thien See (*Chairman*)
Lee Thye @ Lee Chooi Yoke (*Executive Director*)
Lee Kah Keng @ Lee Kah Heng (*Chief Operating Officer*)
Loh Poh Im (*Group Financial Controller*)
Y.M. Raja Zainal Abidin Bin Raja Hussin
Soo Suat Swon
Tan Sri Dato' Mohamed Yusoff Bin Mohamed

COMPANY SECRETARY

Jessica Chin Teng Li (MAICSA 7003181)

**REGISTERED OFFICE &
PRINCIPAL BUSINESS ADDRESS**

No. 12 Jalan Jorak
Kawasan Perindustrian Tongkang Pecah
83010 Batu Pahat
Johor Darul Takzim, Malaysia
Tel. No.: 607-4151688
Fax No.: 607-4151135

SHARE REGISTRAR

Bina Management (M) Sdn. Bhd.
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel. No.: 603-77843922
Fax No.: 603-77841988

AUDITORS

Monteiro & Heng
Public Accountants
22-1, Jalan Tun Sambanthan 3
50470 Kuala Lumpur, Malaysia

PRINCIPAL BANKERS

RHB Bank Berhad
Bumiputra-Commerce Bank Berhad
OCBC Bank (Malaysia) Berhad
AmBank Berhad
Bank Islam Malaysia Berhad
HSBC Bank Malaysia Berhad

LISTING

Bursa Malaysia Securities Berhad
Second Board

MR. SOO THIEN MING @ SOO THIEN SEE – *Non-Independent Non-Executive Director*

Mr. Soo Thien Ming, Malaysian, aged 56, is the Chairman on the Board of the Company. He was appointed to the Board on 26 April 1996. Mr. Soo is a Barrister-At-Law of Lincoln's Inn, London. He is an advocate and solicitor by profession and has been in practice for 30 years. He is also a Notary Public and Commissioner for Oaths. He holds several directorship in private companies in Malaysia and abroad.

He is the Chairman of the Nomination Committee and Remuneration Committee of the Company.

Mr. Soo has a direct shareholding of 849,730 ordinary shares of RM1/- each in the Company. He also has an indirect shareholding of 421,000 ordinary shares of RM1/- each in the Company. He does not have any equity holdings in its subsidiaries.

He does not have any family relationship with any directors and/or major shareholders of the Company. He also does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

MDM. LEE THYE @ LEE CHOOI YOKE – *Non-Independent Executive Director*

Mdm. Lee Thye @ Lee Chooi Yoke, Malaysian, aged 56, is the Executive Director of the Company. She was appointed to the Board on 9 August 1996. She is a director of various private companies.

She does not sit on any Committee of the Company.

Mdm. Lee has an indirect shareholding of 1,133,000 ordinary shares of RM1/- each in the Company. She does not have any equity holdings in its subsidiaries.

She is the mother of Ms. Soo Suat Swon, a Director of the Company and the wife of Mr. Soo Kim Chey, a substantial shareholder of the Company.

Mdm. Lee does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

MR. LEE KAH KENG @ LEE KAH HENG – *Non-Independent Executive Director*

Mr. Lee Kah Keng, Malaysian, aged 53, is the Chief Operating Officer of the Company. He was appointed to the Board on 1 February 1998. A graduate in Mechanical Engineering, he also holds a Master of Business Administration from the University of Hull, United Kingdom. He has extensive experience in the field of workshop management, solid waste management, ready mixed concrete and lime products, quarrying and general management. Prior to his appointment as the Chief Operating Officer of the Company, he was the Managing Director of Lime & Lime Products Sdn Bhd, a 100 % owned subsidiary of Megafirst Corporation Berhad and also the Executive Director of Rock Chemicals Industries Berhad.

He does not sit on any Committee of the Company.

Mr. Lee does not have any interest in the securities of the Company or its subsidiaries, neither does he have any family relationship with any directors and/or major shareholders of the Company. He does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

PROFILE OF THE BOARD OF DIRECTORS (CONT'D)

MDM. LOH POH IM – *Non-Independent Executive Director*

Mdm. Loh Poh Im, Malaysian, aged 38, is the Group Financial Controller of the Company. She was appointed to the Board on 1 December 2001. She graduated from the University of Malaya with an honours degree in Accountancy and subsequently qualified as a Registered Accountant. She is a member of the Malaysian Institute of Accountants since 1993. She has more than 10 years accounting and financial experience especially in the manufacturing sector. She has previously worked as a Senior Accountant and Accountant in multi national company as well as public listed company before joining the Company as an Accounts Manager in 1996.

She sits on the Audit Committee of the Company.

Mdm. Loh does not have any interest in the securities of the Company or its subsidiaries, neither does she have any family relationship with any directors and/or major shareholders of the Company. She does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

Y.M. RAJA ZAINAL ABIDIN BIN RAJA HUSSIN – *Independent Non-Executive Director*

Y.M. Raja Zainal Abidin Bin Raja Hussin, Malaysian, aged 47, was appointed to the Board on 3 April 1992. He is an entrepreneur, starting from the development of housing projects in Johor Bahru in 1977. He is currently a director and major shareholder in a few private limited companies with business ventures in commercial building development, small and medium size housing development, trading in broadcasting equipment, forest management and replanting and investment in small and medium size manufacturing industries.

He is the Chairman of the Audit Committee and also sits on the Nomination Committee and Remuneration Committee of the Company.

Y.M. Raja Zainal Abidin has a direct shareholding of 28,000 ordinary shares of RM1/- each in the Company. He does not have any equity holdings in its subsidiaries.

He does not have any family relationship with any directors and/or major shareholders of the Company. He also does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

MS. SOO SUAT SWON – *Non-Independent Non-Executive Director*

Ms. Soo Suat Swon, Malaysian, aged 30, was appointed to the Board on 9 August 1996. She holds a Bachelor of Science in Economics from the London School of Economics and a Masters of Business Administration from Richmond College, London. Ms. Soo was formerly an Executive Director of Anson Perdana Berhad.

She sits on the Remuneration Committee of the Company.

Ms. Soo has an indirect shareholding of 40,000 ordinary shares of RM1/- each in the Company. She does not have any equity holdings in its subsidiaries.

She is the daughter of Mdm. Lee Thye, the Executive Director of the Company and Mr. Soo Kim Chey, a substantial shareholder of the Company.

Ms. Soo does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

**YBHG. TAN SRI DATO' MOHAMED YUSOFF BIN MOHAMED** – *Independent Non-Executive Director*

YBhg. Tan Sri Dato' Mohamed Yusoff bin Mohamed, Malaysian, aged 76, was appointed to the Board on 25 June 2001. He is a Barrister-At-Law from Lincoln's Inn, London. He was the High Court Judge in Kota Kinabalu, Kuching, Johor Bahru and Kuala Lumpur between 1974 and 1988. He has also served as a Supreme Court Judge between 1988 and 1992 before retiring in September 1992. Prior to his judgeship, he had served the judiciary from 1963 to 1968 in the capacity of President of Sessions Court and Legal Service, from 1968 to 1973 as Deputy Parliamentary Draftsman and Senior Federal Counsel in the Attorney General's Department, Kuala Lumpur. Currently, he is also a Director of Dunham-Bush (Malaysia) Berhad.

YBhg. Tan Sri Dato' Mohamed Yusoff sits on the Audit Committee and Nomination Committee of the Company.

He does not have any interest in the securities of the Company or its subsidiaries, neither does he have any family relationship with any directors and/or major shareholders of the Company. He does not have any conflict of interest with the Company nor any convictions for offences within the past 10 years.

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

During the financial year ended 31 December 2003, a total of four (4) Directors' Meetings were held. The details of attendance of Directors at these Meetings are as follows:

Name of Director	Number of Meetings Attended
Soo Thien Ming @ Soo Thien See	4 of 4
Lee Thye @ Lee Chooi Yoke	3 of 4
Lee Kah Keng @ Lee Kah Heng	4 of 4
Loh Poh Im	4 of 4
Raja Zainal Abidin bin Raja Hussin	4 of 4
Soo Suat Swon	3 of 4
Tan Sri Dato' Mohamed Yusoff bin Mohamed	3 of 4

AUDIT COMMITTEE REPORT

1. COMPOSITION OF AUDIT COMMITTEE

Y. M. Raja Zainal Abidin Bin Raja Hussin (Chairman)	Independent Non-Executive Director
Tan Sri Dato' Mohamed Yusoff Bin Mohamed	Independent Non-Executive Director
Loh Poh Im	Executive Director

2. TERMS OF REFERENCE OF AUDIT COMMITTEE

MEMBERSHIP

- An Audit Committee shall be appointed by the Directors from among their number (except Alternate Directors) pursuant to a resolution of the Board of Directors which fulfils the following requirements:
 - The Audit Committee must be composed of no fewer than 3 Members;
 - A majority of the Audit Committee must be Independent Directors; and
 - At least one Member of the Audit Committee:
 - Must be a member of the Malaysian Institute of Accountants; or
 - If he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - He must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
 - 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.
- The Members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director.
- If a Member of the Audit Committee resigns, dies or for any other reason ceases to be a Member with the result that the number of Members is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new Members as may be required to make up the minimum of 3 Members.
- The terms of office and performance of the Audit Committee and each of its Members shall be reviewed by the Board of Directors no less than once every 3 years.

MEETINGS

- Meetings shall be held not less than 4 times a year.
- Upon the request of the External Auditor, the Chairman of the Audit Committee shall convene a meeting of the Committee to consider any matters the External Auditor believes should be brought to the attention of the Directors or Shareholders. The External Auditor has the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required to do so by the Committee.
- The Chairman shall convene a meeting whenever any Member of the Audit Committee requests for a meeting.
- Written notice of the meeting together with the agenda shall be given to the Members of the Audit Committee and the External Auditor, where applicable.
- The quorum for a meeting shall be 2 Provided Always that the majority of Members present must be Independent Directors and any decision shall be by a simple majority. The Chairman shall not have a casting vote.

2. TERMS OF REFERENCE OF AUDIT COMMITTEE (Cont'd)

MEETINGS (Cont'd)

6. The other Board Members, Accounts Manager, the Head of Internal Audit (if any), any employee of the Company and a representative of the External Auditors may be invited to attend meetings. If necessary, the Audit Committee shall meet with the External Auditors without any Executive Board Member present.
7. The Company Secretary shall be the secretary of the Audit Committee.

AUTHORITY

The Audit Committee is authorised by the Board of Directors to:

- a) Investigate any activity within its terms of reference.
- b) Seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
- c) Obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Audit Committee shall have direct access to the External Auditor and person(s) carrying out the internal audit procedure or activity (if any) and be able to convene meetings with the External Auditor, excluding the attendance of the Executive Members of the Audit Committee, whenever necessary.

The Audit Committee shall be empowered to appoint and remove the Internal Auditor.

DUTIES

The duties of the Audit Committee shall be:

1. To recommend the nomination of a person or persons as External Auditors.
2. To review the following and report the same to the Board of Directors:-
 - a. With the External Auditor, the audit plan;
 - b. With the External Auditor, his evaluation of the system of internal controls;
 - c. With the External Auditor, his audit report;
 - d. The assistance given by the employees of the Company to the External Auditor;
 - e. The adequacy of the scope, functions and resources of the Internal Audit functions and that it has the necessary authority to carry out its work;
 - f. The Internal Audit programme, processes, the results of the Internal Audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the Internal Audit function;
 - g. The quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
 - i) Changes in or implementation of major accounting policy changes;
 - ii) Significant and unusual events; and
 - iii) Compliance with accounting standards and other legal requirements;
 - h. 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;
 - i. Any letter of resignation from the External Auditors of the Company; and
 - j. Whether there is reason (supported by grounds) to believe that the Company's External Auditor is not suitable for re-appointment; and
3. To discuss problems and reservations arising from the interim and final audits, and matters the External Auditor may wish to discuss (in the absence of management where necessary).

AUDIT COMMITTEE REPORT (CONT'D)

2. TERMS OF REFERENCE OF AUDIT COMMITTEE (Cont'd)

DUTIES (Cont'd)

4. To keep under review the effectiveness of internal control systems, and in particular review the External Auditor's management letter and management's response.
5. To consider other topics, as agreed to by the Audit Committee and the Board of Directors.

PROCEDURES

Each Audit Committee may regulate its own procedure and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.

3. AUDIT COMMITTEE MEETING

During the financial year 31 December 2003, three (3) Audit Committee Meetings were held. Details of the attendance of each Committee Member are as follows:-

Name of Audit Committee Member	Attendance
Y. M. Raja Zainal Abidin Bin Raja Hussin (Chairman)	3 of 3
Tan Sri Dato' Mohamed Yusoff Bin Mohamed	3 of 3
Loh Poh Im	3 of 3

4. ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the activities of the Audit Committee included the following:

- a. Reviewed and recommended for Board approval the quarterly financial results for public announcement.
- b. Reviewed the related party transactions that had arisen within the Company and Group.
- c. Reviewed and discussed the External Auditors' findings during the course of their year end audit and the management's response.
- d. Reviewed and recommended for Board approval the Group's audited financial year end statement.
- e. Reviewed the audit reports submitted by the Internal Auditor

5. INTERNAL AUDIT

The Internal Audit Department's main role is to undertake independent and systematic reviews of the processes and guidelines of the Group and report on their application and compliance to the Audit Committee and Board of Directors. They are responsible to report the state of internal control of the various operations within the Group and the extent of compliance with the established policies and procedures and suggest any additional improvement opportunities in the areas of internal control, systems and efficiency improvement.

During the financial year, the Internal Audit Department carried out, inter-alia, the following activities:-

- Mapping of the current state of procedures and processes
- Testing, evaluating and identifying potential areas that lack internal control for the new Enterprise Resources Planning system
- Analysing and assessing certain key operation processes, report findings and make recommendation for improvements.
- Reviewing compliance with established policies and procedures, as well as assessing the adequacy and effectiveness of the Group's internal control.

BOARD OF DIRECTORS

A. The Board

The Board leads and controls the Group. The Board is bestowed with the duty and responsibility to ensure the interests of the shareholders are protected.

Where appropriate, formal structures and committees are in place to facilitate the Board in carrying out its duties. All Board committees report to the Board.

The Board meets on a regular and scheduled basis, at least 4 times a year.

B. Composition and Board Balance

The Board comprises 7 members to reflect the interests of the major shareholders, management, and minority shareholders.

The Chairman, who is a Non Independent Non Executive Director, heads the Board with 3 Executive Directors, 1 Non Independent Non Executive Director and 2 Independent Non Executive Directors.

The Directors together bring a wide range of business, financial, industrial and legal experience to lead the Group in the area of business strategies, performance, utilization of resources and standards of conduct.

Generally, the Executive Directors are responsible for carrying out the day to day operational functions while the Non Executive Directors will play the supporting role by contributing their knowledge and experience in the business strategic plans.

Where areas of conflict of interest arise, the Director concerned will have to declare his/her interest and abstain from participating in the decision making process.

The Board also set up an Executive Committee (Exco) in the year 1998 to assist the Board in the management of the operations of the Group.

The Exco meets regularly prior to the Board meetings and is responsible to review the performance of the Group operations and any other pertinent issues pertaining to the performance of the Group.

C. Supply of Information

A Board report is prepared prior to the Board meeting and sufficient notice is given to the Directors to review the papers and agenda for the meeting.

Generally, the Board papers provide information on the operating results, financial, corporate development, acquisitions and disposals proposals, if any.

In furtherance of the Directors' duties, all members, either as full Board or in their individual capacities, will have access to all information of the Group.

Directors are also free to seek independent advice should the need arise and have direct access to the advice and services of the Company Secretary.

D. Appointments to the Board

In compliance with the Malaysian Code of Corporate Governance on the appointment of Directors, the Board has on 27th November 2001 set up a Nomination Committee to advise the Board on the nomination of new Board members and assess Directors on an ongoing basis.

STATEMENT OF CORPORATE GOVERNANCE (CONT'D)

D. Appointments to the Board (Cont'd)

The Nomination Committee comprises Mr. Soo Thien Ming, Chairman of the Board, Y Bhg Tan Sri Dato' Mohd Yusoff Bin Mohd, and Y.M. Raja Zainal Abidin Bin Raja Hussin. Mr. Soo Thien Ming is the Chairman of the Nomination Committee.

The Committee shall make recommendations to the Board on the appropriate appointments of new Directors and also to fill seats on committees of the Board.

In addition, the Nomination Committee assess the contribution of individual Board members the effectiveness of the Board, and the committees of the Board.

The duties and responsibilities are spelt out in the Terms of Reference of the Nomination Committee.

E. Re-election

In accordance to the Company's Articles of Association, an election of Directors shall take place each year at an Annual General Meeting and all Directors shall retire from office once at least in every 3 years. In addition, a Director who attains the age over 70 retires at every Annual General Meeting pursuant to the Companies Act, 1965. Directors appointed by the Board are subject to retirement at the next Annual General Meeting held following their appointments in accordance with the Company's Articles of Association. All retiring Directors are eligible for re-election.

DIRECTORS' TRAINING

All Directors of the Company have attended the BMSB's Mandatory Accreditation Programme. The Directors will continue to attend the Directors' Continuing Education Programme and other relevant training programme from time to time to enhance their skills and knowledge.

DIRECTORS' REMUNERATION

The Board set up the Remuneration Committee on 27th November 2001 to review the policy and make recommendations to the Board on the remuneration package and benefits annually as accorded to the Executive Directors. The Executive Directors shall not participate in the decision makings relating to their own remunerations.

The members of the Remuneration Committee comprises Mr. Soo Thien Ming, Y.M. Raja Zainal Abidin Bin Hussin and Miss Soo Suat Swon. Mr. Soo Thien Ming is the Chairman of the Committee.

Fees payable to the Directors are recommended by the Board with the approval from shareholders at the Annual General Meeting.

Generally, the remuneration package will be structured according to the skills, experience and performance of the Executive Directors to ensure the Group attracts and retains the Directors needed to run the Group successfully, whereby the remuneration package for the Non Executive Directors will hinge on their contribution to the Group in terms of their knowledge and experience.

The breakdown of the Directors' remuneration including the estimated monetary value of benefit in kind for the financial year under review is reflected in the following tables:

	Executive Director	Non-Executive Director
Items	RM'000	RM'000
Salary	888	–
Allowance	–	310
Benefits in kind	20	–
	908	310

**DIRECTORS' REMUNERATION (Cont'd)**

Ranges of Remuneration (RM)	Executive Director	Non-Executive Director
RM1 - RM50,000	–	2
RM50,001 - RM100,000	–	1
RM150,001 - RM200,000	1	1
RM350,001 - RM400,000	2	–

SHAREHOLDERS**Dialogue between the Group and Investors.**

The Group recognizes the importance of accountability to the shareholders and as such convey information on the Group's performance, directions, other matters of interest to the shareholders by way of annual reports, relevant circulars and the issuance of press releases.

Annual General Meeting

Annual General Meeting is used as a primary mode of communication to report on the Group's performance. Notice of Annual General Meeting is issued 21 days before the date of meeting.

At the Annual General Meeting, shareholders are encouraged to raise any questions pertaining to any issues regarding the Group.

The Chairman, assisted by the Directors are available to answer any queries and discuss matters pertaining to the business activities of the Group.

ACCOUNTABILITY AND AUDIT**Financial Reporting**

In preparing the annual financial statements and quarterly announcements, the Directors take steps to ensure a clear, balanced and understandable assessment of the Group's positions and prospects.

The Statement by Directors pursuant to section 169 of the Companies Act, 1965 is set out on page 60 of this Annual Report.

Internal Controls

The Board recognizes its responsibilities for the Group's system of internal controls to safeguard shareholders investment and Group's assets.

To cover financial together with operational and compliance controls, the Board has initiated an Internal Audit Division in 2002 to regularly review, appraise, and monitor the effectiveness of the systems of internal controls within the Group.

The review of the system of internal control is set out under the Statement of Internal Control set out on page 14 of this Annual Report.

Audit Committee / Relationship with Auditors

The Audit Committee works closely with the external auditors and maintains a transparent professional relationship with them.

A summary of the activities of the Audit Committee during the year are set out in the Audit Committee Report on pages 8 to 10 of this Annual Report.

STATEMENT OF INTERNAL CONTROLS

The Board of Directors recognizes its overall responsibility for maintaining the Group's system of Internal Control and risk management to safeguard shareholders' investment and the Company's assets, as well as for reviewing the adequacy and integrity of the internal control system. The system of internal controls is designed to manage rather than eliminate risk of failure to achieve business objectives. It should be noted that the internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board also recognizes that risk management should be an integral part of the Group culture and is a continuous on going process. The management is responsible for creating risk awareness culture and to build the necessary environment for effective risk management. In addition, the Heads of Department are responsible for managing the risk of their department on a day to day basis. Significant issues related to internal controls and risk management are discussed in the Operational Review Meeting.

Key elements of the Group's internal controls that have been in place include the following:

1. The Group has a well defined organization structure with clear lines of reporting, responsibilities and level of authority.
2. There are clear definition of authorization procedure for major operating functions including purchases, capital expenditures, payment, credit control and stock control. Authority of the Directors is required for key treasury matters including loan and trade financing, cheque signatories and opening of bank accounts.
3. There is a budgeting and business planning process each year to establish plans and targets for each operating units. The Executive Committee reviews and approves the annual budget and business plan.
4. The Group's management team meets regularly to review the monthly report, monitors the business development, discusses and resolves key operational and management issues and reviews the financial performance against the business plan and budget for each operating units within the Group.

The Chief Operating Officer also regularly highlights the significant issues, major policy matters and financial performance of each operating units in the Executive Committee meeting.

5. The Audit Committee reviews the quarterly financial results and yearly audited financial statements prior to the approval by the Board of Directors.
6. The Audit Committee also reviews the internal audit functions, internal audit reports and monitors the status of the implementation of corrective actions to address internal control weaknesses.
7. In addition to the internal controls, the Board of Directors and management have ensured that safety and health regulations have been considered and complied with.
8. The Company was accredited ISO 9002 since 1996 and upgraded to MS ISO9001 2000 quality management systems since year 2002. Documented internal procedures and standard operating procedures have been put in place and surveillance audits are conducted by the assessors of the ISO certification body to ensure that the system is adequately implemented.
9. Strong emphasis is also given to food safety. The Company was accredited the Hazard Analysis Critical Control Point (HACCP) system certification since year 2000 and upgraded to Integrated Quality Management & HACCP System certificate since 2002. Good Manufacturing Practice is documented and practiced to ensure food safety.
10. The professionalism and competence of the staff are maintained through a structural recruitment process, performance appraisal system and wide variety of training and development programs.

The statement is made in accordance with a resolution of the Board of Directors.



DIRECTORS' RESPONSIBILITY STATEMENT AND OTHER INFORMATION

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors are required under Paragraph 15.27(a) of the Listing Requirements of the Bursa Malaysia Securities Berhad to issue a statement explaining their responsibility for preparing the annual audited financial statements.

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the financial year end and of the results and cashflows of the Company and of the Group for the financial year then ended.

The Directors consider that, in preparing the financial statements of the Company and of the Group for the financial year ended 31 December 2003 as set out herein on pages 22 to 59 of this Annual Report, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also consider that all applicable approved accounting standards in Malaysia have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 1965.

The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

OTHER INFORMATION

Sanctions and/or Penalties

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

Material Contracts

There were no material contracts entered into by the Company and its subsidiaries involving Directors and substantial shareholders.

Revaluation Policy on Landed Properties

Landed properties at valuation are revalued at a regular interval of at least once in every five years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued properties materially differ from the market values.

Non-Audit Fees

There were no non-audit fees paid to the Auditors, Messrs. Monteiro & Heng, during the financial year.

Utilisation of Proceeds

During the financial year, the Company did not complete any fund raising exercise.

However, the Company is currently in the process of implementing a rights issue with warrants and an employee share option scheme which had been approved by the Securities Commission on 4 November 2003 and by shareholders of the Company on 16 February 2004. As the rights issue with warrants is anticipated to be completed sometime in end June 2004, the status of the utilisation of the proceeds from the said rights issue with warrants will be reported in the next Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT AND OTHER INFORMATION (CONT'D)

Share Buy-Backs

The Company did not make any share buy-back during the financial year.

Options and Warrants

The Company did not offer any options and warrants during the financial year.

However, up to 19,845,000 warrants will be issued upon completion of the abovementioned rights issue with warrants. The Company had on 6 May 2004, launched its employee share option scheme. Further details of the options issued pursuant to the employee share option scheme and the said warrants will be reported in the Company's next Annual Report.

American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR")

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

Variation in Results

There was no material variation between the audited results for the financial year ended 31 December 2003 and the unaudited results previously released for the financial quarter ended 31 December 2003.

Profit Guarantee

The Company did not make any arrangement during the financial year which requires profit guarantee.

Recurrent Related Party Transaction of a Revenue Nature

There was no recurrent related party transaction of a revenue nature which requires Shareholders' mandate during the financial year.



On behalf of the
Board of Directors
of Hwa Tai
Industries Berhad,
I am pleased to
present the
Twenty-Ninth
Annual Report and
the Audited
Financial
Statements of
the Group and
the Company for
the financial
year ended
31 December 2003.

BUSINESS ENVIRONMENT

The Malaysian food industry operated under a challenging environment in 2003.

The outbreak of the Severe Acute Respiratory Syndrome (SARS) coupled with the war in Iraq in the first half of 2003 had affected consumer and business sentiments. Consumers chose to curb unnecessary spending and adopt a wait-and-see attitude.

These events had in a way affected the overall performance of the Group for the financial year ended 31 December 2003.

In addition, the unexpected ban of importation of biscuits into Nigeria effective April 2003 indirectly affected the Company's sales to the African countries.

FINANCIAL REVIEW

For the year 2003, Group turnover decreased by 2.6% to RM92.6 million as compared to RM95.1 million in 2002 as a result of the above unexpected events.

Despite the dip in turnover, the Group succeeded in reducing its operating loss to RM0.26 million from RM1.0 million in the previous year. Group loss before tax was also significantly reduced to RM3.8 million compared to RM8.4 million in the preceding year, mainly due to the substantially lower losses from investment activities (2003: RM0.65 million; 2002: RM5.8 million).

At Company level, turnover for the year 2003 increased by 5% to RM52.9 million as compared to RM50.4 million in 2002.

However, the Company's operating profit was reduced to RM0.8 million compared to RM2.1 million in the previous year. The decline in profits was mainly due to higher cost of raw materials and higher depreciation and interest costs from the Company's new cake line.

Net loss per share in 2003 was lower at 15 sen in comparison to 67 sen in 2002. Net tangible asset per share in 2003 was RM1.31 compared to RM1.46 in 2002.

CORPORATE DEVELOPMENTS

The Company has embarked on a fund raising exercise involving a proposed Rights Issue with Warrants. In addition, a proposed Employee Share Option Scheme has also been included to recognise the contributions of our employees and to reward these employees who are vital to the continued growth of the Group.

The Proposed Corporate Exercise will raise funds to lower the Group's high financial gearing and at the same time caters for expansion of future operations of the Group.

The approval of the Securities Commission (SC) for the Proposed Corporate Exercise was obtained on 4 November 2003. The Shareholders had also approved the Proposed Corporate Exercise at the Extraordinary General Meeting held on 16 February 2004. Approval-in-principle had also been given by Bursa Malaysia Securities Berhad (BMSB) on 12 April 2004 for the admission of the Warrants to the Official List of BMSB and for the listing of and quotation for all shares arising from the Proposed Corporate Exercise.

The Proposed Corporate Exercise is expected to be completed before the end of June 2004. By then, the Company would have complied with the SC's regulation for a minimum issued and paid-up share capital of RM40.0 million for second board companies.

OUTLOOK AND FUTURE PROSPECTS

Intensive price competition in the food industry is expected to remain and the Group is determined to continue to focus and invest in necessary resources to be a market leader in the biscuit industry.

The Company has initiated a price increase in May 2004 to mitigate higher production costs. The Company's cake production and sales are projected to pick up with the launch of new flavors and packaging. The expected completion of the Proposed Corporate Exercise in June 2004 will help reduce the burden of high financing costs.

Barring unforeseen circumstances, the Board anticipates 2004 to be a year of recovery and is optimistic about the performance of the Group in the financial year 2004.

ACKNOWLEDGEMENT

I wish to take this opportunity, on behalf of the Board and Management of Hwa Tai Industries Berhad, to thank our valued customers and consumers for their continued patronage; our suppliers, distributors, bankers, business associates and regulatory authorities for their invaluable support; and our Shareholders for the confidence placed in the Company.

I also wish to express the Board's appreciation to the Management and staff of the Group for their continued commitment and contributions.

SOO THIEN MING @ SOO THIEN SEE

Chairman

3 June 2004

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2003

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st December 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of a biscuit manufacturer and investment holding. The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements.

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

RESULTS

	GROUP RM	COMPANY RM
Loss after taxation	(2,049,894)	(316,318)
Minority interest	123,680	—
Net loss for the year	(1,926,214)	(316,318)

DIVIDENDS

No dividend was paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividend in respect of the financial year ended 31st December 2003.

RESERVES AND PROVISIONS

All material transfers to and from reserves and provisions during the financial year have been disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT (CONT'D)

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

No contingent liability or other liability of the Group and of the Company 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 other than as disclosed in Note 29 to the financial statements.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company has not issued any shares or debentures.

DIRECTORS

The directors in office since the date of the last report are:-

Soo Thien Ming @ Soo Thien See
Lee Thye @ Lee Chooi Yoke
Lee Kah Keng @ Lee Kah Heng
Y.M. Raja Zainal Abidin Bin Raja Hussin
Soo Suat Swon
Tan Sri Dato' Mohd Yusoff Bin Mohamed
Loh Poh Im

**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings, the interests of those directors who held office at the end of the financial year in shares in the Company during the financial year are as follows:-

	Number of ordinary shares of RM1/- each			
	At 1.1.2003	Bought	Sold	At 31.12.2003
Soo Thien Ming @ Soo Thien See				
- direct	849,730	—	—	849,730
- indirect	421,000	—	—	421,000
Lee Thye @ Lee Chooi Yoke				
- indirect	1,133,000	—	—	1,133,000
Soo Suat Swon				
- indirect	415,000	12,000	387,000	40,000
Y.M. Raja Zainal Abidin Bin Raja Hussin				
- direct	—	28,000	—	28,000

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

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

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs Monteiro & Heng, have expressed their willingness to continue in office.

On behalf of the Board,

LEE THYE @ LEE CHOOI YOKE

Director

LEE KAH KENG @ LEE KAH HENG

Director

Kuala Lumpur
30 March 2004

BALANCE SHEETS

AS AT 31ST DECEMBER 2003

	Note	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
PROPERTY, PLANT AND EQUIPMENT	3	45,898,316	49,130,977	33,986,588	32,292,226
INVESTMENT IN SUBSIDIARY COMPANIES	4	–	–	8,864,226	8,864,226
LONG TERM INVESTMENTS	5	–	949,440	–	949,440
AMOUNT OWING BY A SUBSIDIARY COMPANY	6	–	–	1,056,182	1,426,384
CURRENT ASSETS					
Stocks	7	10,657,139	11,038,838	3,549,384	3,320,106
Amount due from customers for construction contracts	8	1,297,726	1,297,726	–	–
Trade and sundry debtors	9	27,624,762	25,794,227	7,228,091	7,037,461
Tax recoverable		487,443	860,520	445,836	836,943
Amounts owing by subsidiary companies	6	–	–	17,563,809	14,467,460
Fixed deposits placed with a licensed bank		222,712	979,907	122,712	979,907
Cash and bank balances		1,780,876	1,337,032	265,817	188,590
		42,070,658	41,308,250	29,175,649	26,830,467
Less:					
CURRENT LIABILITIES					
Provisions	10	829,122	1,214,626	135,794	531,668
Trade and sundry creditors	11	23,770,768	20,804,435	15,464,121	12,204,100
Amounts owing to subsidiary companies	12	–	–	1,263,660	402,621
Hire purchase creditors	13	1,341,977	1,410,412	1,029,071	999,574
Short term borrowings	14	25,688,890	24,126,554	20,020,890	17,084,955
Term loans due within one year	20	1,978,742	2,218,058	990,874	1,230,190
Provision for taxation		1,232,546	2,102,408	–	–
Bank overdrafts	15	5,671,098	6,067,232	5,215,304	5,865,656
		60,513,143	57,943,725	44,119,714	38,318,764
NET CURRENT LIABILITIES		(18,442,485)	(16,635,475)	(14,944,065)	(11,488,297)
GOODWILL ON CONSOLIDATION	16	2,300,694	2,300,694	–	–
		29,756,525	35,745,636	28,962,931	32,043,979
Financed by:					
SHARE CAPITAL	17	13,230,000	13,230,000	13,230,000	13,230,000
CAPITAL RESERVE	18	7,664	7,664	7,664	7,664
UNAPPROPRIATED PROFIT	19	6,440,073	8,366,287	8,887,868	9,204,186
SHAREHOLDERS' FUNDS		19,677,737	21,603,951	22,125,532	22,441,850
MINORITY INTEREST		25,248	148,928	–	–
LONG TERM LIABILITIES	20	8,718,397	10,314,883	5,845,433	6,791,894
HIRE PURCHASE CREDITORS	13	1,313,496	2,062,225	991,966	1,319,235
DEFERRED TAXATION	21	21,647	1,615,649	–	1,491,000
		29,756,525	35,745,636	28,962,931	32,043,979

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



INCOME STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2003

	Note	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
REVENUE	22	92,649,087	95,127,736	52,900,460	50,352,813
Cost of sales		(76,697,056)	(77,557,201)	(44,905,796)	(40,534,472)
GROSS PROFIT		15,952,031	17,570,535	7,994,664	9,818,341
Other operating income		815,772	520,124	652,969	266,265
Selling and distribution expenses		(6,692,087)	(6,037,345)	(4,590,576)	(4,033,873)
Administrative expenses		(10,337,414)	(13,069,651)	(3,282,587)	(3,934,801)
OPERATING (LOSS)/PROFIT	23	(261,698)	(1,016,337)	774,470	2,115,932
Finance costs	24	(2,898,253)	(1,580,564)	(2,090,469)	(1,104,857)
Loss from investing activities	25	(654,839)	(5,764,029)	(654,839)	(5,602,450)
LOSS BEFORE TAXATION		(3,814,790)	(8,360,930)	(1,970,838)	(4,591,375)
Taxation	26	1,764,896	(886,947)	1,654,520	(369,580)
LOSS AFTER TAXATION		(2,049,894)	(9,247,877)	(316,318)	(4,960,955)
Minority interest		123,680	298,763	–	–
NET LOSS FOR THE YEAR		(1,926,214)	(8,949,114)	(316,318)	(4,960,955)
Earnings per ordinary shares (sen)					
Basic	27	(15)	(67)		
Fully diluted	27	–	–		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2003

	Note	Share Capital RM	Capital Reserve RM	Unappropriated Profit RM	Proposed Dividend RM	Total RM
GROUP						
Balance at 1st January 2002		13,230,000	7,664	17,315,401	285,768	30,838,833
Net loss for the year		–	–	(8,949,114)	–	(8,949,114)
Dividend paid		–	–	–	(285,768)	(285,768)
Balance at 31st December 2002		13,230,000	7,664	8,366,287	–	21,603,951
Net loss for the year		–	–	(1,926,214)	–	(1,926,214)
Balance at 31st December 2003		13,230,000	7,664	6,440,073	–	19,677,737
COMPANY						
Balance at 1st January 2002		13,230,000	7,664	14,165,141	285,768	27,688,573
Net loss for the year		–	–	(4,960,955)	–	(4,960,955)
Dividend paid		–	–	–	(285,768)	(285,768)
Balance at 31st December 2002		13,230,000	7,664	9,204,186	–	22,441,850
Net loss for the year		–	–	(316,318)	–	(316,318)
Balance at 31st December 2003		13,230,000	7,664	8,887,868	–	22,125,532

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



CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2003

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOW FROM OPERATING ACTIVITIES:				
Loss before taxation	(3,814,790)	(8,360,930)	(1,970,838)	(4,591,375)
Adjustments for:				
Depreciation	3,622,809	3,592,705	2,698,440	2,468,626
Property, plant and equipment written off	4,750	4,256	4,750	3,039
Interest income	(4,307)	(8,123)	(3,071)	(1,256)
Interest expenses	2,898,253	1,580,564	2,090,469	1,104,857
(Gain)/loss on disposal of property, plant and equipment	(558,206)	(298,934)	6,160	(41,711)
Loss on disposal of quoted investment	654,839	—	654,839	—
Provision for doubtful debts	324,000	502,435	—	—
Provision for doubtful debts no longer required	(151,330)	—	(151,330)	—
Provision for diminution in value in quoted investment	—	4,192,478	—	4,192,478
Provision for expenses	1,324,642	3,394,556	91,586	1,435,059
Provision for stock obsolescence	335,910	320,228	335,910	—
Impairment loss	—	161,579	—	—
Operating Profit Before Working Capital Changes	4,636,570	5,080,814	3,756,915	4,569,717
(Increase)/decrease in stocks	45,789	1,053,749	(565,188)	71,195
(Increase)/decrease in debtors	(2,003,205)	4,129,220	(39,301)	1,232,284
Increase/(decrease) in creditors	2,966,333	(6,965,585)	3,260,022	(57,902)
Decrease/(increase) in amount owing by/to subsidiary companies	—	—	(5,688,398)	(2,353,802)
Utilisation of provision of expenses	(1,710,146)	(2,752,001)	(487,460)	(1,474,462)
Cash Generated From Operations	3,935,341	546,197	236,590	1,987,030
Interest paid	(1,377,271)	(1,127,349)	(615,468)	(415,914)
Tax paid	(1,088,855)	(2,553,557)	(208,337)	(461,668)
Tax refund	762,965	—	762,965	—
Net Cash From/(Used In) Operating Activities	2,232,180	(3,134,709)	175,750	1,109,448
CASH FLOW FROM INVESTING ACTIVITIES:				
Purchases of property, plant and equipment *	(446,725)	(2,250,075)	(341,570)	(1,755,623)
Proceeds from disposal of quoted investments	294,601	—	294,601	—
Acquisition of additional shares in a subsidiary company	—	—	—	(1,000,000)
Proceeds from sale of property, plant and equipment	1,346,002	779,553	482,937	443,402
Interest received	4,307	8,123	3,071	1,256
Net Cash From/(Used In) Investing Activities	1,198,185	(1,462,399)	439,039	(2,310,965)

CASH FLOW STATEMENTS (CONT'D)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOW FROM FINANCING ACTIVITIES:				
Increase in short term borrowings	1,562,336	3,798,208	2,935,935	208,138
Drawdown of term loans	–	915,060	–	915,060
Repayments of term loans	(1,835,802)	(1,631,744)	(1,185,777)	(1,331,873)
Repayment of hire purchase creditors	(1,553,134)	(1,582,599)	(1,019,562)	(955,878)
Interest paid	(1,520,982)	(453,215)	(1,475,001)	(688,943)
Dividend paid	–	(285,768)	–	(285,768)
Net Cash From/(Used In) Financing Activities	(3,347,582)	759,942	(744,405)	(2,139,264)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
	82,783	(3,837,166)	(129,616)	(3,340,781)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(3,750,293)	86,873	(4,697,159)	(1,356,378)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(3,667,510)	(3,750,293)	(4,826,775)	(4,697,159)
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Cash and bank balances	1,780,876	1,337,032	265,817	188,590
Fixed deposits	222,712	979,907	122,712	979,907
Bank overdrafts	(5,671,098)	(6,067,232)	(5,215,304)	(5,865,656)
	(3,667,510)	(3,750,293)	(4,826,775)	(4,697,159)

GROUP

- * During the financial year, the Group acquired property, plant and equipment amounting to RM1,182,695/- (2002 : RM4,832,571/- of which RM824,290/- (2002 : RM3,251,777/-) were acquired under hire purchase instalment plans. Cash payments amounting to RM88,320/- (2002 : RM669,281/-) were made towards the hire purchase.

COMPANY

- * During the financial year, the Company acquired property, plant and equipment amounting to RM1,063,360/- (2002 : RM3,805,589/-) of which RM804,790/- (2002 : RM2,253,373/-) were acquired under hire purchase instalment plans. Cash payments amounting to RM83,000/- (2002 : RM203,407/-) were made towards the hire purchase.

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

1. GENERAL INFORMATION

The principal activities of the Company are that of a biscuit manufacturer and investment holding. The principal activities of the subsidiary companies are disclosed in Note 4 to the financial statements. There have been no significant changes in the nature of these principal activities during the financial year.

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

The registered office and principal place of business of the Company are both located at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim.

The number of employees of the Group and of the Company at the end of the financial year was 920 (2002 : 952) and 536 (2002 : 535) respectively.

The financial statements are expressed in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30th March 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Group and of the Company comply with applicable approved accounting standards issued by the Malaysian Accounting Standards Board and have been prepared under the historical cost convention modified to include the revaluation of certain assets, unless otherwise indicated in the accounting policies set out below.

(b) Basis of Consolidation

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

The financial statements of the subsidiary companies are consolidated using the acquisition method of accounting, commencing from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

At the date where control is transferred to the Group, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation.

The financial statements of the parent and its subsidiary companies are all drawn up to the same reporting date.

Intra group 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.

Minority interest represents the interest of outside members in the operating results and net assets of subsidiary companies.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Goodwill on Consolidation

Goodwill represents the excess of the fair value of purchase consideration of subsidiary and associated companies acquired over the Group's share of the fair values of their identifiable assets and liabilities at the date of acquisition.

The carrying amount of goodwill is reviewed annually and is written down for impairment where it is considered necessary.

(d) Subsidiary Companies

Subsidiary companies are those enterprises in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiary 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 2(u).

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(u).

Leasehold properties are amortised over the remaining lease periods ranging from 41 to 99 years. Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost or valuation of each asset to its residual value over their estimated useful life at the following rates:-

Freehold building	2%
Office equipment, furniture and fittings and vehicles	10% - 20%
Plant and machinery	10%
Renovation	10%

No depreciation is provided on the freehold land as it has infinite useful life. Capital work in progress will be depreciated when the property, plant and equipment are ready for their intended use.

Property, plant and equipment are written down to recoverable amount if, the recoverable amount is less than their carrying value. Recoverable amount is the higher of an asset's net selling price and its value in use.

(f) Revaluation of Assets

Surpluses arising on revaluation are credited to the Revaluation Reserve Account. Any deficit arising from revaluation is charged against the Revaluation Reserve Account to the extent of a previous surplus held in the Revaluation Reserve Account for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

(g) Borrowing Costs

Borrowing costs directly attributable to the acquisition and the construction of plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(h) Long Term Investments

Investment which are held on a long-term basis are shown at cost unless in the opinion of the Directors, there had been a permanent diminution in value, in which case provision is made for the diminution in value.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Stocks

Stocks are stated at the lower of cost and net realisable value, cost being determined on the first-in first-out basis.

Cost of manufactured finished goods and work-in-progress include direct materials, direct labour and an allocation of manufacturing overheads. Raw materials, packing materials and consumable stores comprise purchase price and carriage costs.

(j) Debtors

Debtors are carried at anticipated realisable value. A provision is made for doubtful debts based on specific review of outstanding balances at balance sheet date. General provisions are made to cover possible losses which are not specifically identified. Bad debts are written off during the financial year in which they are identified.

(k) Amount Due from/to Customers for Construction Contracts

Amount due from customers for construction contracts is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings.

Amount due to customers for construction contracts is the net amount of costs incurred plus recognised profits less the sum of recognised losses and progress billings for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(l) Employee Benefits

(i) Short term employee benefits

Wages, salaries, social security contribution, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by the employees.

(ii) Post-employment benefits

The Group contributes to the Employees' Provident Fund ("EPF"), the national defined contribution plan. The contributions are charged to the income statement in the period to which they are related. Once the contributions have been paid, the Group has no further payment obligations.

(m) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation 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 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.

(n) Hire Purchase

Assets financed by hire purchase arrangements which transfer substantially all the risks and ownership to the Group are capitalised as property, plant and equipment, and the corresponding obligations are treated as liabilities. The assets so capitalised are depreciated in accordance with the accounting policy on property, plant and equipment. Finance charges are charged to the income statements over the period of the respective agreements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Foreign Currency Translation

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates prevailing at transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences are taken to the income statement.

The exchange rates ruling at the balance sheet date used are as follows:-

	2003	2002
Foreign currencies	RM	RM
1 United States Dollar	3.800	3.800
1 Singapore Dollar	2.050	2.213

(p) Taxation

The tax expense in the income statement represents the aggregate amount of current tax and deferred tax included in the determination of net profit or loss for the year.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25 Income Taxes on 1st July 2002, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. There are no material effects arising from this change in accounting policy.

(q) Revenue Recognition

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

Interest income and rental income are recognised on an accrual basis.

(r) Segmental Information

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Most segment assets can be directly attributed to the segment on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Intersegment Transfers

Segment revenues, expenses and result include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length transactions. These transfers are eliminated on consolidation.

(t) Financial Instruments

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

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 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 set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(u) Impairment of Assets

At each balance sheet date, the carrying values of assets, other than stocks, deferred tax assets and financial assets, are reviewed for impairment to determine whether there is an indication that the assets might be impaired. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

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 previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the 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 that impairment loss is recognised as income in the income statement.

(v) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, bank balances, demand deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	Properties		Plant and Machinery		Office Equipments		Furniture and Fittings		Motor Vehicles		Long Leasehold Land and Capital Work-in Progress		Total
	2003	RM	2003	RM	2003	RM	2003	RM	2003	RM	2003	RM	2003
Cost (except as stated otherwise)													
At 1st January 2003	20,231,521		24,899,178		3,908,452		583,796		5,370,679		17,412,791		72,406,417
Additions	-		64,400		241,670		2,393		-		874,232		1,182,695
Reclassification	-		10,793,319		40,350		232,750		-		(11,066,419)		-
Disposals/write-offs	(309,250)		-		(156,457)		(14,235)		(1,889,827)		-		(2,369,769)
At 31st December 2003	19,922,271		35,756,897		4,034,015		804,704		3,480,852		7,220,604		71,219,343
Accumulated Depreciation													
At 1st January 2003	2,724,766		14,852,598		2,298,459		450,639		2,948,978		-		23,275,440
Charge for the year	321,437		2,209,780		397,065		56,195		567,896		70,436		3,622,809
Reclassification	-		-		-		-		-		-		-
Disposals/write-offs	(14,583)		-		(95,724)		(10,835)		(1,456,080)		-		(1,577,222)
At 31st December 2003	3,031,620		17,062,378		2,599,800		495,999		2,060,794		70,436		25,321,027
Net Book Value at 31st December 2003	16,890,651		18,694,519		1,434,215		308,705		1,420,058		7,150,168		45,898,316



3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

GROUP	Properties	Plant and Machinery	Office Equipments	Furniture and Fittings	Motor Vehicles	Long Leasehold Land and Capital Work-in Progress		Total
	RM	RM	RM	RM	RM	RM	RM	RM
2002								
Cost (except as stated otherwise)								
At 1st January 2002	20,547,294	24,707,537	3,648,290	582,661	6,037,440	13,858,219		69,381,441
Additions	107,773	191,700	373,846	17,350	587,271	3,554,631		4,832,571
Reclassification	–	59	–	–	–	(59)		–
Disposals/write-offs	(423,546)	(118)	(113,684)	(16,215)	(1,254,032)	–		(1,807,595)
At 31st December 2002	20,231,521	24,899,178	3,908,452	583,796	5,370,679	17,412,791		72,406,417
Accumulated Depreciation								
At 1st January 2002	2,510,972	12,822,191	1,900,193	425,311	3,346,788	–		21,005,455
Charge for the year	322,370	2,030,524	504,136	41,203	694,472	–		3,592,705
Reclassification	–	–	–	–	–	–		–
Disposals/write-offs	(108,576)	(117)	(105,870)	(15,875)	(1,092,282)	–		(1,322,720)
At 31st December 2002	2,724,766	14,852,598	2,298,459	450,639	2,948,978	–		23,275,440
Net Book Value at 31st December 2002	17,506,755	10,046,580	1,609,993	133,157	2,421,701	17,412,791		49,130,977

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Properties consist of:-

GROUP	Freehold Land and Buildings		Long Leasehold Land and Buildings		Short Leasehold Land and Buildings		Short Leasehold Land and Buildings (At Valuation)		Renovation		Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2003												
Cost (except as stated otherwise)												
At 1st January 2003	11,420,946		453,897		5,320,607		2,483,176		552,895		20,231,521	
Additions	-		-		-		-		-		-	
Disposals	(309,250)		-		-		-		-		(309,250)	
At 31st December 2003	11,111,696		453,897		5,320,607		2,483,176		552,895		19,922,271	
Accumulated Depreciation												
At 1st January 2003	282,016		29,657		1,168,256		887,349		357,408		2,724,686	
Charge for the year	116,902		4,670		106,142		45,553		48,170		321,437	
Disposals	(14,583)		-		-		-		-		(14,583)	
At 31st December 2003	384,335		34,327		1,274,398		932,902		405,578		3,031,540	
Net Book Value at 31st December 2003	10,727,361		419,570		4,046,209		1,550,274		147,317		16,890,731	

**3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

Properties consist of:- (Cont'd)

GROUP	Freehold Land and Buildings	Long Leasehold Land and Buildings	Short Leasehold Land and Buildings	Short Leasehold Land and Buildings (At Valuation)	Renovation	Total
2002	RM	RM	RM	RM	RM	RM
Cost (except as stated otherwise)						
At 1st January 2002	11,644,555	453,897	5,320,607	2,483,176	645,059	20,547,294
Additions	95,733	-	-	-	12,040	107,773
Disposals	(319,342)	-	-	-	(104,204)	(423,546)
At 31st December 2002	11,420,946	453,897	5,320,607	2,483,176	552,895	20,231,521
Accumulated Depreciation						
At 1st January 2002	170,016	24,987	1,062,182	841,796	411,911	2,510,892
Charge for the year	117,000	4,670	106,074	45,553	49,073	322,370
Disposals	(5,000)	-	-	-	(103,576)	(108,576)
At 31st December 2002	282,016	29,657	1,168,256	887,349	357,408	2,724,686
Net Book Value at 31st December 2002	11,138,930	424,240	4,152,351	1,595,827	195,487	17,506,835

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COMPANY	Properties	Plant and Machinery	Office Equipment	Furniture and Fittings	Motor Vehicles	Capital Work-in Progress	Total
2003	RM	RM	RM	RM	RM	RM	RM
Cost (except as stated otherwise)							
At 1st January 2003	11,242,757	22,711,169	1,996,163	254,887	1,761,498	11,284,863	49,251,337
Additions	-	48,400	140,728	-	-	874,232	1,063,360
Reclassification	-	10,793,319	40,350	232,750	-	(11,066,419)	-
Transfer (to)/from subsidiary companies	3,950,000	3,850	(16,341)	5,572	-	-	3,943,081
Disposals/write-offs	(309,250)	-	(31,905)	(9,835)	(413,503)	-	(764,493)
At 31st December 2003	14,883,507	33,556,738	2,128,995	483,374	1,347,995	1,092,676	53,493,285
Accumulated Depreciation							
At 1st January 2003	1,739,398	13,115,192	1,253,521	233,344	617,656	-	16,959,111
Charge for the year	178,540	2,128,628	204,514	24,630	162,128	-	2,698,440
Reclassification	-	-	-	-	-	-	-
Transfer (to)/from subsidiary companies	123,000	2,723	(10,109)	4,177	-	-	119,791
Disposals/write-offs	(14,583)	-	(23,482)	(9,686)	(222,894)	-	(270,645)
At 31st December 2003	2,026,355	15,246,543	1,424,444	252,465	556,890	-	19,506,697
Net Book Value at 31st December 2003	12,857,152	18,310,195	704,551	230,909	791,105	1,092,676	33,986,588



3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COMPANY	Properties	Plant and Machinery	Office Equipment	Furniture and Fittings	Motor Vehicles	Capital Work-in Progress	Total
2002	RM	RM	RM	RM	RM	RM	RM
Cost (except as stated otherwise)							
At 1st January 2002	11,570,187	22,663,746	1,792,270	262,447	1,794,400	8,100,941	46,183,991
Additions	95,733	98,780	261,562	3,560	161,973	3,183,981	3,805,589
Reclassification	-	-	-	-	-	-	-
Transfer (to)/from subsidiary companies	-	(51,298)	(5,310)	-	-	-	(56,608)
Disposals/write-offs	(423,163)	(59)	(52,359)	(11,120)	(194,875)	(59)	(681,635)
At 31st December 2002	11,242,757	22,711,169	1,996,163	254,887	1,761,498	11,284,863	49,251,337
Accumulated Depreciation							
At 1st January 2002	1,667,763	11,337,385	1,026,506	236,312	555,966	-	14,823,932
Charge for the year	179,828	1,829,222	278,726	7,877	172,973	-	2,468,626
Reclassification	-	-	-	-	-	-	-
Transfer (to)/from subsidiary companies	-	(51,297)	(5,245)	-	-	-	(56,542)
Disposals/write-offs	(108,193)	(118)	(46,466)	(10,845)	(111,283)	-	(276,905)
At 31st December 2002	1,739,398	13,115,192	1,253,521	233,344	617,656	-	16,959,111
Net Book Value at 31st December 2002	9,503,359	9,595,977	742,642	21,543	1,143,842	11,284,863	32,292,226

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Properties consist of:-

COMPANY	Freehold Land and Buildings	Short Leasehold Land and Buildings	Short Leasehold Land and Buildings (At Valuation)	Renovation	Total
2003	RM	RM	RM	RM	RM
Cost (except as stated otherwise)					
At 1st January 2003	5,238,870	3,649,715	2,183,176	170,996	11,242,757
Additions	–	–	–	–	–
Transfer from a subsidiary company	3,950,000	–	–	–	3,950,000
Disposals/write-offs	(309,250)	–	–	–	(309,250)
At 31st December 2003	8,879,620	3,649,715	2,183,176	170,996	14,883,507
Accumulated Depreciation					
At 1st January 2003	112,000	742,359	791,126	93,913	1,739,398
Charge for the year	55,902	72,765	39,893	9,980	178,540
Transfer from a subsidiary company	123,000	–	–	–	123,000
Disposals/write-offs	(14,583)	–	–	–	(14,583)
At 31st December 2003	276,319	815,124	831,019	103,893	2,026,355
Net Book Value at 31st December 2003	8,603,301	2,834,591	1,352,157	67,103	12,857,152
2002					
Cost (except as stated otherwise)					
At 1st January 2002	5,462,479	3,649,715	2,183,176	274,817	11,570,187
Additions	95,733	–	–	–	95,733
Transfer from a subsidiary company	–	–	–	–	–
Disposals/write-offs	(319,342)	–	–	(103,821)	(423,163)
At 31st December 2002	5,238,870	3,649,715	2,183,176	170,996	11,242,757
Accumulated Depreciation					
At 1st January 2002	61,000	669,661	751,233	185,869	1,667,763
Charge for the year	56,000	72,698	39,893	11,237	179,828
Transfer from a subsidiary company	–	–	–	–	–
Disposals/write-offs	(5,000)	–	–	(103,193)	(108,193)
At 31st December 2002	112,000	742,359	791,126	93,913	1,739,398
Net Book Value at 31st December 2002	5,126,870	2,907,356	1,392,050	77,083	9,503,359

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (a) The following assets of the Group and of the Company, stated at net book value, have been charged to licensed banks to secure the bank borrowings as stated in Notes 14 and 20 to the financial statements:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
At Net Book Value				
Plant and machinery	8,632,742	6,196,576	8,632,742	6,196,576
Freehold land and buildings	857,777	865,777	—	—
Leasehold land and buildings	382,538	386,788	—	—
Long leasehold land and Capital work-in-progress	6,057,492	13,146,990	—	7,019,062
	15,930,549	20,596,131	8,632,742	13,215,638

- (b) The net book value of property, plant and equipment of the Group and of the Company includes the following property, plant and equipment acquired under hire purchase instalment plans:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
At Net Book Value				
Motor vehicles	1,375,926	2,281,329	769,090	1,048,502
Plant and machinery	2,302,399	2,641,703	2,181,411	2,501,928
Office equipment	360,632	229,895	287,932	63,912
	4,038,957	5,152,927	3,238,433	3,614,342

- (c) Details of independent professional valuations of property, plant and equipment owned by the Group are as follows:-

	Year of Valuation	Description of Property	Revalued Amount RM	
The Company	1983	Short leasehold land	408,000)	Based on professional valuation on open market value basis
The Company	1983	Short leasehold buildings	1,775,176)	
Subsidiary	1985	Short leasehold land	300,000)	
			<u>2,483,176</u>	

In April 2002, the above short leasehold land and buildings of the Group were revalued by a firm of professional valuers using the open market value basis. On prudence basis, the directors do not recommend that the revalued amount of RM3,316,463/- which is above the book value of these leasehold properties be incorporated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (d) Had the short leasehold properties* been carried at historical cost less accumulated depreciation, the net book values of the short leasehold properties* that would have been included in the financial statements at the end of the year are as follows:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Short leasehold land and buildings *	263,043	270,780	263,043	270,780

- * Excluding a short leasehold property belonging to a subsidiary company which was revalued at RM300,000/- in 1985. Details of the original cost of the revalued assets are not available due to the lack of historical records.

GROUP

As at balance sheet date, certificates of title to the freehold land and buildings and capital work-in-progress with net book values of RM9,737,068/- and RM Nil (2002 : RM10,140,637/- and RM5,286,780/-) respectively are in the process of being registered in the name of the Company and respective subsidiaries.

Capital work-in-progress of the Group includes interest expenses incurred during the year of RM14,457/- (2002 : RM648,466/-).

COMPANY

As at balance sheet date, certificates of title to the freehold land and buildings with net book values of RM8,470,785/- (2002 : RM4,944,354/-) are in the process of being registered in the name of the Company.

Capital work-in-progress of the Company includes interest expenses incurred during the year of RM14,457/- (2002 : RM212,257/-).

4. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2003 RM	2002 RM
Unquoted shares at cost	9,014,675	9,014,675
Less: Provision for diminution in value	(150,449)	(150,449)
	8,864,226	8,864,226

The following information relates to the subsidiaries which are all incorporated in Malaysia:-

Name of Company	Equity Held		Principal Activities
	2003 %	2002 %	
Direct subsidiaries			
Epro Industries Sdn. Bhd. ("EISB")	100	100	Property holding
Suria Merah Manufactory (Segamat) Sdn. Bhd. ("SMMS")	100	100	Property holding
Hwa Tai Food Industries (Sabah) Sdn. Bhd. ("HTFIS")	100	100	Biscuit manufacturer

**4. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)**

Name of Company	Equity Held		Principal Activities
	2003 %	2002 %	
Direct subsidiaries			
Pan Tai Trading Sdn. Bhd. (“PTT”)	100	100	Trading
Satria Potensi Sdn. Bhd. (“SPSB”)	100	100	Contractor
Hwa Tai Manufacturing Sdn. Bhd. (“HTM”)	100	100	Dormant
Acetai Corporation Sdn. Bhd. (“Acetai”)	90	90	Trading
Keris Intan Sdn. Bhd. (“KISB”)	100	100	Insurance agency
Hwa Tai (Sarawak) Sdn. Bhd. (“HTSB”)	100	100	Dormant
Hwa Tai Distribution Sdn. Bhd. (“HTDSB”)	100	100	Dormant
Hwa Tai Services Sdn. Bhd. (“HTSSB”)	100	100	Dormant
Absolute Focus Sdn. Bhd. (“AFSB”)	100	100	Dormant
Indirect subsidiaries			
Anika Bebas Sdn. Bhd. (“ABSB”)	100	100	Trading
Esprit Classic Sdn. Bhd. (“ECSB”)	100	100	Trading

* Subsidiaries not audited by Monteiro & Heng

5. LONG TERM INVESTMENTS

	GROUP AND COMPANY	
	2003 RM	2002 RM
Shares quoted in Malaysia - at cost	–	5,141,918
Less: Provision for diminution in value	–	(4,192,478)
	–	949,440
Market value	–	949,440

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. AMOUNTS OWING BY SUBSIDIARY COMPANIES

	COMPANY	
	2003 RM	2002 RM
Amounts owing by subsidiary companies	19,133,987	16,407,840
Less: Provision for doubtful debts	(513,996)	(513,996)
	18,619,991	15,893,844
Portion due within one year	17,563,809	14,467,460
Portion due after one year	1,056,182	1,426,384
	18,619,991	15,893,844

The amounts owing by subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

7. STOCKS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
At Cost				
Raw materials	555,264	747,114	417,631	571,932
Work-in-progress	410,093	408,258	378,512	353,383
Finished goods	7,757,655	8,002,626	980,063	804,644
Packing materials	1,744,317	1,744,681	1,589,330	1,468,509
Consumable stores	183,844	121,638	183,844	121,638
Goods in transit	5,962	14,520	–	–
	10,657,135	11,038,837	3,549,380	3,320,106
At Net Realisable Value				
Raw materials	1	–	1	–
Finished goods	1	1	1	–
Packing materials	1	–	1	–
Consumable stores	1	–	1	–
	10,657,139	11,038,838	3,549,384	3,320,106

Stocks of the Group and of the Company at net realisable value of RM4/- (2002 : RM1/-) and RM4/- (2002 : RM Nil) were stated after netting of the provision for stock obsolescence of RM335,910/- (2002 : RM320,228/-) and RM335,910/- (2002 : RM Nil) respectively.

8. AMOUNT DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS

	GROUP	
	2003 RM	2002 RM
Aggregate costs incurred to date	48,942,554	48,942,554
Recognised profits less recognised losses	21,180,705	21,180,705
	70,123,259	70,123,259
Less: Progress billings	(68,825,533)	(68,825,533)
Amount due from customers for construction contracts	1,297,726	1,297,726
Construction contract costs recognised as contract expenses during the year	-	-

9. TRADE AND SUNDRY DEBTORS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade debtors	27,395,769	26,530,481	6,689,756	7,032,307
Less: Provision for doubtful debts	(3,025,510)	(3,126,252)	(1,341,317)	(1,492,647)
	24,370,259	23,404,229	5,348,439	5,539,660
Sundry debtors	2,407,003	1,553,837	1,324,437	909,343
Deposits	191,346	191,441	52,105	51,151
Prepayments	656,154	644,720	503,110	537,307
	27,624,762	25,794,227	7,228,091	7,037,461

The Group and the Company's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-to-case basis.

Group and Company

Included in sundry debtors is an amount of RM225,000/- (2002 : RM Nil) representing balance of sales consideration in respect of disposal of a freehold land and building.

10. PROVISIONS

	2003 RM	2002 RM
GROUP		
As at 1st January 2003	1,214,626	572,071
Charged to income statement	1,324,642	3,394,556
Utilised during the year	(1,710,146)	(2,752,001)
As at 31st December 2003	829,122	1,214,626
Current	829,122	1,214,626

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. PROVISIONS (Cont'd)

	2003 RM	2002 RM
COMPANY		
As at 1st January 2003	531,668	571,071
Charged to income statement	91,586	1,435,059
Utilised during the year	(487,460)	(1,474,462)
As at 31st December 2003	135,794	531,668
Current	135,794	531,668

A provision has been recognised for based on past experience of the level to be incurred.

11. TRADE AND SUNDRY CREDITORS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade creditors	20,075,696	16,671,814	12,338,846	8,619,749
Sundry creditors	1,020,235	1,225,696	685,533	1,288,477
Accruals	2,659,116	2,891,734	2,439,742	2,295,874
Deposits	15,721	15,191	–	–
	23,770,768	20,804,435	15,464,121	12,204,100

The normal credit term granted to the Group and the Company ranges from 30 to 120 days.

12. AMOUNTS OWING TO SUBSIDIARY COMPANIES

The amounts owing to subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

13. HIRE PURCHASE CREDITORS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Minimum hire purchase payments				
- not later than one year	1,621,068	1,730,350	1,262,629	1,197,946
- later than one year and not later than five years	1,249,734	2,534,856	901,758	1,601,132
- later than five years	–	7,029	–	–
	2,870,802	4,272,235	2,164,387	2,799,078
Future interest charges	(215,329)	(799,598)	(143,350)	(480,269)
Present value of hire purchase liabilities	2,655,473	3,472,637	2,021,037	2,318,809

13. HIRE PURCHASE CREDITORS (Cont'd)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Current				
- not later than one year	1,341,977	1,410,412	1,029,071	999,574
Non-current				
- later than one year and not later than five years	1,313,496	2,057,825	991,966	1,319,235
- later than five years	—	4,400	—	—
	1,313,496	2,062,225	991,966	1,319,235
	2,655,473	3,472,637	2,021,037	2,318,809

14. SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade financing facilities	21,688,890	20,126,554	16,020,890	13,084,955
Revolving credits	4,000,000	4,000,000	4,000,000	4,000,000
	25,688,890	24,126,554	20,020,890	17,084,955

GROUP

The trade financing facilities of a subsidiary company are secured over a first legal charge over a piece of long leasehold land of the subsidiary company and corporate guarantees of the Company.

COMPANY

The trade financing facilities and revolving credits of the Company are granted on the undertaking that the Company will not pledge or execute any charges on its assets, other than those assets under hire purchase.

These borrowings bear interest at rates ranging from 3.11% to 6.05% (2002 : 3.50% to 6.05%) per annum.

15. BANK OVERDRAFTS

GROUP

The bank overdraft of a subsidiary company is secured over a piece of long leasehold land of the subsidiary company and corporate guarantees of the Company.

COMPANY

The bank overdrafts of the Company are granted on the undertaking that the Company will not pledge or execute any charges on its assets, other than those assets under hire purchase.

The bank overdrafts bear interest at rates ranging from 7.00% to 8.50% (2002 : 7.65% to 8.05%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. GOODWILL ON CONSOLIDATION

	GROUP	
	2003 RM	2002 RM
Balance as at 1st January	2,300,694	2,306,921
Additions during the year	–	155,352
Impairment loss	–	(161,579)
Balance as at 31st December	2,300,694	2,300,694

17. SHARE CAPITAL

	GROUP AND COMPANY	
	2003 RM	2002 RM
Ordinary shares of RM1/- each Authorised	1,000,000,000	1,000,000,000
Issued and fully paid	13,230,000	13,230,000

18. CAPITAL RESERVE

	GROUP AND COMPANY	
	2003 RM	2002 RM
At beginning of the year and end of the year	7,664	7,664
The capital reserve comprises:		
Surplus arising from revaluation of leasehold land and building	1,757,664	1,757,664
Bonus issue in 1983	(1,750,000)	(1,750,000)
	7,664	7,664

The balance of the capital reserve is not distributable by way of dividends.

19. UNAPPROPRIATED PROFIT - DISTRIBUTABLE

COMPANY

Based on the estimated tax credits available and prevailing tax rate applicable to dividends, the Company has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act, 1999 available for the distribution of its entire unappropriated profit as at 31st December 2003 by way of dividends, subject to the approval of the tax authorities.

20. LONG TERM LIABILITIES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Long term loans	10,697,139	12,532,941	6,836,307	8,022,084
Portion due within one year	(1,978,742)	(2,218,058)	(990,874)	(1,230,190)
Portion due after one year	8,718,397	10,314,883	5,845,433	6,791,894

GROUP

The term loans of a subsidiary company are secured by the creation of a first legal charge over the subsidiary company's freehold and leasehold land and buildings as stated in Note 3(a) to the financial statements, and are also jointly and severally guaranteed by certain former directors of the subsidiary company. The term loans bear interest at rates ranging from 1.25% to 1.75% (2002 : 1.25% to 1.75%) per annum above the base lending rate of the commercial banks.

COMPANY

The term loans of the Company are secured by the following:-

- Negative pledge over all present and future assets of the Company (but excluding those machinery and equipment financed under hire purchase).
- Specific debenture over assets financed by the commercial bank.

The term loans bear interest at rates ranging from 1.25% to 2.5% (2002 : 1.25% to 1.5%) per annum above base lending rate of the commercial banks.

The terms of repayment of the loans are as follows:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Within the next twelve months (included under current liabilities)	1,978,742	2,218,058	990,874	1,230,190
After the next twelve months (included under long term liabilities)				
- not later than two years	2,067,921	1,982,740	1,080,053	994,872
- later than two years but not later than five years	5,732,623	6,056,939	3,859,168	3,554,804
- later than five years	917,853	2,275,204	906,212	2,242,218
	8,718,397	10,314,883	5,845,433	6,791,894
	10,697,139	12,532,941	6,836,307	8,022,084

21. DEFERRED TAXATION

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Balance at the beginning	1,615,649	1,729,100	1,491,000	1,491,000
Transfer to income statements (Note 26)	(1,594,002)	(113,451)	(1,491,000)	-
Balance at the end	21,647	1,615,649	-	1,491,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. DEFERRED TAXATION (Cont'd)

The deferred taxation is in respect of timing differences between depreciation and tax allowances on property, plant and equipment.

The tax effect on the surplus arising from the revaluation of certain properties is not provided for in the financial statements as these properties are held for long term purposes and there is no foreseeable intention to dispose of these properties.

Deferred tax assets have not been recognised for the following items:

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Deductible temporary differences	582,582	499,000	–	–
Unutilised tax losses	8,154,861	6,715,000	–	–
Reinvestment allowance	1,332,780	–	1,332,780	–
Balance at the end	10,070,223	7,214,000	1,332,780	–

The unutilised tax losses, deductible temporary differences and reinvestment allowance do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items.

22. REVENUE

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Sales of trading goods	33,748,001	38,547,560	–	–
Sales of manufactured goods	58,901,086	56,580,176	52,900,460	50,352,813
	92,649,087	95,127,736	52,900,460	50,352,813

23. OPERATING (LOSS)/PROFIT

Operating (loss)/profit has been arrived at:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
After charging:-				
Audit fee				
- current year	89,650	97,500	48,000	50,000
- overprovision in prior year	(6,400)	(14,645)	–	(10,000)
Bad debts written off	–	181,083	–	–
Directors' remuneration				
• Directors of the Company				
- fees	–	70,000	–	70,000
- other emoluments	1,198,208	1,329,942	1,198,208	1,025,022

23. OPERATING (LOSS)/PROFIT (Cont'd)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
After charging:- (Cont'd)				
• Directors of subsidiary companies				
- other emoluments				
• current directors	72,600	332,827	-	-
• former director	-	124,615	-	-
Depreciation	3,622,809	3,592,705	2,698,440	2,468,626
Plant and equipment written off	4,750	4,256	4,750	3,039
Hire of vehicles	547,733	322,084	144,055	95,383
Loss on disposal of property, plant and equipment	6,160	284	6,160	-
Realised loss on foreign exchange	512	169	-	-
Provision for doubtful debts	324,000	502,435	-	-
Provision for expenses	1,324,642	3,394,556	91,586	1,435,059
Provision for stock obsolescence	335,910	320,228	335,910	-
Rental of premises	321,997	375,040	84,000	84,000
Staff costs	8,178,528	8,940,041	3,509,644	4,119,298

And crediting:-

Gain on disposal of property, plant and equipment	564,366	299,218	-	41,711
Interest income	4,307	8,123	3,071	1,256
Provision for doubtful debts no longer required	151,330	-	151,330	-
Realised gain on foreign exchange	97,899	25,017	97,899	25,017
Rental income	-	-	62,450	60,000

Details of Directors' remuneration including the estimated monetary value of benefits-in-kind are as follows:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Executive Directors				
Directors' fees	-	30,000	-	30,000
Other emoluments	888,518	875,102	888,518	875,102
Benefits-in-kind	20,100	15,900	20,100	15,900
	908,618	921,002	908,618	921,002
Non-Executive Directors				
Directors' fees	-	40,000	-	40,000
Other emoluments	309,690	454,840	309,690	149,920
Benefits-in-kind	-	-	-	-
	309,690	494,840	309,690	189,920
Grand Total				
Directors' fees	-	70,000	-	70,000
Other emoluments	1,198,208	1,329,942	1,198,208	1,025,022
Benefits-in-kind	20,100	15,900	20,100	15,900
	1,218,308	1,415,842	1,218,308	1,110,922

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. OPERATING (LOSS)/PROFIT (Cont'd)

The number of Directors of the Company whose total remuneration fall within the respective ranges, were as follows:-

	NUMBER OF DIRECTORS			
	2003		2002	
	Executive Director	Non-Executive Director	Executive Director	Non-Executive Director
Ranges of Remuneration (RM)				
RM1 - RM50,000	-	2	-	2
RM50,001 - RM100,000	-	1	-	1
RM100,001 - RM150,000	-	-	-	-
RM150,001 - RM200,000	1	1	1	-
RM200,001 - RM250,000	-	-	-	-
RM250,001 - RM300,000	-	-	-	-
RM300,001 - RM350,000	-	-	-	-
RM350,001 - RM400,000	2	-	1	-
RM400,001 - RM450,000	-	-	1	1

24. FINANCE COSTS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Interest expenses				
- trade financing facilities	767,034	705,309	512,745	457,031
- bank overdrafts	619,611	420,642	615,468	415,914
- hire purchase	585,615	308,577	363,500	157,681
- term loans	925,896	144,638	598,756	74,231
- others	97	1,398	-	-
	2,898,253	1,580,564	2,090,469	1,104,857

25. LOSS FROM INVESTING ACTIVITIES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Impairment loss				
- goodwill on consolidation	-	161,579	-	-
Provision for diminution in value of quoted investments	-	4,192,478	-	4,192,478
Penalty imposed by Bursa Malaysia Securities Berhad for non-compliance with the Exchange's Listing Requirements	-	1,187,500	-	1,187,500
Incidental expenses incurred for compliance with the Exchange's Listing Requirements	-	222,472	-	222,472
Loss on disposal of quoted investments	654,839	-	654,839	-
	654,839	5,764,029	654,839	5,602,450

26. TAXATION

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Income tax				
- current year's provision	–	(545,862)	–	(530,000)
- over/(under) provision in previous year	170,894	(453,228)	163,520	161,728
Deferred taxation (Note 21)				
- current year	1,416,819	126,451	1,269,617	–
- over/(under) provision in previous year	177,183	(13,000)	221,383	–
Real Property Gain Tax				
- underprovision in previous year	–	(1,308)	–	(1,308)
	1,764,896	(886,947)	1,654,520	(369,580)

The provision for taxation differs from the amount of taxation determined by applying the applicable statutory tax rate on the loss before tax as a result of the following differences:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Accounting loss	(3,814,790)	(8,360,930)	(1,970,838)	(4,591,375)
Tax at the applicable tax rate of 28%	1,068,142	2,341,061	551,835	1,285,585
Tax effects arising from				
- double deduction expenses	8,392	11,728	8,217	11,728
- non-taxable income	155,256	63,037	–	1,469
- loss on investing activities	(183,355)	(1,568,686)	(183,355)	(1,568,686)
- non-deductible expenses	(867,412)	(626,797)	(375,228)	(302,951)
- originated/reversal of deferred tax assets not recognised in the financial statements	(32,371)	(682,363)	–	–
- utilisation of current year's reinvestment allowances	1,268,148	42,855	1,268,148	42,855
- under/(over) provision in previous year	348,077	(467,536)	384,903	160,420
- other items	19	(246)	–	–
Tax expense for the year	1,764,896	(886,947)	1,654,520	(369,580)

27. EARNINGS PER ORDINARY SHARE

Basic Earnings Per Share

The basic earnings per ordinary share for the year has been calculated based on the Group's loss after taxation and minority interest of RM1,926,214/- (2002 : loss of RM8,949,114/-) and on the number of 13,230,000 (2002 : 13,230,000) ordinary shares in issue during the year.

Fully Diluted Earnings Per Share

Fully diluted earnings per share is not shown as it is not applicable to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
<i>Transactions with subsidiary companies</i>				
Sales to subsidiary companies				
- Acetai	-	-	22,186,561	18,400,752
- HTFIS	-	-	470,493	726,164
- PTT	-	-	857,308	1,468,566
Purchases from subsidiary company				
- Acetai	-	-	-	4,998
Rental income from a subsidiary company				
- HTFIS	-	-	62,450	60,000
Rental of premises paid to subsidiary companies				
- Acetai	-	-	36,000	36,000
- EISB	-	-	24,000	24,000
- SMMS	-	-	24,000	24,000
Management fees, administration fee and rental received/receivable from subsidiary companies				
- Acetai	-	-	335,400	-
- PTT	-	-	24,000	24,000
- EISB	-	-	12,000	12,000
- SMMS	-	-	12,000	12,000
Sales commission paid to subsidiary companies				
- Acetai	-	-	-	7,908
- HTFIS	-	-	39,023	41,731
Transfer of property, plant and equipment from subsidiary companies				
- at net book value, SPSB	-	-	3,827,000	-
- at net book value, PTT	-	-	3,442	980
Transfer of property, plant and equipment to subsidiary companies at net book value				
- HTFIS	-	-	6,410	-
- PTT	-	-	-	65
- Acetai	-	-	742	-
<i>Transaction with a firm in which a director is a partner</i>				
Rental of premises paid to Soo Thien Ming & Nasrah, a firm in which a director is a partner	36,000	36,000	21,600	21,600
Legal and professional fees paid to Soo Thien Ming & Nasrah, a firm in which a director is a partner	46,100	19,050	2,600	11,100

The directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established on negotiated basis.

**29. CONTINGENT LIABILITIES**

As at 31st December 2003, the Group and the Company are contingently liable for the following:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Unsecured				
Bank guarantees issued in favour of third parties	174,500	439,750	174,500	139,750
Corporate guarantees issued in favour of third parties for facilities granted to a subsidiary company to the extent of RM4,000,000/- (2002 : RM5,477,760/-)	-	-	1,814,167	3,441,090
Corporate guarantees issued to financial institutions for credit facilities granted to a subsidiary company to the extent of RM13,130,368/- (2002 : RM17,404,984/-)	-	-	6,267,311	7,915,396
	174,500	439,750	8,255,978	11,496,236

Subsequent to the balance sheet date, the Company issued corporate guarantees of RM220,971/- (2002 : RM Nil) in favour of a financial institution for credit facilities granted to a subsidiary company.

30. CAPITAL COMMITMENT

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Authorised capital expenditure contracted but not provided for in the financial statements				
- property, plant and equipment	31,400	519,600	31,400	519,600

31. SEGMENTAL INFORMATION

The Group's operation comprise the following business segments:-

- Manufacturing : Manufacture of biscuit products
- Trading : Trading of confectioneries
- Others : Investment holding, construction and insurance agency

Primary Reporting - Business Segments

	MANUFACTURING		TRADING		OTHERS		TOTAL		ELIMINATION		CONSOLIDATED	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
REVENUE												
External sales	35,386,724	35,984,694	57,262,363	59,143,042	-	-	92,649,087	95,127,736	-	-	92,649,087	95,127,736
Inter-segment sales	23,514,362	20,595,482	901,733	973,625	48,000	48,000	24,464,095	21,617,107	24,464,095	21,617,107	-	-
	58,901,086	56,580,176	58,164,096	60,116,667	48,000	48,000	117,113,182	116,744,843	24,464,095	21,617,107	92,649,087	95,127,736
RESULTS												
Segment results	(229,224)	1,714,243	(1,421,515)	(3,114,920)	(102,604)	(507,937)	(1,753,343)	(1,908,614)	(675,873)	(372,153)	(1,077,470)	(1,536,461)
Other operating income	717,087	348,936	750,611	428,725	-	6,650	1,467,698	784,311	651,926	264,187	815,772	520,124
Finance cost (net)	(2,130,988)	(1,127,615)	(767,265)	(452,949)	-	-	(2,898,253)	(1,580,564)	-	-	(2,898,253)	(1,580,564)
Impairment loss												
- loss in investing activities	(654,839)	-	-	-	-	(5,602,450)	(654,839)	(5,602,450)	-	-	(654,839)	(5,602,450)
- goodwill on consolidation	-	-	-	-	-	-	-	-	-	161,579	-	(161,579)
(Loss)/profit before taxation	(2,297,964)	935,564	(1,438,169)	(3,139,144)	(102,604)	(6,103,737)	(3,838,737)	(8,307,317)	(23,947)	53,613	(3,814,790)	(8,360,930)



31. SEGMENTAL INFORMATION (Cont'd)

	MANUFACTURING			TRADING			OTHERS			TOTAL			ELIMINATION			CONSOLIDATED		
	2003 RM	2002 RM		2003 RM	2002 RM		2003 RM	2002 RM		2003 RM	2002 RM		2003 RM	2002 RM		2003 RM	2002 RM	
OTHER INFORMATION																		
Segment assets	48,164,180	47,681,927		35,347,890	36,625,422		4,043,816	8,925,904		87,555,886	93,233,253		(74,355)	(404,412)		87,481,531	92,828,841	
Total assets	48,164,180	47,681,927		35,347,890	36,625,422		4,034,816	8,925,904		87,555,886	93,233,253		(74,355)	(404,412)		87,481,531	92,828,841	
Segment liabilities	51,123,409	47,559,577		18,087,603	20,876,981		108,478	105,863		69,319,490	68,542,421		(7,000)	(323,996)		69,312,490	68,218,425	
Total liabilities	51,123,409	47,559,577		18,087,603	20,876,981		108,478	105,863		69,319,490	68,542,421		(7,000)	(323,996)		69,312,490	68,218,425	
Capital expenditure	1,079,580	4,203,275		103,115	629,296		-	-		1,182,695	4,832,571		-	-		1,182,695	4,832,571	
Depreciation and amortisation	2,827,079	2,727,643		713,173	782,505		82,557	82,557		3,622,809	3,592,705		-	-		3,622,809	3,592,705	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. FINANCIAL INSTRUMENTS

(a) Financial Risk Management and Objectives

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its credit, foreign currency, liquidity, market and interest rate risks.

(b) Credit Risk

The management has a credit policy in place to monitor and minimise the exposure of default. Trade debtors are monitored on an ongoing basis.

As at balance sheet date, there were no significant concentrations of credit risk in the Group. The maximum exposure to credit risk for the Group is represented by the carrying amount of each financial instrument.

(c) Foreign Currency Risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than Ringgit Malaysia. Exposures to foreign currency risks are monitored on an ongoing basis.

(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 financing, 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.

(e) Market Risk

The Group's principal exposure to market risk arises mainly from the changes in equity prices. The Group manages disposal of its investment to optimise returns on realisation.

(f) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt as at 31st December 2003. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

The Group actively reviews its debt portfolio, taking into account the 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.

Effective interest rates

	Effective Interest Rate	Within 1 Year	1 - 5 Years	More Than 5 Years	Total
As at 31st December 2003	%	RM	RM	RM	RM
GROUP					
Financial Asset					
Fixed deposits placed with licensed banks	2.45 - 2.72	122,712	—	—	122,712
Financial Liabilities					
Bank overdrafts	7.00 - 8.50	5,671,098	—	—	5,671,098
Hire purchase creditors	8.30 - 13.10	1,341,977	1,313,496	—	2,655,473
Term loans	8.40 - 9.50	1,978,742	7,800,544	917,853	10,697,139
Trade financing facilities	3.11 - 4.25	21,688,890	—	—	21,688,890
Revolving credits	4.96 - 6.05	4,000,000	—	—	4,000,000

32. FINANCIAL INSTRUMENTS (Cont'd)

(f) Interest Rate Risk (Cont'd)

Effective interest rates (Cont'd)

	Effective Interest Rate	Within 1 Year	1 - 5 Years	More Than 5 Years	Total
As at 31st December 2003	%	RM	RM	RM	RM

COMPANY

Financial Asset

Fixed deposits placed with
licensed banks

2.45 - 2.72 122,712 – – 122,712

Financial Liabilities

Bank overdrafts	7.00 - 8.50	5,215,304	–	–	5,215,304
Hire purchase creditors	8.30 - 13.10	1,029,071	991,966	–	2,021,037
Term loans	8.40 - 9.50	990,874	4,939,221	906,212	6,836,307
Trade financing facilities	3.11 - 4.25	16,020,890	–	–	16,020,890
Revolving credits	4.96 - 6.05	4,000,000	–	–	4,000,000

As at 31st December 2002

GROUP

Financial Asset

Fixed deposits placed with
licensed banks

2.60 979,907 – – 979,907

Financial Liabilities

Bank overdrafts	7.40 - 8.90	6,067,232	–	–	6,067,232
Hire purchase creditors	8.30 - 13.10	1,410,412	2,057,825	4,400	3,472,637
Term loans	7.65 - 9.00	2,218,058	8,039,679	2,275,204	12,532,941
Trade financing facilities	3.50 - 5.30	20,126,554	–	–	20,126,554
Revolving credits	5.00 - 6.05	4,000,000	–	–	4,000,000

COMPANY

Financial Asset

Fixed deposits placed with
licensed banks

2.60 979,907 – – 979,907

Financial Liabilities

Bank overdrafts	7.40 - 8.90	5,865,656	–	–	5,865,656
Hire purchase creditors	8.40 - 13.10	999,574	1,319,235	–	2,318,809
Term loans	8.40 - 9.00	1,230,190	4,549,676	2,242,218	8,022,084
Trade financing facilities	3.50 - 5.30	13,084,955	–	–	13,084,955
Revolving credits	5.00 - 6.05	4,000,000	–	–	4,000,000

32. FINANCIAL INSTRUMENTS (Cont'd)

(g) Fair Values

The fair values of financial assets and financial liabilities approximate their respective carrying values on the balance sheets of the Group and of the Company, except for amounts owing by/to subsidiary companies, and long term borrowings.

It is not practical to estimate the fair values of the amounts owing by/to subsidiary companies due principally to either the lack of fixed repayment terms entered by the parties involved or 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 be eventually received or settled.

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

(i) Cash and Cash Equivalents, Trade and Other Debtors/Creditors and Short Term Borrowings

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

(ii) Other Investments

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

There are no fair values for financial instruments not recognised in the balance sheet as at 31st December 2003 that are required to be disclosed.

The nominal/notional amount and net fair value of contingent liabilities (as disclosed in Note 29 to the financial statements) are not recognised in the balance sheets as at 31st December 2003 as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

33. SIGNIFICANT EVENTS

On 7th November 2003, AmMerchant Bank Berhad ("AmMerchant"), on behalf of the Board of Directors of the Company announced that the Company has obtained the approval from the Securities Commission for the following:-

- (a) Proposed renounceable two-call rights issue of 26,460,000 new ordinary shares of RM1.00 each ("Rights Shares") in the Company together with 19,845,000 free detachable warrants ("Warrants") at an indicative issue price of RM1.10 per Rights Share (of which the first call RM0.90 is payable in cash on application and the second call of RM0.20 is wholly capitalised from the Company's unappropriated profit account) on the basis of four Rights Shares together with three (3) Warrants for every two (2) existing ordinary shares of RM1.00 each held ("Proposed Renounceable Two-Call Rights Issue").

Subsequent to the financial year, on 13th February 2004, AmMerchant further announced that the issue price for the Rights Shares, which was arrived at after taking into consideration the weighted average market price of Hwa Tai Industries Berhad ("Hwa Tai") Shares for the past five (5) market days up to and including 12th February 2004 (being the market day immediately preceding the price fixing date) of RM3.98 per share, has been fixed at RM1.00 per Rights Share (of which the first call of RM0.90 is payable in cash on application and the second call of RM0.10 is wholly capitalised from the Company's unappropriated profit account).

The first call, i.e. the cash portion of RM0.90 per Rights Share represents discount of RM1.03 or approximately 53.37% from the theoretical ex-all price ("TEAP") of approximately RM1.93 per Rights Share as computed based on the weighted average market price of Hwa Tai shares for five market days up to and including 12th February 2004, being the market day immediately preceding the price fixing date of RM3.98 per share.

In addition, the Board has also fixed the exercise price of the Warrants at RM1.74, which was arrived at after taking into consideration the above-mentioned TEAP of Hwa Tai Shares. The exercise price of the Warrants of RM1.74 represents a discount of RM0.19 or approximately 10% from the above-mentioned TEAP.

**33. SIGNIFICANT EVENTS (Cont'd)**

- (b) Proposed Employee Share Option Scheme ("ESOS") of up to 10% of the enlarged issued and paid-up share capital of the Company ("Proposed ESOS").

The above Proposed Renounceable Two-Call Rights Issue and Proposed ESOS have been duly approved and adopted by the Shareholders of the Company at the Extraordinary General Meeting held on 16th February 2004.

Pursuant to the Proposed Renounceable Two-Call Rights issue, the Company's issued and paid-up share capital will increase from the existing RM13.23 million to RM39.69 million. To enable the Company to comply with the RM40 million minimum capital requirement for Second Board companies, Hwa Tai will procure the necessary undertaking from its Executive Director(s), to exercise at least 310,000 options granted pursuant to the Proposed ESOS into 310,000 new Hwa Tai Shares within one (1) month from the listing of the Rights Issue.

34. COMPARATIVE FIGURES

The presentation of the financial statements for the current year has been changed to be in line with the adoption of MASB Standards. Accordingly, certain comparative figures of the Group have been reclassified to conform with their presentation in the current year.



STATEMENT BY DIRECTORS

We, **LEE THYE @ LEE CHOOI YOKE** and **LEE KAH KENG @ LEE KAH HENG**, being two of the directors of Hwa Tai Industries Berhad, do hereby state that, in the opinion of the directors, the financial statements set out on pages 22 to 59 are drawn up in accordance with applicable approved accounting standards in Malaysia, so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December 2003 and of the results and cash flows of the Group and of the Company for the year ended on that date.

On behalf of the Board,

LEE THYE @ LEE CHOOI YOKE

Director

LEE KAH KENG @ LEE KAH HENG

Director

Kuala Lumpur
30 March 2004

STATUTORY DECLARATION

I, **LOH POH IM**, being the director primarily responsible for the financial management of Hwa Tai Industries Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 22 to 59 are 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.

LOH POH IM

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 30 March 2004.

Before me,

RALPH KINNY FERNANDEZ (W164)
Commissioner for Oaths



REPORT OF THE AUDITORS

TO THE MEMBERS OF HWA TAI INDUSTRIES BERHAD (INCORPORATED IN MALAYSIA)

We have audited the financial statements set out on pages 22 to 59. 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 conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-

- (i) the state of affairs of the Group and of the Company as at 31st December 2003 and of the results and 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 of the Group and of the Company;

and

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

We have considered the financial statements and the auditors' reports thereon of the subsidiary companies of which we have not acted as auditors, as indicated in Note 4 to the financial statements.

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 those 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 subsection (3) of Section 174 of the Companies Act, 1965.

MONTEIRO & HENG

No. AF 0117

Chartered Accountants

HENG JI KENG

No. 578/05/04 (J/PH)

Partner

Kuala Lumpur

30 March 2004

ANALYSIS OF SHAREHOLDINGS

AS AT 22 APRIL 2004

Authorised Capital	: RM1,000,000,000/-
Issued and fully paid-up capital	: RM13,230,000/-
Class of Shares	: Ordinary shares of RM1/- each fully paid
Voting Rights	: One vote per ordinary share

SIZE OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
Less than 100	60	1.42	970	0.01
100 - 1,000	2,424	57.25	2,088,256	15.78
1,001 - 10,000	1,630	38.50	5,335,500	40.33
10,001 - 100,000	112	2.64	2,738,100	20.70
100,001 - less than 5% of issued shares	7	0.17	2,387,444	18.04
5% and above of issued shares	1	0.02	679,730	5.14
Total	4,234	100.00	13,230,000	100.00

THIRTY LARGEST SHAREHOLDERS

Name of Shareholders as per Register of Members	No. of Shares	% of Shareholdings
1. Public Nominees (Tempatan) Sdn Bhd (A/C for Soo Thien See @ Soo Thien Ming)	679,730	5.14
2. UOBM Nominees (Tempatan) Sdn Bhd (A/C Ang Cheng Ean)	550,000	4.16
3. PM Securities Sdn Bhd (A/C IVT [DONG])	531,244	4.02
4. AMFinance Berhad (A/C Soo Tian Chai @ Soo Kim Chey)	450,000	3.40
5. UOBM Nominees (Tempatan) Sdn Bhd (A/C Koh Pee Kiat)	400,000	3.02
6. Soo Thien See @ Soo Thien Ming	170,000	1.28
7. Siaw Kit Leong	145,000	1.10
8. HDM Nominees (Tempatan) Sdn Bhd (A/C Tan Chin Hoe)	141,200	1.07
9. AMFinance Berhad (A/C Wong Ah Moi)	100,000	0.76
10. Halim Securities Sdn Bhd (In Creditors' Voluntary Liquidation)	98,000	0.74
11. Yeo Huat Hing	89,200	0.67
12. Khoh Swee Hoe	89,000	0.67
13. AMFinance Berhad (A/C Woo Weng Kian @ Eric Woo Weng Kian)	85,000	0.64
14. United Overseas Nominees (Tempatan) Sdn Bhd (A/C Palanisamy A/L Kuppusamy)	81,700	0.62
15. Yeo Pow Choo	59,000	0.45
16. Tan Yoke Chun	58,900	0.45
17. Lim Do Wei	50,000	0.38
18. Loke Chong	50,000	0.38
19. Tan Ah Hoon	48,000	0.36
20. Mayban Securities Nominees (Tempatan) Sdn Bhd (A/C Ea Chaw Giap)	44,800	0.34
21. Ch'ng Earn Leng	43,000	0.33
22. Che Wan Mohd Zuhaimi Bin Che Wan Hussain	41,000	0.31
23. Purnama Pelangi Sdn Bhd	40,000	0.30
24. Citicorp Nominees (Tempatan) Sdn Bhd (A/C Mohamad Mastam Bin Abd Jalil)	38,000	0.29

**THIRTY LARGEST SHAREHOLDERS (Cont'd)**

Name of Shareholders as per Register of Members	No. of Shares	% of Shareholdings
25. Lim Boon Liat	35,000	0.26
26. Tan Tiong Cheng	33,000	0.25
27. Public Nominees (Tempatan) Sdn Bhd (A/C See Kwong Meng)	32,000	0.24
28. Ding Ming Choon	30,000	0.23
29. Lim Soh Bee	30,000	0.23
30. Siaw Kit Leong	30,000	0.23
Total	4,272,774	32.32

SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders (excluding bare trustees) of the Company:

Name of Substantial Shareholder	Direct Interest (A)	%	Indirect Interest (B)	%	Total Interest (A) + (B)	%
Soo Thien Ming @ Soo Thien See	849,730	6.42	421,000	3.18	1,270,730	9.60
Lee Thye @ Lee Chooi Yoke	—	—	1,133,000	8.56	1,133,000	8.56
Soo Tian Chai @ Soo Kim Chey	712,000	5.38	421,000	3.18	1,133,000	8.56

DIRECTORS' SHAREHOLDINGS

According to the Register of Directors' Shareholdings required to be kept under Section 134 of the Companies Act, 1965, the directors' interest in the ordinary share capital of the Company are as follows:

Name of Substantial Shareholder	Direct Interest (A)	%	Indirect Interest (B)	%	Total Interest (A) + (B)	%
Soo Thien Ming @ Soo Thien See	849,730	6.42	421,000	3.18	1,270,730	9.60
Lee Thye @ Lee Chooi Yoke	—	—	1,133,000	8.56	1,133,000	8.56
Raja Zainal Abidin Bin Raja Hussin	28,000	0.21	—	—	28,000	0.21
Soo Suat Swon	—	—	40,000	0.30	40,000	0.30

None of the other directors hold any share of the Company or its related company.

LIST OF GROUP PROPERTIES

HELD AS AT 31 DECEMBER 2003

	Location	Land Area (Sq. ft)	Built Up Area (Sq. ft)	Tenure	Description	Date of Acquisition/ Revaluation (Year)	Date of Expiry (Year)	Estimated Age of Building (Years)	Net Book Value (RM'000)
1	Lot No. PTD 1098 & 1099 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	87,120	56,150	Leasehold	Factory land & Industrial buildings (Own Occupation)	1983 (R)	2037	26	1,726
2	Lot No. PTD 881 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor Darul Takzim	21,780	6,600	Leasehold	Factory land & Industrial buildings (Own Occupation)	1991	2035	24	335
3	Lot No. PTD 7028 & 7029 at Mukim Linau, District of Batu Pahat, Johor Darul Takzim	1,540 (per unit)	1,540 (per unit)	Freehold	2 units single storey terrace houses (Own Occupation)	1991	—	12	133
4	Lot No. PT 1130 & 1131 Bandar Dataran Segar at Village of Lukut District of Port Dickson, Negeri Sembilan Darul Khusus	1,540 (per unit)	4,613 (per unit)	Freehold	2 units 3 storey shop office (Vacant)	1999	—	5	676
5	Lot No. PT 1132 & 1133 & 1134 Bandar Dataran Segar at Village of Lukut District of Port Dickson, Negeri Sembilan Darul Khusus	1,540 (per unit)	4,613 (per unit)	Freehold	3 units 3 storey shop office (Vacant)	1999	—	5	1,454
6	Lot No. PT 1135 Bandar Dataran Segar at Village of Lukut District of Port Dickson, Negeri Sembilan Darul Khusus	1,990	5,977	Freehold	1 unit 3 storey shop office (Vacant)	1999	—	5	622
7	Lot No. PT 1136 Bandar Dataran Segar at Village of Lukut District of Port Dickson, Negeri Sembilan Darul Khusus	1,908	5,737	Freehold	1 unit 3 storey shop office (Vacant)	1999	—	5	597



LIST OF GROUP PROPERTIES (CONT'D)

	Location	Land Area (Sq. ft)	Built Up Area (Sq. ft)	Tenure	Description	Date of Acquisition/ Revaluation (Year)	Date of Expiry (Year)	Estimated Age of Building (Years)	Net Book Value (RM'000)
8	Lot No. PT 1137 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	3,176	9,540	Freehold	1 unit 3 storey shop office (Vacant)	1999	–	5	1,000
9	Lot No. PT 1126 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	1,540	4,613	Freehold	1 unit 3 storey shop office (Vacant)	2000	–	5	294
10	Lot No. 1564-1570 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	1,540 (per unit)	4,613 (per unit)	Freehold	7 units 3 storey shop office (Vacant)	2000	–	5	3,325
11	Lot No. PT 1571 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	1,540	4,611	Freehold	1 unit 3 storey shop office (Vacant)	2000	–	5	502
12	Lot No. PT 1731 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor	43,560	23,745	Leasehold	Factory land & Industrial buildings (Own Occupation)	1985 (R)	2039	21	453
13	Lot No. PTD 1171 at Mukim Linau, Tongkang Pecah Industrial Estate, District of Batu Pahat, Johor	43,560	19,670	Leasehold	Factory land & Industrial buildings (Own Occupation)	1978	2038	24	587
14	Lot No. PTD 40 & 41 Lot Kawi Light Industrial Estate, District of Kota Kinabalu, Sabah	121,908	49,237	Leasehold	Factory land & Industrial buildings (Own Occupation)	1989	2042	12	2,532

LIST OF GROUP PROPERTIES (CONT'D)

	Location	Land Area (Sq. ft)	Built Up Area (Sq. ft)	Tenure	Description	Date of Acquisition/ Revaluation (Year)	Date of Expiry (Year)	Estimated Age of Building (Years)	Net Book Value (RM'000)
15	Lot No. PT 25809 at Mukim of Kajang, District of Ulu Langat, Selangor Darul Ehsan	4,000	6,680	Freehold	2 1/2 storey terrace factory (Own Occupation)	1992	—	10	429
16	Lot No. PT 25810 at Mukim of Kajang, District of Ulu Langat, Selangor Darul Ehsan	4,000	5,880	Freehold	2 1/2 storey terrace factory (Own Occupation)	1992	—	10	429
17	Lot No. PT. 133946 at Mukim of Hulu Kinta, District of Kinta, Perak Darul Ridzuan	7,276	5,220	Leasehold	1 1/2 storey detached factory (Own Occupation)	1996	2094	8	383
18	Lot No. PT 3476 at Mukim Petaling, Tempat Seri Kembangan, Selangor Darul Ehsan	176,226	N/A	Leasehold	Vacant industrial land	2001	2089	N/A	6,057
19	Lot No. PT 1561 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	2,545	7,645	Freehold	1 unit 3 storey shop office (Vacant)	2000	—	5	791
20	Lot No. PT 1562 Bandar Dataran Segar at Village of Lukut, District of Port Dickson, Negeri Sembilan Darul Khusus	1,540	4,613	Freehold	1 unit 3 storey shop office (Vacant)	2000	—	5	475

**HWA TAI INDUSTRIES BERHAD**

Incorporated in Malaysia • Company No.: 19688-V

FORM OF PROXY

I/We,

of

being a member/members of HWA TAI INDUSTRIES BERHAD, hereby appoint

of

or failing him

of.....or failing him,

the Chairman of the meeting, as my / our proxy, to vote for me / us and on my / our behalf at the Twenty-Ninth Annual General Meeting of the Company to be held on 28th June 2004 and at any adjournment thereof in the manner as indicated below in respect of the following Resolutions:-

Resolutions relating to:	For	Against
1. The adoption of Financial Statements and Reports		
2. The payment of Directors' fees		
3. The re-election of Directors:-		
Soo Thien Ming @ Soo Thien See		
Lee Kah Keng @ Lee Kah Heng		
Loh Poh Im		
4. The re-appointment of Tan Sri Dato' Mohamed Yusoff Bin Mohamed		
5. Appointment of Auditors and their remuneration		
6. Ordinary Resolution		

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

No. of Shares Held	
--------------------	--

Date:

Signature:

Notes:

- (1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint more than 2 proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) Where a member appoints 2 or more proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- (3) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of such securities account.
- (4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its Common Seal or signed by an officer or attorney so authorised.
- (5) The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 12, Jalan Jorak, Kawasan Perindustrian Tongkang Pecah, 83010 Batu Pahat, Johor Darul Takzim, Malaysia not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.

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Postage

THE SECRETARY
HWA TAI INDUSTRIES BERHAD
NO. 12 JALAN JORAK
KAWASAN PERINDUSTRIAN TONGKANG PECAH
83010 BATU PAHAT
JOHOR DARUL TAKZIM
MALAYSIA

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