

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2003.

### Principal activities

The Company is principally engaged in investment holding and management services, whilst the principal activities of the subsidiaries are as stated in Note 3 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

### Results

	Group RM'000	Company RM'000
Net profit for the year	2,691	1,035

### Reserves and provisions

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

### Dividend

Since the end of the previous financial year, the Company paid an interim dividend of 5% less tax at 28% totalling RM1,440,000 in respect of the year ended 31 December 2003 on 30 September 2003.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2003.

### Directors of the Company

Directors who served since the date of the last report are:

Cheng King Fa  
 Cheng Ping Keat  
 Nordin Bin Mohamad Desa  
 Tan Lay Kuan @ Tan Lay Wah  
 Md Azmi Bin Lop Yusof  
 Lee Ah Lan @ Lee Keok Hooi  
 Kamil Bin Datuk Haji Abdul Rahman  
 Rachman Sastra (appointed on 18.11.2003)  
 Seokardi Thedjoisworo (appointed on 18.11.2003)  
 Lenbach Sastra (alternate Director to Rachman Sastra; appointed on 3.3.2004)  
 Dato' Cheng Hup (resigned on 28.10.2003)  
 Cheng Ping Loke (resigned on 28.10.2003)

### Directors' interests

The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2003	Bought	Sold	At 31.12.2003
Shareholdings in which Directors have direct interests in the holding company, Kee Hin Ventures Sdn. Bhd.:				
Cheng King Fa	1,944,000	-	-	1,944,000
Cheng Ping Keat	1,577,001	70,420	-	1,647,421
Shareholdings in which Directors have indirect interests in the holding company, Kee Hin Ventures Sdn. Bhd.:				
Rachman Sastra	-	704,200	-	704,200
Lenbach Sastra	-	704,200	-	704,200
Shareholdings in which Directors have direct interests in the Company:				
Cheng King Fa	1,325,087	440,000	(14,667)	1,750,420
Nordin Bin Mohamad Desa	13,333	-	-	13,333
Tan Lay Kuan @ Tan Lay Wah	13,333	-	-	13,333
Md Azmi Bin Lop Yusof	2,917,274	-	-	2,917,274
Kamil Bin Datuk Haji Abdul Rahman	670,667	-	(670,667)	-

**Directors' interests (continued)**

	Number of ordinary shares of RM1 each			
	At 1.1.2003	Bought	Sold	At 31.12.2003
Shareholdings in which Directors have indirect interests in the Company:				
Cheng King Fa	20,007,737	-	-	20,007,737
Cheng Ping Keat	20,007,737	-	-	20,007,737
Rachman Sastra	-	20,007,737	-	20,007,737

	Number of options over ordinary shares of RM1 each in the Company				
	At 1.1.2003	Granted	Lapsed	Exercised	At 31.12.2003
Cheng King Fa	-	150,000	-	-	150,000
Cheng Ping Keat	-	150,000	-	-	150,000
Dato' Cheng Hup	-	150,000	105,000	45,000	-
Cheng Ping Loke	-	20,000	20,000	-	-

	Number of ordinary shares of RM1 each			
	At 1.1.2003	Bought	Sold	At 31.12.2003
Shareholdings in which Directors have indirect interests in a non wholly owned subsidiary, Khind Sales & Service Sdn. Bhd.:				
Cheng King Fa	1,500,000	-	-	1,500,000
Cheng Ping Keat	1,500,000	-	-	1,500,000

By virtue of their interests in the shares of the Company, Cheng King Fa, Cheng Ping Keat, Rachman Sastra, Lenbach Sastra, Nordin Bin Mohamad Desa, Tan Lay Kuan @ Tan Lay Wah, Md Azmi Bin Lop Yusof and Kamil Bin Datuk Haji Abdul Rahman are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Khind Holdings Berhad has an interest.

None of the other Directors holding office at 31 December 2003 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

**Directors' benefits**

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown 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, other than a Director who has financial interests in companies, which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 28 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the issue of options pursuant to the Employees' Share Option Scheme.

**Issue of shares and debentures**

During the financial year, the Company issued 59,000 ordinary shares of RM1.00 each at par for cash pursuant to the Employees' Share Option Scheme.

There were no other changes in the issued and paid-up share capital of the Company during the financial year.

**Options granted over unissued shares**

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Employees' Share Option Scheme.

At an extraordinary general meeting held on 30 May 2003, the Company's shareholders approved the establishment of an Employees' Share Option Scheme ("ESOS") of not more than 10% of the issued share capital of the Company to eligible Directors and employees of the Group.

**Options granted over unissued shares (continued)**

The options offered to take up unissued ordinary shares of RM1.00 each and the option price are as follows:

Date of offer	Option price RM	Number of options over ordinary shares of RM1.00 each				At 31.12.2003
		At 1.1.2003	Granted	Lapsed	Exercised	
7.7.2003	1.00	-	2,898,000	206,000	(59,000)	2,633,000

The salient features of the Scheme are as follows:

- i) Eligible employees are those who have been confirmed in writing as employees of the Group for at least one year prior to the date of the offer.
- ii) The major groupings of eligible employees to participate in the Scheme and the maximum number of new shares that shall be allotted to any one of them in total during the entire duration of the Scheme are set out as follows:

Major groupings of eligible employees	Maximum allowable allotment Number of ordinary shares
Directors	150,000
Senior managers	100,000
Managers	50,000
Senior executives	18,000
Executives	12,000
Senior clericals	9,000
Clerks/Technicians	7,000
Operatives	5,000

- iii) The option is personal to the grantee and is non-assignable.
- iv) The option price shall, at the discretion of the ESOS committee, be determined based on a discount of not more than 10% from the five (5)-day weighted average market price of the ordinary shares of the Company as shown in the daily official list issued by the Malaysia Securities Exchange Berhad for the five (5) market days preceding the date of offer or the par value of the shares, whichever is the higher.
- v) The options granted may be exercised at any time within a period of five (5) years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing.
- vi) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 100 shares.
- vii) The new shares to be allotted upon the exercise of any option shall upon allotment rank pari passu in all respects with the then existing shares except that the new shares allotted under the Scheme shall not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of the new shares.

The persons to whom the option have been granted have no right to participate by virtue of the options in any share issue of any other company.

**Other statutory information**

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

**Other statutory information (continued)**

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

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

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

In the opinion of the Directors, except for the change in accounting policy on adoption of MASB 25, Income Taxes as disclosed in Note 30 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2003 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.


**Auditors**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:



.....  
**Cheng King Fa**



.....  
**Cheng Ping Keat**

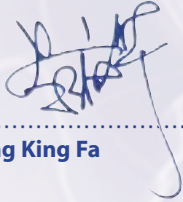
Kuala Lumpur,  
Date: 30 March 2004

## Statement by Directors pursuant to

### Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 32 to 56 are 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 the state of affairs of the Group and of the Company at 31 December 2003 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:



.....  
**Cheng King Fa**



.....  
**Cheng Ping Keat**

Kuala Lumpur,

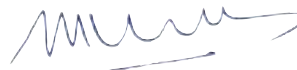
Date: 30 March 2004

## Statutory declaration pursuant to

### Section 169(16) of the Companies Act, 1965

I, **Cheng Ping Keat**, the Director primarily responsible for the financial management of Khind Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 32 to 56 are, to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by the above named in Shah Alam on 30 March 2004.



.....  
**Cheng Ping Keat**

Before me:



Mohd Yacob Karim  
(Registration No. B029)  
Commissioner For Oaths

We have audited the financial statements set out on pages 32 to 56. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe 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 at 31 December 2003 and of the results of their operations and cash flows 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 the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiary in respect of which we have not acted as auditors is identified in Note 3 to the financial statements and we have considered the financial statements and the auditors' report thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.



**KPMG**

Firm Number: AF 0758

Chartered Accountants



**Tang Seng Choon**

Partner

Approval Number: 2011/12/05/(J)

Kuala Lumpur,

Date: 30 March 2004

## Balance sheets

at 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Property, plant and equipment</b>	2	28,402	30,729	7	-
<b>Investments in subsidiaries</b>	3	-	-	19,887	19,887
<b>Other investments</b>	4	95	95	78	78
<b>Intangible assets</b>	5	760	870	700	800
<b>Deferred tax assets</b>	16	310	369	-	-
<b>Current assets</b>					
Inventories	6	22,259	26,134	-	-
Trade and other receivables	7	31,986	36,124	21,754	21,082
Tax recoverable	7	1,638	2,583	325	-
Cash and cash equivalents	8	12,700	10,919	216	292
		68,583	75,760	22,295	21,374
<b>Current liabilities</b>					
Trade and other payables	9	18,002	20,561	1,223	49
Borrowings	10	23,533	28,800	-	-
Taxation		508	560	-	-
Provision	11	475	275	-	-
		42,518	50,196	1,223	49
<b>Net current assets</b>		26,065	25,564	21,072	21,325
		55,632	57,627	41,744	42,090
<b>Financed by:</b>					
<b>Capital and reserves</b>					
Share capital	12	40,059	40,000	40,059	40,000
Reserves	13	7,613	6,362	1,685	2,090
		47,672	46,362	41,744	42,090
<b>Negative goodwill</b>	14	3,932	4,273	-	-
<b>Minority shareholders' interests</b>	15	-	61	-	-
<b>Long term and deferred liabilities</b>					
Borrowings	10	2,907	5,375	-	-
Deferred tax liabilities	16	1,121	1,556	-	-
		4,028	6,931	-	-
		55,632	57,627	41,744	42,090

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2004.

The notes set out on pages 38 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Revenue</b>	18	138,138	158,598	3,484	1,000
<b>Operating profit</b>	18	5,213	5,878	1,605	350
Interest expense	20	(1,340)	(1,719)	-	-
Interest income	21	24	12	1	1
<b>Profit before taxation</b>		3,897	4,171	1,606	351
Tax expense	22	(1,267)	(1,417)	(571)	(288)
<b>Profit after taxation</b>		2,630	2,754	1,035	63
Less: Minority interests		61	(35)	-	-
<b>Net profit for the year</b>		2,691	2,719	1,035	63
Basic earnings per ordinary share (sen)	23	6.72	6.80		
Dividends per ordinary share - net (sen)	24	3.60	3.60		

The notes set out on pages 38 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

## Statements of changes in equity

for the year ended 31 December 2003

Group	Note	Share capital RM'000	Non-distributable Share premium RM'000	Translation reserve RM'000	Distributable Retained profits RM'000	Total RM'000
<b>At 1 January 2002</b>		30,000	4,868	(15)	9,301	44,154
Effect of adopting MASB 25	30	-	-	-	981	981
<b>Restated balance</b>		30,000	4,868	(15)	10,282	45,135
Bonus issue	12	10,000	-	-	-	10,000
Capitalisation for bonus issue		-	(4,800)	-	(5,200)	(10,000)
Bonus issue expenses		-	(68)	-	-	(68)
Currency translation differences		-	-	16	-	16
Net profit for the year		-	-	-	2,719	2,719
Dividend	24	-	-	-	(1,440)	(1,440)
<b>At 31 December 2002</b>		40,000	-	1	6,361	46,362
<b>At 1 January 2003</b>		40,000	-	1	5,731	45,732
Effect of adopting MASB 25	30	-	-	-	630	630
<b>Restated balance</b>		40,000	-	1	6,361	46,362
Issue of shares pursuant to Employees' Share Option Scheme	12	59	-	-	-	59
Net profit for the year		-	-	-	2,691	2,691
Dividend	24	-	-	-	(1,440)	(1,440)
<b>At 31 December 2003</b>		40,059	-	1	7,612	47,672
		Note 12			Note 13	

The notes set out on pages 38 to 56 form an integral part of, and should be read in conjunction with, these financial statements.



## Cash flow statements

for the year ended 31 December 2003

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	3,897	4,171	1,606	351
Adjustments for:				
Amortisation of negative goodwill	(341)	(341)	-	-
Amortisation of intangible assets	110	110	100	100
Depreciation	2,516	2,932	-	-
Interest expense	1,340	1,719	-	-
Interest income	(24)	(12)	(1)	(1)
Gain on disposal of property, plant and equipment	(99)	(119)	-	-
Property, plant and equipment written off	-	33	-	-
Unrealised gain on foreign exchange	(128)	(438)	-	-
Operating profit before working capital changes	7,271	8,055	1,705	450
(Increase)/Decrease in working capital:				
Inventories	3,875	154	-	-
Trade and other receivables	4,266	(712)	127	-
Trade and other payables	(2,559)	4,168	399	12
Provision for after sales services	200	275	-	-
Cash generated from operations	13,053	11,940	2,231	462
Income taxes paid	(750)	(2,053)	(896)	(290)
<b>Net cash generated from operating activities</b>	<b>12,303</b>	<b>9,887</b>	<b>1,335</b>	<b>172</b>
<b>Cash flows from investing activities</b>				
Additional investment in a subsidiary	-	-	-	(4,000)
Interest received	24	12	1	1
Proceeds from disposal of property, plant and equipment	221	536	-	-
Purchase of investments	-	(78)	-	(78)
Purchase of property, plant and equipment (Note A)	(311)	(372)	(7)	-
Withdrawal of pledged deposits	-	213	-	-
Bonus issue expenses	-	(68)	-	(68)
<b>Net cash (used in)/generated from investing activities</b>	<b>(66)</b>	<b>243</b>	<b>(6)</b>	<b>(4,145)</b>
<b>Cash flows from financing activities</b>				
Dividends paid to shareholders of the Company	(1,440)	(1,440)	(1,440)	(1,440)
Drawdowns of bankers' acceptances	1,566	3,283	-	-
Repayments of bankers' acceptances	(5,502)	(6,412)	-	-
Repayments of term loans	(2,954)	(2,370)	-	-
(Advances to)/Repayments from subsidiaries	-	-	(24)	5,206
Repayments of hire purchase liabilities	(284)	(291)	-	-
Interest paid	(1,340)	(1,719)	-	-
Proceeds from exercise of ESOS	59	-	59	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(9,895)</b>	<b>(8,949)</b>	<b>(1,405)</b>	<b>3,766</b>

The notes set out on pages 38 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

for the year ended 31 December 2003 (cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Net increase/(decrease) in cash and cash equivalents	2,342	1,181	(76)	(207)
Effect of exchange rate changes on gain of an overseas subsidiary	-	16	-	-
Cash and cash equivalents at beginning of year	7,640	6,443	292	499
Effect of realisation of unrealised gain on foreign exchange	384	-	-	-
<b>Cash and cash equivalents at end of year</b>	<b>10,366</b>	<b>7,640</b>	<b>216</b>	<b>292</b>

**A) Purchase of property, plant and equipment**

In the previous year, the Group acquired property, plant and equipment with an aggregate cost of RM449,000 of which RM77,000 were acquired by means of hire purchases.

**B) Cash and cash equivalents**

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash and bank balances	10,892	10,643	216	292
Deposits (excluding deposits pledged)	1,808	276	-	-
Bank overdrafts	(2,334)	(2,895)	-	-
	10,366	8,024	216	292
Unrealised gain on foreign exchange	-	(384)	-	-
	<b>10,366</b>	<b>7,640</b>	<b>216</b>	<b>292</b>

The notes set out on pages 38 to 56 form an integral part of, and should be read in conjunction with, these financial statements.

## 1. Summary of significant accounting policies

The following accounting policies are adopted by the Group and by the Company and are consistent with those adopted in previous years except for the adoption of the following:

- (i) MASB 25, Income Taxes;
- (ii) MASB 27, Borrowing Costs; and
- (iii) MASB 29, Employee Benefits.

In addition to the new policies and extended disclosures where required by these new standards, the effects of the change in the above accounting policies are disclosed in Note 30 to these financial statements.

### (a) Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

### (b) Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

A subsidiary is excluded from consolidation when either control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

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

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

### (c) Goodwill/Negative goodwill

Goodwill/Negative goodwill on consolidation represents the difference, at the date of acquisition, between the consideration paid for shares in the subsidiaries and the fair values attributable to the net assets acquired.

Goodwill arising on acquisition of subsidiaries are set off against negative goodwill. Negative goodwill net of goodwill is stated at cost less accumulated amortisation.

Net negative goodwill is amortised over a period of eighteen years (18) from the date of acquisition.

### (d) Subsidiaries

Investments in subsidiaries, which are eliminated on consolidation are stated at cost in the Company's financial statements, less impairment loss where applicable.

### (e) Property, plant and equipment

Long term leasehold land are stated at cost. All other property, plant and equipment are stated at cost less accumulated depreciation.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

#### Depreciation

Leasehold properties are depreciated on a straight-line basis over the period of the leases of sixty (60) to nine hundred ninety-nine (999) years or fifty (50) years, whichever is shorter. The straight-line method is used to write off the cost of the other assets over the term of their estimated useful lives at the following principal annual rates:

Freehold properties	2%
Factory buildings	2%
Plant and machinery	10% - 20%
Tools and moulds	10% - 20%
Furniture, fittings and office equipment	10% - 33.33%
Motor vehicles	10% - 20%
Renovations	10% - 20%

A subsidiary has not amortised its long term leasehold land over the period of lease of ninety nine (99) years due to the title deed has not been issued by the relevant authorities. The non-amortisation has no material effect to the financial statements.

## 1. Summary of significant accounting policies (continued)

### (f) Investments

Long term investments other than in subsidiaries are stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value, which is other than temporary.

### (g) Intangible assets

Costs associated with the acquisitions of product patents and trademarks, which derived a benefit or relationship to more than one accounting period are capitalised as intangible assets. Intangible assets are amortised on a straight-line basis over a period of ten (10) years. Should the products be abandoned or considered to be of no value, the costs capitalised will be written off to the income statement.

### (h) Inventories

Raw material, work-in-progress and manufactured inventories are stated at the lower of cost and net realisable value with the first-in-first-out (FIFO) basis being the main basis for cost. For work-in-progress and manufactured inventories, cost consists of material, direct labour and an appropriate proportion of fixed and variable production overheads.

Cost of bought-in goods comprises purchase cost and all expenses incurred in bringing the goods to their present location and condition.

### (i) Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

### (j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### (k) Liabilities

Borrowings and trade and other payables are stated at cost.

### (l) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

#### *Provision for after sales services*

A provision for after sales services is recognised when the underlying products or services are sold. It is based on 1% of total export sales of the Company. The estimation is made by reference to historical defect data associated with similar products of the Company.

### (m) Affiliates

Affiliates are defined as companies in which the Directors of the Company have significant influence or substantial interest.

### (n) Accounting for hire purchase

Assets acquired under hire purchase arrangements are capitalised at their purchase cost and are depreciated on the same basis as owned assets. The total amount payable under hire purchase agreements is shown under hire purchase liabilities.

### (o) Impairment

The carrying amount of assets, other than inventories, deferred tax assets and financial assets (financial assets in this context exclude investments in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement.

**1. Summary of significant accounting policies (continued)****(p) Income tax**

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**(q) Employee benefits****(i) Defined contribution plan**

Obligations for contributions to defined contribution plan are recognised as an expense in the income statement as incurred.

**(i) Equity and equity-related compensation benefits**

The share option programme allows Group employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

**(r) Foreign currency****(i) Foreign currency transactions**

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

**(ii) Financial statements of foreign operations**

The Group's foreign operations in an overseas subsidiary are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of the overseas subsidiary are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of the overseas subsidiary are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are taken to Translation Reserve.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

USD1	RM3.80	(2002: USD1	RM3.80)
SGD1	RM2.25	(2002: SGD1	RM2.17)
BND1	RM2.25	(2002: BND1	RM2.19)
GBP1	RM6.82	(2002: GBP1	RM6.09)
HKD1	RM0.49	(2002: HKD1	RM0.49)
TWD1	RM0.09	(2002: TWD1	RM0.11)

**(s) Revenue****(i) Goods sold**

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.

**(ii) Dividend income**

Dividend income is recognised when the right to receive payment is established.

**(iii) Rental income**

Rental income is recognised based on value invoiced to customers during the year.

**(iv) Interest income**

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

**(v) Management fees**

Management fees are recognised in the income statement on an accrual basis.

**(t) Financing costs**

All interest and other costs incurred in connection with borrowings are expensed as incurred. The interest component of hire purchase payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

## 2. Property, plant and equipment

<b>Group</b>	Long term	Leasehold	Freehold	Factory	Plant	Tools	Furniture,	Motor	Renovations	Total
	leasehold	properties	properties	buildings	and	and	and office	vehicles		
<b>Cost</b>	land				machinery	moulds	equipment			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2003	3,000	4,533	6,742	10,143	5,403	10,653	5,252	2,679	1,341	49,746
Additions	-	-	-	-	24	83	181	-	23	311
Disposals	-	-	-	-	(109)	(146)	(27)	(399)	-	(681)
<b>At 31 December 2003</b>	<b>3,000</b>	<b>4,533</b>	<b>6,742</b>	<b>10,143</b>	<b>5,318</b>	<b>10,590</b>	<b>5,406</b>	<b>2,280</b>	<b>1,364</b>	<b>49,376</b>
<b>Depreciation</b>										
At 1 January 2003	-	433	307	1,488	3,797	7,946	2,796	1,647	603	19,017
Charge for the year	-	91	112	199	365	858	506	248	137	2,516
Disposals	-	-	-	-	(102)	(126)	(21)	(310)	-	(559)
<b>At 31 December 2003</b>	<b>-</b>	<b>524</b>	<b>419</b>	<b>1,687</b>	<b>4,060</b>	<b>8,678</b>	<b>3,281</b>	<b>1,585</b>	<b>740</b>	<b>20,974</b>
<b>Net book value</b>										
At 31 December 2003	3,000	4,009	6,323	8,456	1,258	1,912	2,125	695	624	28,402
At 31 December 2002	3,000	4,100	6,435	8,655	1,606	2,707	2,456	1,032	738	30,729
Depreciation charge for the year ended 31 December 2002	-	91	112	199	406	1,087	535	368	134	2,932

<b>Company</b>	<b>Furniture, fittings and office equipment RM'000</b>
<b>Cost</b>	
At 1 January 2003	-
Additions	7
<b>At 31 December 2003</b>	<b>7</b>
<b>Depreciation</b>	
At 1 January 2003	-
Charge for the year	*
<b>At 31 December 2003</b>	<b>-</b>
<b>Net book value</b>	
At 31 December 2003	7
Depreciation charge for the year ended 31 December 2002	-

\* Represents amount less than RM1,000

Title deeds to the long term leasehold land of RM3,000,000 (2002 - RM3,000,000), leasehold properties with a net book value of RM1,918,000 (2002 - RM1,958,000) and freehold properties with a net book value of RM3,489,000 (2002 - RM3,565,000) belonging to three (3) subsidiaries are in the process of being registered in the names of these companies.

**2. Property, plant and equipment (continued)****Security**

Long term leasehold land, leasehold properties and freehold properties of the Group with a net book value of RM9,095,000 (2002 - RM9,984,000) have been pledged as securities for the bank facilities granted to the Group (refer Note 10).

**Assets under hire purchase**

Included in property, plant and equipment of the Group are plant and machinery and motor vehicles acquired under hire purchase arrangements with net book values of Nil (2002 - RM7,000) and RM629,000 (2002 - RM859,000) respectively.

**3. Investments in subsidiaries**

	Company	
	2003 RM'000	2002 RM'000
Unquoted shares, at cost	19,887	19,887

The principal activities of the companies in the Group, their places of incorporation and the interest of Kind Holdings Berhad are as follows:

Name of Company	Principal Activities	Country of Incorporation	Effective Ownership Interest	
			2003 %	2002 %
Kind Industries Sdn. Bhd.	Manufacture and sale of electrical home appliances and wiring accessories	Malaysia	100	100
Kind Marketing (M) Sdn. Bhd.	Trading in electrical home appliances and wiring accessories	Malaysia	100	100
Kind Marketing (Sabah) Sdn. Bhd.	Trading in electrical home appliances and wiring accessories	Malaysia	100	100
Kind Marketing (Sarawak) Sdn. Bhd.	Trading in electrical home appliances and wiring accessories	Malaysia	100	100
Kind Components Sdn. Bhd.	Assembly of wire harness and power supply cords	Malaysia	100	100
Kind-NES Electric Sdn. Bhd.	Manufacture and sale of protector, trailing sockets and electrical accessories	Malaysia	100	100
Kind Sales & Service Sdn. Bhd.	Trading in electrical products	Malaysia	75	75
Kind R & D Sdn. Bhd.	Compliance testing of electrical and home appliances	Malaysia	100	100
Kind Home Appliances Sdn. Bhd.*	Intended to manufacture home appliances	Malaysia	100	100
Kind-Mistral (S) Pte. Ltd.**	Trading in electrical products	Singapore	100	100

\* The entire equity interest is held by Kind Industries Sdn. Bhd.

\*\* Audited by other firm of accountants

**4. Other investments**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<i>Long term</i>				
Quoted shares, at cost	95	95	78	78
Quoted shares, at market value	79	69	51	52

**5. Intangible assets**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<i>Cost</i>				
At 1 January/ At 31 December	1,100	1,100	1,000	1,000
<i>Amortisation</i>				
At 1 January	(230)	(120)	(200)	(100)
Amortisation during the year (Note 18)	(110)	(110)	(100)	(100)
At 31 December	(340)	(230)	(300)	(200)
	760	870	700	800

**6. Inventories**

	Group	
	2003 RM'000	2002 RM'000
Raw material	5,006	6,439
Work-in-progress, at cost	552	340
Manufactured inventories	16,701	19,355
	22,259	26,134

Raw material and manufactured inventories of RM480,000 (2002 - RM81,000) and RM335,000 (2002 - RM11,000) respectively are carried at net realisable value.

**7. Trade and other receivables and tax recoverable**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade receivables	25,736	33,499	-	-
Other receivables, deposits and prepayments	5,685	2,060	523	650
Amount due from holding company	565	565	510	510
Amount due from subsidiaries	-	-	20,721	19,922
	31,986	36,124	21,754	21,082
Tax recoverable	1,638	2,583	325	-
<i>Trade receivables</i>				
Trade receivables			27,677	35,251
Less: Allowance for doubtful debts			(1,941)	(1,752)
			25,736	33,499

**7. Trade and other receivables and tax recoverable (continued)**

Included in trade receivables are amounts due from related parties as follows:-

HSL Electrical & Electronics Sdn. Bhd.	771	1,127
Pan Malaysia Enterprise Sdn. Bhd.	-	1,348
	<u>771</u>	<u>1,127</u>

Bad debts of RM330,000 (2002 - RM410,000) were written off against allowance for doubtful debts during the year.

**Other receivables, deposits and prepayments**

Included in other receivables, deposits and prepayments is an amount of RM2,032,000 being advances for a purchases of inventories from a company in China.

**Amount due from holding company**

Amount due from holding company is in respect of advances, which are unsecured, interest free and have no fixed terms of repayment.

**Amount due from subsidiaries**

Amount due from subsidiaries are in respect of advances, which are unsecured, interest free and have no fixed terms of repayment.

**Tax recoverable**

Tax recoverable are in respect of excess taxes paid, which are refundable and are subject to agreement by the Inland Revenue Board.

**8. Cash and cash equivalents**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits placed with licensed banks	1,808	276	-	-
Cash and bank balances	10,892	10,643	216	292
	<u>12,700</u>	<u>10,919</u>	<u>216</u>	<u>292</u>

**9. Trade and other payables**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade payables	10,462	11,956	-	-
Other payables and accrued expenses	7,022	8,087	446	47
Amount due to affiliates	518	518	-	-
Amount due to subsidiaries	-	-	777	2
	<u>18,002</u>	<u>20,561</u>	<u>1,223</u>	<u>49</u>

**Trade payables****Group**

Included in trade payables is an amount of RM1,102,000 (2002 - RM1,520,000) due to a related party, E & E Sales & Services Sdn. Bhd..

**Amount due to affiliates****Group**

Amount due to affiliates are in respect of advances, which are unsecured, interest free and have no fixed terms of repayment.

**Amount due to subsidiaries**

Amount due to subsidiaries are in respect of advances, which are unsecured, interest free and have no fixed terms of repayment.

## 10. Borrowings

		Group	
		2003	2002
		RM'000	RM'000
Current:			
Term loans	- secured	602	564
	- unsecured	1,800	2,400
Bank overdrafts	- secured	1,055	750
	- unsecured	1,279	2,145
Bankers' acceptances	- secured	109	221
	- unsecured	18,611	22,435
Hire purchase liabilities		77	285
		23,533	28,800
Non-current:			
Term loans	- secured	2,900	3,492
	- unsecured	-	1,800
Hire purchase liabilities		7	83
		2,907	5,375

## Terms and debt repayment schedule

Group	Total RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
Secured term loans					
- fixed at 8.50%					
(2002 - fixed at 8.50%)	1,320	180	180	540	420
Secured term loans					
- variable at 7.25% to 7.70%					
(2002 - 6.40% to 8.10%)	2,182	422	844	634	282
Unsecured term loan					
- fixed at 6.80% (2002 - 6.80%)	1,800	1,800	-	-	-
Secured bank overdrafts					
- variable at 7.50% to 7.90%					
(2002 - 7.90%)	1,055	1,055	-	-	-
Unsecured bank overdrafts					
- variable at 5.10% to 7.50%					
(2002 - 5.10% to 7.90%)	1,279	1,279	-	-	-
Secured bankers' acceptances					
- variable at 1.25%					
(2002 - 1.25%)	109	109	-	-	-
Unsecured bankers' acceptances					
- variable at 2.20% to 4.15%					
(2002 - 3.37% to 4.25%)	18,611	18,611	-	-	-
Hire purchase liabilities					
- fixed at 4.50% to - 7.60%					
(2002 - 4.50% to 7.60%)	84	77	7	-	-
	26,440	23,533	1,031	1,174	702

The secured term loans are secured by way of:

- i) fixed charges over the Group's long term leasehold land, leasehold properties and freehold properties (Note 2).
- ii) corporate guarantee from the Company.

Secured term loan of RM1,384,000 (2002 - RM1,681,000) is repayable over a period of seven (7) years until full settlement through monthly instalments of RM35,693 commencing November 2000.

**10. Borrowings (continued)**

Secured term loan of RM1,320,000 (2002 - RM1,500,000) is repayable over one hundred twenty (120) equal monthly instalments of RM22,334 commencing May 2001.

The remaining secured term loan of RM798,000 (2002 - RM875,000) is repayable over one hundred twenty (120) monthly instalments ranging from RM10,977 to RM11,992 commencing from April 2001.

Unsecured term loan of RM1,800,000 (2002 - RM4,200,000) is guaranteed by the Company and is repayable over ten (10) equal quarterly instalments of RM600,000 commencing May 2002.

Secured bank overdrafts and bankers' acceptances are secured by way of fixed charges over the Group's long term lease hold land, leasehold properties and freehold properties (Note 2) and are guaranteed by the Company.

Unsecured bank overdrafts and bankers' acceptances are guaranteed by the Company.

**Significant covenants for the term loans granted to the Group**

In connection with the term loans agreements, the Group has agreed on the following significant covenants:

- not to create or permit to exist any security over the leasehold properties and freehold properties; and
- not to allow any change in the majority shareholders or the majority shareholders' shareholdings without the prior consents of the lenders.

**Hire purchase liabilities**

Hire purchase liabilities are payable as follows:

Group	Payments 2003 RM'000	Interest 2003 RM'000	Principal 2003 RM'000	Payments 2002 RM'000	Interest 2002 RM'000	Principal 2002 RM'000
Less than one year	84	7	77	323	38	285
Between one and five years	8	1	7	91	8	83
	<u>92</u>	<u>8</u>	<u>84</u>	<u>414</u>	<u>46</u>	<u>368</u>

**11. Provision****After sales services**

At 1 January  
Provision made during the year  
Provision used during the year

Group	
2003 RM'000	2002 RM'000
275	-
254	275
(54)	-
<u>475</u>	<u>275</u>

At 31 December

**After sales services**

During the year, a subsidiary made a provision of RM254,000 (2002 - RM275,000) in respect of its obligation to provide after sales services to home and electrical appliances sold to export customers. The provision is based on 1% of total export sales of the subsidiary. The estimation is made by reference to historical defect data associated with the products of the subsidiary.

The subsidiary expects to incur the liability on a continuous basis.

**12. Share capital**

	Group and Company	
	2003 RM'000	2002 RM'000
Ordinary shares of RM1 each:		
Authorised	<u>50,000</u>	<u>50,000</u>
Issued and fully paid		
At 1 January	40,000	30,000
Bonus issue	-	10,000
Shares issued under Employees' Share Option Scheme (Note 17)	59	-
At 31 December	<u>40,059</u>	<u>40,000</u>

**12. Share capital (continued)**

During the financial year, the Company issued 59,000 ordinary shares of RM1.00 each at par for cash pursuant to the Employees' Share Option Scheme.

In previous year, at an Extraordinary Meeting held on 29 March 2002, the shareholders of the Company approved a bonus issue of 10,000,000 new ordinary shares of RM1 each to be credited as fully paid-up ordinary shares on the basis of one (1) new ordinary shares for every three (3) existing fully paid-up ordinary shares held. The bonus issue of RM10,000,000 ordinary shares was allotted on 30 April 2002 and credited as fully paid ordinary shares via capitalisation from the Company's share premium and retained profits of RM4,800,000 and RM5,200,000 respectively.

**13. Reserves****Retained profits**

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all its distributable reserves at 31 December 2003, if paid out as dividends.

**14. Negative goodwill**

	Group	
	2003 RM'000	2002 RM'000
At 1 January	5,978	7,089
Effect of adopting MASB 25	-	(1,111)
	5,978	5,978
At 31 December (As restated)	5,978	5,978
Amortisation		
At 1 January	(1,705)	(1,364)
Charge for the year (Note 18)	(341)	(341)
At 31 December	(2,046)	(1,705)
	3,932	4,273

**15. Minority shareholders' interests**

This consists of minority shareholders' proportion of share capital and reserves of a subsidiary, net of their share of subsidiary's goodwill on consolidation and amortisation of goodwill charged to minority shareholders. Minority shareholders' share of post-acquisition reserves, profit or losses are recognised to the extent of the minority shareholders' interests in the equity of the subsidiary.

**16. Deferred tax**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deferred tax liabilities	1,121	1,556	-	-
Deferred tax assets	(310)	(369)	-	-
The recognised deferred tax liabilities (before offsetting) are as follows:				
Property, plant and equipment				
- capital allowances	1,114	1,150	-	-
- revaluation	860	860	-	-
Provisions	(853)	(454)	-	-
	1,121	1,556	-	-
The recognised deferred tax assets (before offsetting) are as follows:				
Property, plant and equipment				
- capital allowances	74	81	-	-
- revaluation	207	212	-	-
Provisions	(591)	(662)	-	-
	(310)	(369)	-	-

**16. Deferred tax (continued)**

No deferred tax is recognised for the following items:

	<b>Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
Deductible temporary differences	568	(328)
Unabsorbed capital allowances	(987)	(767)
Unutilised tax losses	(2,294)	(1,495)
	<u>(2,713)</u>	<u>(2,590)</u>

The unutilised tax losses, unabsorbed capital allowances and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

The Group has tax losses carried forward of RM2,294,000 (2002 – RM1,495,000), which give rise to the recognised and unrecognised deferred tax assets in respect of unutilised tax losses above.

**17. Employee benefits****Equity compensation benefits****Employees' Share Option Scheme**

The Group offers vested share options over ordinary shares to Directors and other employees with more than one year's service. Movements in the number of share options held by employees are as follows:

	<b>Group and Company 2003 '000</b>
Outstanding at 1 January	-
Issued	2,898
Exercised	(59)
Lapsed	(206)
Outstanding at 31 December	<u>2,633</u>
Details of share options granted during the period:	
Expiry date	6 July 2008
Exercise price per ordinary share (RM)	1.00
Aggregate proceeds if shares are issued (RM'000)	2,898
Details of share options exercised during the period:	
Expiry date	6 July 2008
Exercise price per ordinary share (RM)	1.00
Aggregate issue proceeds (RM'000)	59
Fair value at date of issue (RM)	1.01

Terms of the options outstanding at 31 December:

<b>Expiry date</b>	<b>Exercise price (RM)</b>	<b>Number</b>
6 July 2008	<u>1.00</u>	<u>2,633,000</u>

The Group received proceeds of RM59,000 in respect of the 59,000 options exercised during the year and accordingly RM59,000 was credited to share capital (refer Note 12).

**18. Operating profit**

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue - sale of goods	138,138	158,598	-	-
- dividends	-	-	3,199	1,000
- management fees	-	-	285	-
	<u>138,138</u>	<u>158,598</u>	<u>3,484</u>	<u>1,000</u>
Cost of sales	<u>(104,846)</u>	<u>(125,128)</u>	<u>-</u>	<u>-</u>

**18. Operating profit (continued)**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Gross profit	33,292	33,470	3,484	1,000
Distribution costs	(13,081)	(12,566)	-	-
Administration expenses	(16,076)	(16,605)	(1,726)	(650)
Other operating expenses	(155)	(424)	(155)	-
Other operating income	1,233	2,003	2	-
Operating profit	<u>5,213</u>	<u>5,878</u>	<u>1,605</u>	<u>350</u>
Operating profit is arrived at after charging:				
Auditors' remuneration				
- current year	82	81	10	10
- overprovision in previous year	-	(1)	-	-
Allowance for doubtful debts	520	615	-	-
Amortisation of intangible assets (Note 5)	110	110	100	100
Depreciation (Note 2)	2,516	2,932	-	-
Directors' emoluments				
- remuneration	1,589	1,141	497	-
- fees	93	75	30	45
- benefits-in-kind	141	102	-	-
Inventories written down	1,640	398	-	-
Loss on foreign exchange - realised	4	4	-	-
Property, plant and equipment written off	-	33	-	-
Provision for after sales services (Note 11)	254	275	-	-
Rental of premises	149	104	7	6
and after crediting:				
Amortisation of negative goodwill (Note 14)	341	341	-	-
Dividend income from subsidiaries	-	-	3,199	1,000
Gain on disposal of property, plant and equipment	99	119	-	-
Gain on foreign exchange				
- realised	165	60	-	-
- unrealised	128	438	-	-
Rental income	359	284	-	-
Allowance for doubtful debts written back	1	22	-	-

The estimated monetary value of Directors' benefits-in-kind is RM42,000 (2002 - RM45,000).

**19. Employee information**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Defined contribution plan – Employees' Provident Fund	1,784	2,748	76	12
Other staff costs (including Directors' remuneration)	13,966	13,508	1,137	201
	<u>15,750</u>	<u>16,256</u>	<u>1,213</u>	<u>213</u>

The number of employees of the Group and of the Company (including Directors) at the end of the year was 558 (2002 - 635) and 9 (2002 - 1) respectively.

**20. Interest expense**

	Group	
	2003 RM'000	2002 RM'000
Interest payable:		
Term loans	(498)	(653)
Bank overdrafts	(177)	(223)
Bankers' acceptances	(617)	(785)
Hire purchase	(40)	(52)
Others	(8)	(6)
	<u>(1,340)</u>	<u>(1,719)</u>

**21. Interest income**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest receivable:				
Deposits	14	7	1	1
Others	10	5	-	-
	<u>24</u>	<u>12</u>	<u>1</u>	<u>1</u>

**22. Tax expense**

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current tax expense				
Malaysian - current year provision	1,712	1,721	571	290
- over provision in prior years	(69)	(25)	-	(2)
	<u>1,643</u>	<u>1,696</u>	<u>571</u>	<u>288</u>
Deferred tax expense				
Origination and reversal of temporary differences	(371)	(274)	-	-
Reversal of deferred tax liabilities on crystallisation of revaluation surplus of property, plant and equipment	(5)	(5)	-	-
	<u>(376)</u>	<u>(279)</u>	<u>-</u>	<u>-</u>
	<u>1,267</u>	<u>1,417</u>	<u>571</u>	<u>288</u>

**Reconciliation of effective tax rate**

Group	2003		2002	
	%	RM'000	%	RM'000
Profit before taxation		<u>3,897</u>		<u>4,171</u>
Income tax using Malaysian tax rate	28.0	1,091	28.0	1,168
Reversal of deferred tax due to crystallisation of revaluation reserve	(0.1)	(6)	(0.1)	(6)
Non-deductible expenses	9.5	371	11.6	483
Tax incentives	(4.7)	(183)	(0.5)	(19)
Effect of tax losses recognised	(2.2)	(86)	(16.0)	(668)
Effect of temporary differences recognised	3.7	146	11.3	470
Effect of using different tax rate for chargeable income of up to RM100,000 of certain subsidiaries	(0.4)	(14)	-	-

**22. Tax expense (continued)**

Group	2003		2002	
	%	RM'000	%	RM'000
Others items	0.4	17	0.3	14
	34.2	1,336	34.6	1,442
Over provision in prior years	(1.7)	(69)	(0.6)	(25)
Tax expense	32.5	1,267	34.0	1,417
<b>Company</b>				
Profit before taxation		1,606		351
Income tax using Malaysian tax rate	28.0	450	28.0	98
Non-deductible expenses	7.5	121	54.0	190
Tax expense	35.5	571	82.0	288

**23. Earnings per ordinary share - Group***Basic earnings per share*

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM2,691,000 (2002 – RM2,719,000) and the weighted average number of ordinary shares outstanding during the year of 40,016,000 (2002 - 40,000,000)

*Weighted average number of ordinary shares*

	2003 '000	2002 '000
Issued ordinary shares at beginning of the year	40,000	30,000
Effect of shares issued during the year (2002 - bonus issue)	16	10,000
Weighted average number of ordinary shares	40,016	40,000

The diluted earnings per ordinary share is not shown as the effect of the exercise of options under ESOS is antidilutive.

**24. Dividends**

	Company	
	2003 RM'000	2002 RM'000
Ordinary		
Paid - Interim dividend 5% (2002- 5%) less tax at 28%	1,440	1,440

**25. Segmental information**

Segment information is presented in respect of the Group's geographical segments by location of customers. Inter-segment pricing is determined based on negotiated terms.

No business segment analysis is prepared as the Group is primarily engaged in the manufacturing, assembly and trading of electrical and home appliances and wiring accessories.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of customers.

## 25. Segmental information (continued)

	Malaysia		Rest of the world *		Eliminations		Total	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Geographical segments by location of customers</b>								
Revenue from external customers	106,839	125,734	31,299	32,864	-	-	138,138	158,598
Inter-segment revenue	56,943	75,146	3,219	3,010	(60,162)	(78,156)	-	-
Total revenue	163,782	200,880	34,518	35,874	(60,162)	(78,156)	138,138	158,598
Segment result	3,552	4,243	1,661	1,635	-	-	5,213	5,878
Interest expense							(1,340)	(1,719)
Interest income							24	12
Profit before taxation							3,897	4,171
Tax expense							(1,267)	(1,417)
Profit after taxation							2,630	2,754
Minority interests							61	(35)
Net profit for the year							2,691	2,719
Segment assets	88,527	97,911	7,675	6,960			96,202	104,871
Unallocated assets							1,948	2,952
Total assets							98,150	107,823
Segment liabilities	40,401	49,671	4,516	5,339			44,917	55,010
Unallocated liabilities							1,629	2,117
Total liabilities							46,546	57,127
Capital expenditure	299	444	12	5			311	449
Depreciation and amortisation	2,596	3,023	30	19			2,626	3,042
Non-cash expenses	1,792	1,423	575	490			2,367	1,913

\* Rest of the world relates primarily to Asia and Middle East regions.

## 26. Contingent liabilities - unsecured

	Company	
	2003 RM'000	2002 RM'000
Guarantees and contingencies relating to borrowings of subsidiaries	79,924	89,120

**Litigations****Group**

- i) As previously reported, a subsidiary has received a letter of demand from a supplier's solicitor claiming a sum of RM270,000 as consequential loss suffered due to cancellation of a purchase order. Based on legal advice obtained, the subsidiary is currently taking legal proceeding to counter claim losses resulting from poor quality of the products supplied by the supplier.
- ii) As previously reported, an injunction and various claims were made against a subsidiary in respect of imitation products supplied to the subsidiary. The subsidiary had made an application for striking out of the whole suit, which was dismissed. The subsidiary proposed a full and final settlement of RM10,000. Currently, the settlement is pending the supplier to provide banker's guarantee for costs of actions taken.

## 26. Contingent liabilities - unsecured (continued)

iii) As previously reported, a notice of demand was served by a contractor of a subsidiary for an amount of RM271,000 for renovation works carried out for the subsidiary. The subsidiary via its solicitors has filed its defence and countered claim against the claim made by the contractor. Both parties had entered into a consent judgement on 9 July 2003. The whole claim has been settled.

The Directors do not expect any material losses to arise from the above cases and therefore, no provision has been made in the financial statements.

## 27. Holding company

The Company regards Kee Hin Ventures Sdn. Bhd., a company incorporated in Malaysia, as the holding company and ultimate holding company.

## 28. Related parties

Controlling related party relationships are as follows:

- i) The holding company and ultimate holding company as disclosed in Note 27.
- ii) Its subsidiaries as disclosed in Note 3.
- iii) The entire shareholders of the holding company, namely Cheng King Fa, Cheng Ping Keat, Great Partner Industries Limited, Sony Investments (HK) Limited and Ong Wan Bing.

Significant related party transactions of the Group and of the Company during the year other than those disclosed else where in the financial statements are as follows:

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
With companies in which Lee Ah Lan @ Lee Keok Hooi, a Director of the Company, has interest:				
HSL Electrical & Electronics Sdn. Bhd.				
Sales	(1,328)	(2,107)	-	-
Pan Malaysia Enterprise Sdn. Bhd.				
Sales	(726)	(2,763)	-	-
E & E Sales & Services Sdn. Bhd.				
Purchases	6,073	5,769	-	-
With a subsidiary:				
Rental expense	-	-	6	6

These transactions have been entered into in the normal course of business and have been established under negotiated terms.

Balances with companies in which a Director of the Company has interests and affiliates at the balance sheet date are disclosed in Notes 7 and 9 to the financial statements.

## 29. Financial instruments

### Financial risk management objectives and policies

Exposure to credit, interest rate, currency and liquidity risk arises in the normal course of the Group and the Company's business. The Board and management reviews and agrees policies for managing each of these risks and they are summarised below:

#### Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all new customers requiring credit over a certain amount to mitigate the exposure to credit risk. Credit exposure of overseas customers is minimal as most of the overseas customers transact via letter of credits, which are guaranteed by banks before the shipment of goods.

All new investment, if any in quoted and unquoted securities need to be approved by the Board of Directors. All investments in quoted securities are held for long-term purposes, and therefore, any temporary diminution in value will not have any significant impact to the Group and the Company.

**29. Financial instruments (continued)**

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

**Foreign currency risk**

The Group incurs foreign currency risk on sales and purchases and foreign deposits that are denominated in currencies other than Ringgit Malaysia. Approximately 22% (2002 - 21%) of the Group's sales are from export market and 40% (2002 - 27%) of the Group purchases are sourced from overseas. Most of the foreign currency transactions are denominated in US Dollars, except for 9% (2002 - 7%) of the foreign currency transactions are denominated in other foreign currencies. The Group does not hedge this exposure to the US dollars as the exchange rate for US dollars is pegged at USD1 : RM3.80. The transactions in other foreign currencies are insignificant. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

In respect of other monetary assets and liabilities held in currencies other than Ringgit Malaysia, the Group does not hedge this exposure as the monetary assets and liabilities are denominated in US dollars.

The Group and the Company are also exposed to foreign currency risk in respect of their investment in a foreign subsidiary. The Group does not hedge this exposure by having foreign currency borrowings in view of the insignificant amount of investment in the foreign subsidiary. However, the Board and management will keep this policy under review and will take necessary action to minimise the exposure of the risk.

**Liquidity risk**

The Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows.

**Interest rate risk**

The Group utilises short-term borrowings for working capital purposes and borrows term loans to finance capital expenditure. In view of the low interest rate scenario, exposure to fluctuation of interest rate risk is minimised.

*The following table shows information about the Group's exposure to interest rate risk.*

**Effective interest rates and repricing analysis**

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	<b>Effective interest rate %</b>	<b>Total RM'000</b>	<b>Within 1 year RM'000</b>	<b>1 – 5 years RM'000</b>	<b>After 5 years RM'000</b>
<b>2003</b>					
<b>Financial assets</b>					
Deposits placed with a licensed bank	3.00	1,808	1,808	-	-
<b>Financial liabilities</b>					
Secured bank overdrafts	6.30	1,055	1,055	-	-
Unsecured bank overdrafts	7.50	1,279	1,279	-	-
Secured term loans (fixed rate)	8.50	1,320	180	720	420
Secured term loans (variable rate)	7.62	2,182	2,182	-	-
Unsecured term loan	6.80	1,800	1,800	-	-
Secured bankers' acceptances	1.25	109	109	-	-
Unsecured bankers' acceptances	3.68	18,611	18,611	-	-
<b>2002</b>					
<b>Financial assets</b>					
Deposits placed with a licensed bank	3.20	276	276	-	-
<b>Financial liabilities</b>					
Secured bank overdrafts	7.90	750	750	-	-
Unsecured bank overdrafts	7.90	2,145	2,145	-	-
Secured term loans (fixed rate)	8.50	1,500	180	720	600
Secured term loans (variable rate)	7.52	2,556	2,556	-	-
Unsecured term loans	6.80	4,200	2,400	1,800	-
Secured bankers' acceptances	1.25	221	221	-	-
Unsecured bankers' acceptances	3.70	22,435	22,435	-	-

**29. Financial instruments (continued)****Fair values***Recognised financial instruments*

The aggregate fair values of the financial assets and liabilities carried on the balance sheet as at 31 December are shown below:

Group	2003		2002	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Financial assets</b>				
Quoted shares – long term	95	79	95	69
<b>Financial liabilities</b>				
Secured term loan (fixed rate)	1,320	1,013	1,500	1,113
Unsecured term loan (fixed rate)	1,800	1,786	4,200	4,153
<b>Company</b>				
<b>Financial assets</b>				
Quoted shares – long term	78	51	78	52

The fair value of quoted shares is their quoted bid price at the balance sheet date. For the other financial instruments listed above, fair value has been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

In respect of cash and cash equivalents, trade and other receivables, trade and other payables and short term borrowings, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

In respect of other long-term borrowings with variable interest rates, the carrying amounts approximate fair values as they are on floating rates and reprice to market interest rates for liabilities with similar risk profiles.

**30. Changes in accounting policies and prior year adjustments***Changes in accounting policies*

In the current financial year, the Group and the Company adopted three new MASB Standards. The adoption of these new standards resulted in changes in accounting policies as follows:-

- MASB 25, Income Taxes, which has been adopted retrospectively. Comparative figures have been adjusted to reflect the change in this accounting policy;
- MASB 27, Borrowing Costs, which is applied retrospectively. Comparative figures have not been restated as the previous accounting policy was in line with the accounting standard; and
- MASB 29, Employees Benefits, which is applied retrospectively. The adoption of this standard has no material impact on the financial statements.

The adoption of MASB 25 has resulted in the recognition in full of all taxable temporary differences. Previously, deferred tax liabilities were not provided if no liability was expected to arise in the foreseeable future and there were no indications the timing differences would reverse thereafter. Deferred tax assets are now recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised (previously only recognised where there was a reasonable expectation of realisation in the near future).

This change in accounting policies, applied retrospectively, has the following impact on results:-

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Net profit before change in accounting policy	2,750	3,070	-	-
Effect of adopting MASB 25	(59)	(351)	-	-
Net profit for the year	<u>2,691</u>	<u>2,719</u>	<u>-</u>	<u>-</u>

**30. Changes in accounting policies and prior year adjustments (continued)***Prior year adjustments**Changes in accounting policies*

The change in accounting policy due to the adoption of MASB 25 has been accounted for by restating comparatives and adjusting the opening balance of retained profits at 1 January 2003 as disclosed in Note 31 and the statement of changes in equity respectively.

**31. Comparative figures**

i) The following comparatives have been restated to reflect the change in accounting policies as explained in Note 30.

	Group		Company	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
<b>Balance sheet</b>				
Deferred tax assets	369	-	-	-
Reserves	6,362	5,732	-	-
Negative goodwill	4,273	5,384	-	-
Deferred tax liabilities	1,556	706	-	-
<b>Income statement</b>				
Tax expense	(1,417)	(1,066)	-	-
Net profit for the year	2,719	3,070	-	-
Basic earnings per ordinary share (sen)	6.80	7.68	-	-
<b>Statements of changes in equity</b>				
Retained profits at 1 January 2002	10,282	9,301	-	-
Retained profits at 31 December 2002	6,361	5,731	-	-

(ii) The following comparatives have been restated to conform with the current year's presentation and the reclassification of negative goodwill from reserves, which now shown as a separate item on the face of balance sheet.

<b>Balance sheet</b>				
Trade and other receivables	36,124	-	21,082	-
Tax recoverable	2,583	-	-	-
Trade receivables	-	33,499	-	-
Other receivables, deposits and prepayments	-	4,643	-	650
Amount due from holding company	-	565	-	510
Amount due from subsidiaries	-	-	-	19,922
Trade and other payables	20,561	-	49	-
Trade payables	-	11,956	-	-
Other payables and accrued expenses	-	8,087	-	47
Amount due to affiliates	-	518	-	-
Amount due to subsidiaries	-	-	-	2
Reserves	5,732	11,116	-	-
Negative goodwill	5,384	-	-	-