

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 2002



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 2002.

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	(9,247,877)	(4,960,955)
Minority interest	298,763	–
Net loss for the year	(8,949,114)	(4,960,955)

DIVIDENDS

Since the end of the previous financial year, the Company paid a first and final dividend of 3 sen per share less income tax of 28% amounting to RM285,768/- in respect of the financial year ended 31st December 2001.

The directors do not recommend the payment of any dividend in respect of the financial year ended 31st December 2002.

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.

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.

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 1.1.2002	Bought	Sold	At 31.12.2002
Soo Thien Ming @ Soo Thien See				
- direct	849,730	–	–	849,730
- indirect	421,000	–	–	421,000
Lee Thye @ Lee Chooi Yoke				
- indirect	1,179,000	–	46,000	1,133,000
Soo Suat Swon				
- indirect	–	415,000	–	415,000

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

24 April 2003

BALANCE SHEETS

AS AT 31ST DECEMBER 2002



HWA TAI INDUSTRIES BERHAD

	Note	GROUP		COMPANY	
		2002 RM	2001 RM	2002 RM	2001 RM
PROPERTY, PLANT AND EQUIPMENT	3	49,130,977	48,375,986	32,292,226	31,360,059
INVESTMENT IN SUBSIDIARY COMPANIES	4	–	–	8,864,226	7,864,226
LONG TERM INVESTMENTS	5	949,440	5,141,918	949,440	5,141,918
AMOUNT OWING BY A SUBSIDIARY COMPANY	6	–	–	1,426,384	1,727,632
CURRENT ASSETS					
Stocks	7	11,038,838	12,412,815	3,320,106	3,391,301
Amount due from customers for construction contracts	8	1,297,726	1,297,726	–	–
Trade and sundry debtors	9	25,794,227	31,425,882	7,037,461	8,269,745
Tax recoverable		860,520	748,344	836,943	744,855
Amounts owing by subsidiary companies	6	–	–	14,467,460	11,814,474
Fixed deposits placed with a licensed bank		979,907	25,000	979,907	–
Cash and bank balances		1,337,032	2,909,284	188,590	1,068,917
		41,308,250	48,819,051	26,830,467	25,289,292
Less:					
CURRENT LIABILITIES					
Provisions	10	554,169	571,071	531,668	571,071
Trade and sundry creditors	11	21,464,892	27,771,020	12,204,100	12,262,002
Amounts owing to subsidiary companies	12	–	–	402,621	404,751
Hire purchase creditors	13	1,410,412	960,108	999,574	515,704
Short term borrowings	14	26,344,612	21,840,102	18,315,145	18,019,297
Provision for taxation		2,102,408	3,543,391	–	–
Bank overdrafts	15	6,067,232	2,847,411	5,865,656	2,425,295
		57,943,725	57,533,103	38,318,764	34,198,120
NET CURRENT LIABILITIES		(16,635,475)	(8,714,052)	(11,488,297)	(8,908,828)
GOODWILL ON CONSOLIDATION	16	2,300,694	2,306,921	–	–
		35,745,636	47,110,773	32,043,979	37,185,007
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	8,366,287	17,315,401	9,204,186	14,165,141
PROPOSED DIVIDEND		–	285,768	–	285,768
SHAREHOLDERS' FUNDS		21,603,951	30,838,833	22,441,850	27,688,573
MINORITY INTEREST		148,928	1,292,339	–	–
LONG TERM LIABILITIES	20	12,377,108	13,250,501	8,111,129	8,005,434
DEFERRED TAXATION	21	1,615,649	1,729,100	1,491,000	1,491,000
		35,745,636	47,110,773	32,043,979	37,185,007

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

INCOME STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2002



HWA TAI INDUSTRIES BERHAD

		GROUP		COMPANY	
	Note	2002 RM	2001 RM	2002 RM	2001 RM
REVENUE	22	95,127,736	104,508,829	50,352,813	54,254,116
Cost of sales		(77,557,201)	(81,624,880)	(40,534,472)	(42,594,523)
GROSS PROFIT		17,570,535	22,883,949	9,818,341	11,659,593
Other operating income		520,124	275,543	266,265	378,123
Administrative expenses		(19,106,996)	(19,226,402)	(7,968,674)	(6,834,196)
OPERATING (LOSS)/PROFIT	23	(1,016,337)	3,933,090	2,115,932	5,203,520
Finance costs	24	(1,580,564)	(1,718,538)	(1,104,857)	(1,438,978)
Loss from investing activities	25	(5,764,029)	–	(5,602,450)	–
(LOSS)/PROFIT BEFORE TAXATION		(8,360,930)	2,214,552	(4,591,375)	3,764,542
Taxation	26	(886,947)	(868,716)	(369,580)	(845,553)
(LOSS)/PROFIT AFTER TAXATION		(9,247,877)	1,345,836	(4,960,955)	2,918,989
Minority interest		298,763	272,928	–	–
NET (LOSS)/PROFIT FOR THE YEAR		(8,949,114)	1,618,764	(4,960,955)	2,918,989
Earnings per ordinary shares (sen)					
Basic	27	(67)	12		
Fully diluted	27	–	–		
Dividend per share (net of tax) (sen)					
- first and final dividend	28	–	2.16		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2002



HWA TAI INDUSTRIES BERHAD

Group	Note	Share Capital RM	Capital Reserve RM	Unappro- priated Profit RM	Proposed Dividend RM	Total RM
Balance at 1st January 2001		13,230,000	7,664	15,982,405	–	29,220,069
Net profit for the year		–	–	1,618,764	–	1,618,764
Proposed dividend	28	–	–	(285,768)	285,768	–
Balance at 31st December 2001		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

Company

Balance at 1st January 2001		13,230,000	7,664	11,531,920	–	24,769,584
Net profit for the year		–	–	2,918,989	–	2,918,989
Proposed dividend	28	–	–	(285,768)	285,768	–
Balance at 31st December 2001		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

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2002



HWA TAI INDUSTRIES BERHAD

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
CASH FLOW FROM OPERATING ACTIVITIES:				
(Loss)/profit before taxation	(8,360,930)	2,214,552	(4,591,375)	3,764,542
Adjustments for:				
Bad debts recovered	-	(3,362)	-	-
Depreciation	3,592,705	3,673,461	2,468,626	2,663,533
Property, plant and equipment written off	4,256	20,640	3,039	6,259
Interest income	(8,123)	(1,473)	(1,256)	(1,473)
Interest expenses	1,580,564	1,718,538	1,104,857	1,438,978
Gain on disposal of property, plant and equipment	(298,934)	(128,835)	(41,711)	(79,939)
Net loss arising from de-registration of a subsidiary company	-	8,381	-	-
Provision for doubtful debts	502,435	383,540	-	-
Provision for doubtful debts no longer required	-	(966,740)	-	(966,740)
Provision for stock obsolescence	320,228	-	-	-
Provision for diminution in value of quoted investment	4,192,478	-	4,192,478	-
Impairment loss	161,579	-	-	-
Operating Profit Before Working Capital Changes	1,686,258	6,918,702	3,134,658	6,825,160
Decrease/(increase) in stocks	1,053,749	(2,490,312)	71,195	644,628
Decrease/(increase) in debtors	4,129,220	(4,124,930)	1,232,284	(780,067)
(Decrease)/increase in creditors	(6,323,030)	6,346,386	(97,305)	(676,273)
Decrease/(increase) in amount owing by/to subsidiary companies	-	-	(2,353,802)	4,434,874
Cash Generated From Operations	546,197	6,649,846	1,987,030	10,448,322
Interest paid	(1,127,349)	(556,876)	(415,914)	(281,893)
Tax paid	(2,553,557)	(649,065)	(461,668)	(611,721)
Net Cash (Used In)/From Operating Activities	(3,134,709)	5,443,905	1,109,448	9,554,708
CASH FLOW FROM INVESTING ACTIVITIES:				
Purchases of property, plant and equipment*	(2,250,075)	(14,519,352)	(1,755,623)	(8,421,148)
Net loss arising from de-registration of a subsidiary company	-	(8,381)	-	-
Acquisition of additional shares in a subsidiary company	-	-	(1,000,000)	(2,870,000)
Proceeds from sale of property, plant and equipment	779,553	312,749	443,402	263,850
Interest received	8,123	1,473	1,256	1,473
Net Cash Used In Investing Activities	(1,462,399)	(14,213,511)	(2,310,965)	(11,025,825)

CASH FLOW STATEMENTS



HWA TAI INDUSTRIES BERHAD

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
CASH FLOW FROM FINANCING ACTIVITIES:				
Increase/(decrease) in short term borrowings	3,798,208	1,441,426	208,138	(2,010,103)
Drawdown of term loans	915,060	11,034,940	915,060	7,084,940
Proceeds from issue of shares by subsidiary to minority shareholders	-	1,080,000	-	-
Repayments of term loans	(1,631,744)	(1,039,444)	(1,331,873)	(971,021)
Repayment of hire purchase creditors	(1,582,599)	(1,183,291)	(955,878)	(849,710)
Interest paid	(453,215)	(1,161,662)	(688,943)	(1,157,085)
Dividend paid	(285,768)	(476,280)	(285,768)	(476,280)
Net Cash From/(Used In) Financing Activities	759,942	9,695,689	(2,139,264)	1,620,741
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS				
	(3,837,166)	926,083	(3,340,781)	149,624
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	86,873	(839,210)	(1,356,378)	(1,506,002)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(3,750,293)	86,873	(4,697,159)	(1,356,378)
ANALYSIS OF CASH AND CASH EQUIVALENTS:				
Cash and bank balances	1,337,032	2,909,284	188,590	1,068,917
Fixed deposits	979,907	25,000	979,907	-
Bank overdraft	(6,067,232)	(2,847,411)	(5,865,656)	(2,425,295)
	(3,750,293)	86,873	(4,697,159)	(1,356,378)

Group

- * During the year, the Group acquired property, plant and equipment amounting to RM4,832,571/- (2001 : RM15,655,839/-) of which RM3,251,777/- (2001 : RM1,263,735/-) were acquired under hire purchase. Cash payments amounting to RM669,281/- (2001 : RM127,248/-) were made towards the hire purchase.

Company

- * During the year, the Company acquired property, plant and equipment amounting to RM3,805,589/- (2001 : RM8,751,577/-) of which RM2,253,373/- (2001 : RM352,004/-) were acquired under hire purchase. Cash payments amounting to RM203,407/- (2001: RM21,575/-) were made towards the hire purchase.

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

NOTES TO THE 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 Kuala Lumpur Stock Exchange.

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 952 (2001 : 909) and 535 (2001 : 563) 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 24th April 2003.

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, 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 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

Subsidiaries 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 subsidiaries 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 (t).

(e) Property, Plant and Equipment and Depreciation

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

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 plant and machinery 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) Capitalisation of Borrowing Costs

Borrowing costs incurred in financing the construction-in-progress are capitalised as part of the cost of the assets. Capitalisation will cease when the relevant assets are ready for their intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(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.

(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) 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.

(m) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) 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:-

Foreign currencies	2002 RM	2001 RM
1 United States Dollar	3.800	3.800
1 Singapore Dollar	2.213	2.050

(o) Deferred Taxation

Provision is made for deferred taxation, using the liability method, in respect of all material timing differences except where such differences are not expected to reverse in the foreseeable future.

Deferred tax benefits are recognised only if there is a reasonable expectation of their realisation.

(p) 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.

(q) 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. Segments 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 segments on a reasonable basis. Segment assets and liabilities do not include income tax assets and liabilities respectively.

(r) 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.



2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, debtors, creditors and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

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 Company 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.

(t) 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.

(u) 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.



3. PROPERTY, PLANT AND EQUIPMENT

Group 2002	Properties RM	Plant and Machinery RM	Office Equipments RM	Furniture and Fittings RM	Motor Vehicles RM	Long Leasehold Land and Capital Work-in Progress RM	Total RM
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



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

Group 2001	Properties RM	Plant and Machinery RM	Office Equipments RM	Furniture and Fittings RM	Motor Vehicles RM	Long Leasehold Land and Capital Work-in Progress RM	Total RM
Cost (except as stated otherwise)							
At 1st January 2001	20,747,067	24,334,618	3,193,404	548,571	5,193,411	60,289	54,077,360
Additions	15,789	388,839	475,134	35,740	882,177	13,858,160	15,655,839
Reclassification	–	–	59,950	–	–	(59,950)	–
Disposals/write-offs	(215,562)	(15,920)	(80,198)	(1,650)	(38,148)	(280)	(351,758)
At 31st December 2001	20,547,294	24,707,537	3,648,290	582,661	6,037,440	13,858,219	69,381,441
Accumulated Depreciation							
At 1st January 2001	2,209,966	10,736,163	1,470,924	380,190	2,681,956	–	17,479,199
Charge for the year	329,225	2,100,388	494,101	46,770	702,977	–	3,673,461
Reclassification	–	–	–	–	–	–	–
Disposals/write-offs	(28,219)	(14,360)	(64,832)	(1,649)	(38,145)	–	(147,205)
At 31st December 2001	2,510,972	12,822,191	1,900,193	425,311	3,346,788	–	21,005,455
Net Book Value at 31st December 2001	18,036,322	11,885,346	1,748,097	157,350	2,690,652	13,858,219	48,375,986



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

Properties consist of:-

Group 2002	Freehold Land and Buildings RM	Long Leasehold Land and Buildings RM	Short Leasehold Land and Buildings RM	Short Leasehold Land and Buildings (At Valuation) RM	Renovation RM	Total 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	411,991	2,510,972
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	357,488	2,724,766
Net Book Value at 31st December 2002	11,138,930	424,240	4,152,351	1,595,827	195,407	17,506,755

2001

Cost (except as stated otherwise)						
At 1st January 2001	11,633,586	453,897	5,530,258	2,483,176	646,150	20,747,067
Additions	10,969	-	-	-	4,820	15,789
Disposals	-	-	(209,651)	-	(5,911)	(215,562)
At 31st December 2001	11,644,555	453,897	5,320,607	2,483,176	645,059	20,547,294
Accumulated Depreciation						
At 1st January 2001	48,012	20,318	984,324	796,243	361,069	2,209,966
Charge for the year	122,004	4,669	106,077	45,553	50,922	329,225
Disposals	-	-	(28,219)	-	-	(28,219)
At 31st December 2001	170,016	24,987	1,062,182	841,796	411,991	2,510,972
Net Book Value at 31st December 2001	11,474,539	428,910	4,258,425	1,641,380	233,068	18,036,322



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

Company 2002	Properties RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-in Progress RM	Total 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
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
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



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

Company 2001	Properties RM	Plant and Machinery RM	Office Equipment RM	Furniture and Fittings RM	Motor Vehicles RM	Capital Work-in Progress RM	Total RM
Cost (except as stated otherwise)							
At 1st January 2001	10,841,996	24,328,803	1,746,759	291,296	1,821,902	60,289	39,091,045
Additions	10,969	387,989	140,402	3,890	107,445	8,100,882	8,751,577
Reclassification	-	-	59,950	-	-	(59,950)	-
Transfer (to)/from subsidiary companies	926,873	(2,037,126)	(83,112)	(31,089)	(96,803)	-	(1,321,257)
Disposals/write-offs	(209,651)	(15,920)	(71,729)	(1,650)	(38,144)	(280)	(337,374)
At 31st December 2001	11,570,187	22,663,746	1,792,270	262,447	1,794,400	8,100,941	46,183,991
Accumulated Depreciation							
At 1st January 2001	1,508,319	10,732,790	866,210	245,340	461,342	-	13,814,001
Charge for the year	187,663	2,001,856	283,470	16,589	173,955	-	2,663,533
Reclassification	-	-	-	-	-	-	-
Transfer (to)/from subsidiary companies	-	(1,382,902)	(58,342)	(23,968)	(41,186)	-	(1,506,398)
Disposals/write-offs	(28,219)	(14,359)	(64,832)	(1,649)	(38,145)	-	(147,204)
At 31st December 2001	1,667,763	11,337,385	1,026,506	236,312	555,966	-	14,823,932
Net Book Value at 31st December 2001	9,902,424	11,326,361	765,764	26,135	1,238,434	8,100,941	31,360,059

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

Properties consist of:-

Company 2002	Freehold Land and Buildings RM	Short Leasehold Land and Buildings RM	Short Leasehold Land and Buildings (At Valuation) RM	Renovation RM	Total RM
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
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
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
2001					
Cost (except as stated otherwise)					
At 1st January 2001	4,524,637	3,859,366	2,183,176	274,817	10,841,996
Additions	10,969	–	–	–	10,969
Transfer (to)/from subsidiary companies	926,873	–	–	–	926,873
Disposals/write-offs	–	(209,651)	–	–	(209,651)
At 31st December 2001	5,462,479	3,649,715	2,183,176	274,817	11,570,187
Accumulated Depreciation					
At 1st January 2001	–	625,182	711,340	171,797	1,508,319
Charge for the year	61,000	72,698	39,893	14,072	187,663
Transfer (to)/from subsidiary companies	–	–	–	–	–
Disposals/write-offs	–	(28,219)	–	–	(28,219)
At 31st December 2001	61,000	669,661	751,233	185,869	1,667,763
Net Book Value at 31st December 2001	5,401,479	2,980,054	1,431,943	88,948	9,902,424



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 licenced banks to secure the bank borrowings as stated in Notes 14 and 20 to the financial statements:-

At Net Book Value	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Plant and machinery	6,196,576	7,240,668	6,196,576	7,240,668
Freehold land and buildings	865,777	873,776	–	–
Leasehold land and buildings	386,788	391,037	–	–
Long leasehold land and capital work-in-progress	13,146,990	12,776,340	7,019,062	7,019,062
	20,596,131	21,281,821	13,215,638	14,259,730

- (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:-

At Net Book Value	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Motor vehicles	2,281,329	2,542,586	1,048,502	1,105,084
Plant and machinery	2,641,703	1,845,423	2,501,928	1,768,602
Office equipment	229,895	173,480	63,912	26,342
	5,152,927	4,561,489	3,614,342	2,900,028

- (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)	
			2,483,176	

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.



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	
	2002 RM	2001 RM	2002 RM	2001 RM
Short leasehold land and buildings*	270,780	278,517	270,780	278,517

* 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 RM10,140,637/- and RM5,286,780/- (2001 : RM10,468,247/- 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 RM648,466/- (2001 : RM226,740/-).

Company

As at balance sheet date, certificates of title to the freehold land and buildings with net book values of RM4,944,354/- (2001 : RM5,268,964/-) 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 RM212,257/- (2001 : RM99,669/-).

4. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2002 RM	2001 RM
Unquoted shares at cost	9,014,675	8,014,675
Less: Provision for diminution in value	(150,449)	(150,449)
	8,864,226	7,864,226

4. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

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

Name of Company	Equity Held		Principal Activities
	2002 %	2001 %	
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 and Property holding
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	70	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	
	2002 RM	2001 RM
Shares quoted in Malaysia - at cost	5,141,918	5,141,918
Less: Provision for diminution in value	(4,192,478)	—
	949,440	5,141,918
Market value	949,440	2,353,820

**6. AMOUNTS OWING BY SUBSIDIARY COMPANIES**

	COMPANY	
	2002 RM	2001 RM
Amounts owing by subsidiary companies	16,407,840	14,056,102
Less: Provision for doubtful debts	(513,996)	(513,996)
	15,893,844	13,542,106
Portion due within one year	14,467,460	11,814,474
Portion due after one year	1,426,384	1,727,632
	15,893,844	13,542,106

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

7. STOCKS

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
At Cost				
Raw materials	747,114	982,674	571,932	580,962
Work-in-progress	408,258	387,862	353,383	356,637
Finished goods	8,002,626	9,480,356	804,644	891,779
Packing materials	1,744,681	1,455,344	1,468,509	1,455,344
Consumable stores	121,638	106,579	121,638	106,579
Goods in transit	14,520	–	–	–
	11,038,837	12,412,815	3,320,106	3,391,301
At Net Realisable Value				
Finished goods	1	–	–	–
	11,038,838	12,412,815	3,320,106	3,391,301

Finished goods at net realisable value of RM1/- (2001 : RM Nil) are stated after netting of the provision for obsolescence of RM320,228/- (2001 : RM Nil).

**8. AMOUNT DUE FROM CUSTOMERS FOR CONSTRUCTION CONTRACTS**

	GROUP	
	2002 RM	2001 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	
	2002 RM	2001 RM	2002 RM	2001 RM
Trade debtors	26,530,481	30,892,637	7,032,307	7,081,518
Less: Provision for doubtful debts	(3,126,252)	(2,597,817)	(1,492,647)	(1,466,647)
	23,404,229	28,294,820	5,539,660	5,614,871
Sundry debtors	1,553,837	2,340,626	909,343	2,236,833
Less: Provision for doubtful debts	-	(26,000)	-	(26,000)
	1,553,837	2,314,626	909,343	2,210,833
Deposits	191,441	223,837	51,151	56,701
Prepayments	644,720	592,599	537,307	387,340
	25,794,227	31,425,882	7,037,461	8,269,745

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-by-case basis.

Group and Company

Included in sundry debtors in 2001 was an amount of RM1,080,000/- owing by Murni Sakti Sdn. Bhd. ("MSSB"), a corporate shareholder of a subsidiary company. The interest was charged at the prevailing bank's base lending rate. This outstanding balance was partially settled during the financial year by an offset against an amount of RM1,000,000/- due from the Company arising from the acquisition of 1,000,000 ordinary shares in Acetai from MSSB. The remaining balance is due for repayment by 25th September 2004.

**10. PROVISIONS**

Group	2002 RM
As at 1st January 2002	571,071
Charged to income statement	1,457,560
Utilised during the year	(1,474,462)
As at 31st December 2002	554,169
2002	
Current	554,169
Company	
As at 1st January 2002	571,071
Charged to income statement	1,435,059
Utilised during the year	(1,474,462)
As at 31st December 2002	531,668
2002	
Current	531,668

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

Pursuant to the transitional provision of MASB Standard 20 "Provisions, Contingent Liabilities and Contingent Assets", the information on provisions as at 31st December 2001 is not presented.

11. TRADE AND SUNDRY CREDITORS

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Trade creditors	16,671,814	24,381,445	8,619,749	10,104,987
Sundry creditors	1,886,153	813,622	1,288,477	159,378
Accruals	2,891,734	370,545	2,295,874	1,997,637
Deposits	15,191	2,205,408	–	–
	21,464,892	27,771,020	12,204,100	12,262,002

The normal credit term granted to the Group and the Company ranges from 30 to 90 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	
	2002 RM	2001 RM	2002 RM	2001 RM
Minimum hire purchase payments				
- not later than one year	1,730,350	1,222,324	1,197,946	649,602
- later than one year and not later than five years	2,534,856	1,953,839	1,601,132	925,319
- later than five years	7,029	16,460	-	-
	4,272,235	3,192,623	2,799,078	1,574,921
Future interest charges	(799,598)	(719,883)	(480,269)	(350,200)
Present value of hire purchase liabilities	3,472,637	2,472,740	2,318,809	1,224,721
Current				
- not later than one year	1,410,412	960,108	999,574	515,704
Non-current (Note 20)				
- later than one year and not later than five years	2,057,825	1,500,202	1,319,235	709,017
- later than five years	4,400	12,430	-	-
	2,062,225	1,512,632	1,319,235	709,017
	3,472,637	2,472,740	2,318,809	1,224,721

14. SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Trade financing facilities	20,126,554	16,328,346	13,084,955	12,876,817
Revolving credits	4,000,000	4,000,000	4,000,000	4,000,000
Term loans due within one year (Note 20)	2,218,058	1,511,756	1,230,190	1,142,480
	26,344,612	21,840,102	18,315,145	18,019,297

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 3.50% to 6.05% (2001 : 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 7.4% to 8.9% (2001 : 7.65% to 8.05%) per annum.

16. GOODWILL ON CONSOLIDATION

	GROUP	
	2002 RM	2001 RM
Balance as at 1st January	2,306,921	2,649,216
Additions during the year	155,352	14,431
Minority's share of losses previously absorbed by holding company now recovered	–	(356,726)
Impairment loss	(161,579)	–
Balance as at 31st December	2,300,694	2,306,921

17. SHARE CAPITAL

	GROUP AND COMPANY	
	2002 RM	2001 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 RESERVES

	GROUP AND COMPANY	
	2002 RM	2001 RM
At beginning of the year/ 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 for the distribution of its entire unappropriated profit as at 31st December 2002 by way of dividends, subject to the approval of the tax authorities.

20. LONG TERM LIABILITIES

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Long term loans	12,532,941	13,249,625	8,022,084	8,438,897
Portion due within one year (Note 14)	(2,218,058)	(1,511,756)	(1,230,190)	(1,142,480)
Portion due after one year	10,314,883	11,737,869	6,791,894	7,296,417
Hire purchase creditors due after one year (Note 13)	2,062,225	1,512,632	1,319,235	709,017
	12,377,108	13,250,501	8,111,129	8,005,434

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 directors of the Company. The term loans bear interest at rates ranging from 1.25% to 1.75% (2001 : 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 1.5% (2001 : 1.25% to 1.5%) per annum above base lending rate of the commercial banks.

20. LONG TERM LIABILITIES (Cont'd)

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

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Within the next twelve months (included under current liabilities)	2,218,058	1,511,756	1,230,190	1,142,480
After the next twelve months (included under long term liabilities)				
- not later than two years	1,982,740	2,167,842	994,872	1,179,974
- later than two years but not later than five years	6,056,939	6,424,169	3,554,804	3,460,565
- later than five years	2,275,204	3,145,858	2,242,218	2,655,878
	10,314,883	11,737,869	6,791,894	7,296,417
	12,532,941	13,249,625	8,022,084	8,438,897

21. DEFERRED TAXATION

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Balance at the beginning	1,729,100	1,378,688	1,491,000	1,161,000
Transfer (to)/from income statement (Note 26)	(113,451)	350,412	-	330,000
Balance at the end	1,615,649	1,729,100	1,491,000	1,491,000

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.

22. REVENUE

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Sales of trading goods	38,547,560	47,040,658	-	-
Sales of manufactured goods	56,580,176	57,468,171	50,352,813	54,254,116
	95,127,736	104,508,829	50,352,813	54,254,116

**23. OPERATING (LOSS)/PROFIT**

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

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
After charging:-				
Audit fee				
- current year	97,500	114,300	50,000	60,000
- overprovision in prior year	(14,645)	(18,849)	(10,000)	(14,849)
Bad debts written off	181,083	-	-	-
Directors' remuneration				
- fees				
• current year	70,000	70,000	70,000	70,000
• over provision in prior year	-	(10,000)	-	(10,000)
- other emoluments				
• current year	1,329,942	1,426,722	1,025,022	1,149,522
• underprovision in prior year	124,615	-	-	-
Depreciation	3,592,705	3,673,461	2,468,626	2,663,533
Plant and equipment written off	4,256	20,640	3,039	6,259
Hire of vehicles	322,084	191,210	95,383	66,123
Loss on disposal of plant and equipment	284	-	-	-
Net loss arising from de-registration of a subsidiary company	-	8,381	-	-
Realised loss on foreign exchange	169	7,858	-	929
Provision for doubtful debts	502,435	383,540	-	-
Provision for doubtful debts no longer required	-	(966,740)	-	(966,740)
Provision for stock obsolescence	320,228	-	-	-
Rental of premises	375,040	360,742	84,000	108,600
Staff costs	8,940,041	8,819,322	4,119,298	4,095,132
And crediting:-				
Gain on disposal of property, plant and equipment	299,218	128,835	41,711	79,939
Interest income	8,123	1,473	1,256	1,473
Bad debts recovered	-	3,362	-	-
Realised gain on foreign exchange	25,017	8,978	25,017	-
Rental income	-	-	60,000	30,000

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

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Executive Directors				
Directors' fees				
- current	30,000	30,000	30,000	30,000
- overprovision in prior year	-	-	-	-
Other emoluments	875,102	957,397	875,102	957,397
Benefits-in-kind	15,900	15,900	15,900	15,900
	921,002	1,003,297	921,002	1,003,297

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

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

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
Non-Executive Directors				
Directors' fees				
- current	40,000	40,000	40,000	40,000
- over provision in prior year	-	(10,000)	-	(10,000)
Other emoluments	454,840	469,325	149,920	192,125
Benefits-in-kind	-	-	-	-
	494,840	499,325	189,920	222,125
Grand Total				
Directors' fees				
- current	70,000	70,000	70,000	70,000
- overprovision in prior year	-	(10,000)	-	(10,000)
Other emoluments	1,329,942	1,426,722	1,025,022	1,149,522
Benefits-in-kind	15,900	15,900	15,900	15,900
	1,415,842	1,502,622	1,110,922	1,225,422

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

	Number of Directors			
	2002		2001	
	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	-
RM200,001 - RM250,000	-	-	-	-
RM250,001 - RM300,000	-	-	-	-
RM300,001 - RM350,000	-	1	-	-
RM350,001 - RM400,000	2	-	1	-
RM400,001 - RM450,000	-	-	1	1

**24. FINANCE COSTS**

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Interest expenses				
- trade financing facilities	705,309	865,639	457,031	777,451
- bank overdrafts	420,642	129,723	415,914	152,170
- hire purchase	308,577	331,679	157,681	224,372
- term loans	144,638	234,855	74,231	155,262
- others	1,398	156,642	–	129,723
	1,580,564	1,718,538	1,104,857	1,438,978

25. LOSS FROM INVESTING ACTIVITIES

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 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 Kuala Lumpur Stock Exchange 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	–
	5,764,029	–	5,602,450	–

26. TAXATION

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Income tax				
- current year's provision	(545,862)	(516,928)	(530,000)	(515,000)
- (Under)/overprovision in previous years	(453,228)	629	161,728	1,452
Deferred taxation (Note 21)				
- current year	126,451	(385,930)	–	(330,000)
- prior years	(13,000)	35,518	–	–
Real Property Gain Tax				
- current year's provision	–	(2,005)	–	(2,005)
- underprovision in previous year	(1,308)	–	(1,308)	–
	(886,947)	(868,716)	(369,580)	(845,553)

**26. TAXATION (Cont'd)**

Taxation has been provided for the Group and the Company despite a loss in the financial statements due principally to loss from investing activities which is not tax deductible.

Subject to the approval of the tax authorities, the Group has estimated unutilised tax losses and unabsorbed capital allowances totalling approximately RM6,715,000/- (2001 : RM4,932,000/-) and RM499,000/- (2001 : RM84,000/-) respectively as at 31st December 2002 available for set off against future taxable profits, for which the related tax effects have not been recognised in the financial statements. The benefits will only be obtained when the Company and the respective subsidiary companies derive future assessable income of a nature and an amount sufficient for the tax losses and capital allowances to be utilised.

27. EARNINGS PER ORDINARY SHARE**Basic Earnings Per Share**

The earnings per ordinary share for the year has been calculated based on the Group's loss after taxation and minority interest of RM8,949,114/- (2001 : earnings of RM1,618,764/-) and on the number of 13,230,000 (2001 : 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.

28. DIVIDEND

	GROUP AND COMPANY	
	2002	2001
	RM	RM
In respect of the year ended 31st December 2001		
Proposed first and final dividend of 3 sen per share less 28% income tax	–	285,768

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	GROUP		COMPANY	
	2002	2001	2002	2001
	RM	RM	RM	RM
<i>Transactions with subsidiary companies</i>				
Sales to subsidiary companies				
- Acetai	–	–	18,400,752	21,386,615
- HTFIS	–	–	726,164	231,135
- PTT	–	–	1,468,566	1,923,229
Purchases from subsidiary company				
- Acetai	–	–	4,998	–
Rental income from a subsidiary company				
- HTFIS	–	–	60,000	30,000



29. SIGNIFICANT RELATED PARTY TRANSACTIONS (Cont'd)

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Rental of premises paid to subsidiary companies				
- Acetai	-	-	36,000	36,000
- EISB	-	-	24,000	24,000
- HTFIS	-	-	-	3,000
- SMMS	-	-	24,000	24,000
Management fees, administration fee and rental received/receivable from subsidiary companies				
- HTFIS	-	-	-	24,000
- KISB	-	-	-	60,000
- SPSB	-	-	-	60,000
- PTT	-	-	24,000	24,000
- EISB	-	-	12,000	-
- SMMS	-	-	12,000	-
Sales commission paid to subsidiary companies				
- Acetai	-	-	7,908	4,444
- HTFIS	-	-	41,731	1,993
Transfer of property, plant and equipment from subsidiary companies				
- at cost, SPSB	-	-	-	926,873
- at net book value, PTT	-	-	980	8,897
Transfer of property, plant and equipment to subsidiary companies at net book value				
- HTFIS	-	-	-	750,629
- PTT	-	-	65	58,050
<i>Transaction with directors of the Company and 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	19,050	108,450	11,100	58,050

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

**30. CONTINGENT LIABILITIES**

As at 31st December 2002, the Group and the Company are contingently liable for the following:-

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Unsecured				
Bank guarantees issued in favour of third parties	439,750	287,000	139,750	287,000
Corporate guarantees issued in favour of third parties for facilities granted to a subsidiary company to the extent of RM5,477,760/- (2001 : RM3,056,500/-)	-	-	3,441,090	4,080,994
Corporate guarantees issued to financial institutions for credit facilities granted to subsidiary company to the extent of RM17,404,984/- (2001 : RM13,900,000/-)	-	-	7,915,396	7,823,645
	439,750	287,000	11,496,236	12,191,639

31. CAPITAL COMMITMENT

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
Authorised capital expenditure contracted but not provided for in the financial statements - property, plant and equipment	519,600	1,296,975	519,600	1,045,985



32. 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	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
REVENUE												
External sales	35,984,694	33,927,192	59,143,042	70,581,637	-	-	95,127,736	104,508,829	-	-	95,127,736	104,508,829
Inter-segment sales	20,595,482	23,540,979	973,625	588,938	48,000	48,000	21,617,107	24,177,917	21,617,107	24,174,917	-	-
	56,580,176	57,468,171	60,116,667	71,170,575	48,000	48,000	116,744,843	128,686,746	21,617,107	24,174,917	95,127,736	104,508,829
RESULTS												
Segment results	1,714,243	4,757,958	(3,114,920)	(993,724)	(507,937)	(460,797)	(1,908,614)	3,303,437	(372,153)	(354,110)	(1,536,461)	3,657,547
Other operating income	348,936	381,434	428,725	213,636	6,650	-	784,311	595,070	264,187	319,527	520,124	275,543
Finance cost (net)	(1,127,615)	(1,442,746)	(452,949)	(275,789)	-	-	(1,580,564)	(1,718,535)	-	3	(1,580,564)	(1,718,538)
Impairment loss	-	-	-	-	-	-	-	-	-	-	-	-
- loss in investing activities	-	-	-	-	(5,602,450)	-	(5,602,450)	-	-	-	(5,602,450)	-
- goodwill on consolidation	-	-	-	-	-	-	-	-	161,579	-	(161,579)	-
(Loss)/profit before taxation	935,564	3,696,646	(3,139,144)	(1,055,877)	(6,103,737)	(460,797)	(8,307,317)	2,179,972	53,613	(34,580)	(8,360,930)	2,214,552



32. SEGMENTAL INFORMATION (Cont'd)

	MANUFACTURING		TRADING		OTHERS		TOTAL		ELIMINATION		CONSOLIDATED	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
OTHER INFORMATION												
Segment assets	47,681,927	47,461,952	36,625,422	41,705,195	8,925,904	14,933,577	93,233,253	104,100,724	(404,412)	(205,192)	92,828,841	103,895,532
Total assets	47,681,927	47,461,952	36,625,422	41,705,195	8,925,904	14,933,577	93,233,253	104,100,724	(404,412)	(205,192)	92,828,841	103,895,532
Segment liabilities	47,559,577	43,272,886	20,876,981	22,560,194	105,863	1,414,133	68,542,421	67,247,213	(323,996)	(7,000)	68,218,425	67,240,213
Total liabilities	47,559,577	43,272,886	20,876,981	22,560,194	105,863	1,414,133	68,542,421	67,247,213	(323,996)	(7,000)	68,218,425	67,254,213
Capital expenditure	4,203,275	8,752,427	629,296	6,905,722	-	-	4,832,571	15,658,149	-	(2,310)	4,832,571	15,655,839
Depreciation and amortisation	2,727,643	2,787,983	782,505	802,998	82,557	82,557	3,592,705	3,673,538	-	(77)	3,592,705	3,673,461

33. 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.

(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 2002. 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

As at 31st December 2002	Effective Interest Rate %	Within 1 Year RM	1 - 5 Years RM	More Than 5 Years RM	Total RM
Group					
Financial Asset					
Fixed deposits placed with licensed banks	2.60	979,907	–	–	979,907



33. FINANCIAL INSTRUMENTS (Cont'd)

(f) Interest Rate Risk (Cont'd)

Effective Interest Rates

As at 31st December 2002	Effective Interest Rate %	Within 1 Year RM	1 - 5 Years RM	More Than 5 Years RM	Total RM
Group					
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

Pursuant to the transitional provision of MASB Standard 24 "Financial Instruments: Disclosure and Presentation", the information on the interest rate risk as at 31st December 2001 is not presented.

Fair Values

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

It is not practical to estimate the fair value of the amount owing by/to subsidiary company and long term borrowings due principally to either 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.

**33. FINANCIAL INSTRUMENTS (Cont'd)****Fair Values (Cont'd)**

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 2002 that are required to be disclosed.

The nominal/notional amount and net fair value of contingent liabilities (as disclosed in Note 30 to the financial statements) are not recognised in the balance sheet as at 31st December 2002 as it is not practicable to make a reliable estimate due to the uncertainties of timing, costs and eventual outcome.

34. COMPARATIVE FIGURES

The presentation and classification of the following comparative amounts in the financial statements have been restated to present the nature of those amounts more appropriately in the financial statements and the adoption of new MASB Standards.

	GROUP		COMPANY	
	As Previously Reported RM	As Restated RM	As Previously Reported RM	As Restated RM
Balance Sheets				
Provisions	–	571,071	–	571,071
Trade and sundry creditors	–	27,771,020	–	12,262,002
Income Statements				
Operating loss				
Directors' remuneration				
- Other emoluments	2,034,122	1,426,722	1,149,522	1,149,522
Staff costs	8,819,322	9,426,722	4,095,132	4,095,132

STATEMENT BY DIRECTORS



HWA TAI INDUSTRIES BERHAD

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 58 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 2002 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

24 April 2003

STATUTORY DECLARATION

I, **LEE THYE @ LEE CHOOI YOKE**, 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 58 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.

LEE THYE @ LEE CHOOI YOKE

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 24 April 2003.

Before me,

MAISHARAH BINTI ABU HASAN (W181)

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 58. 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 2002 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 subsidiaries 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

24 April 2003