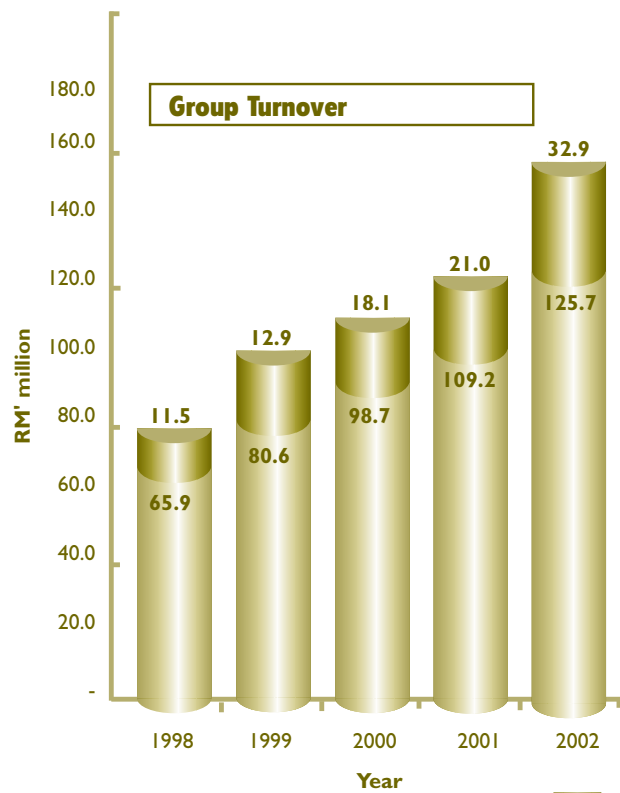
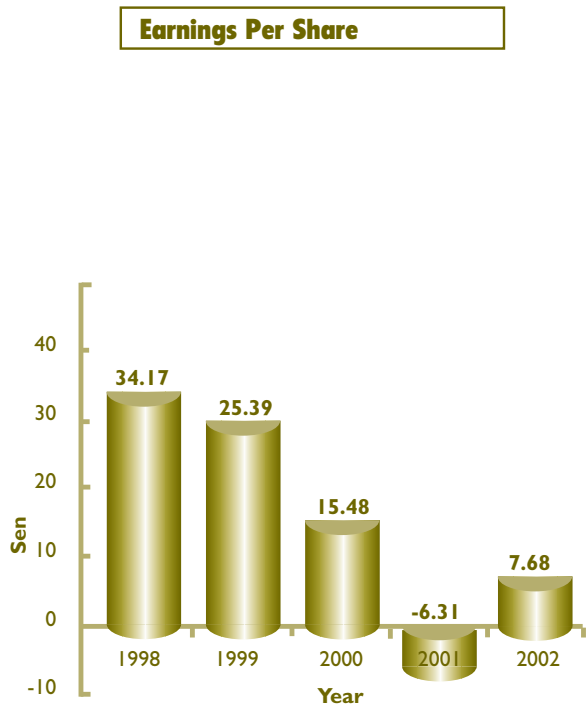
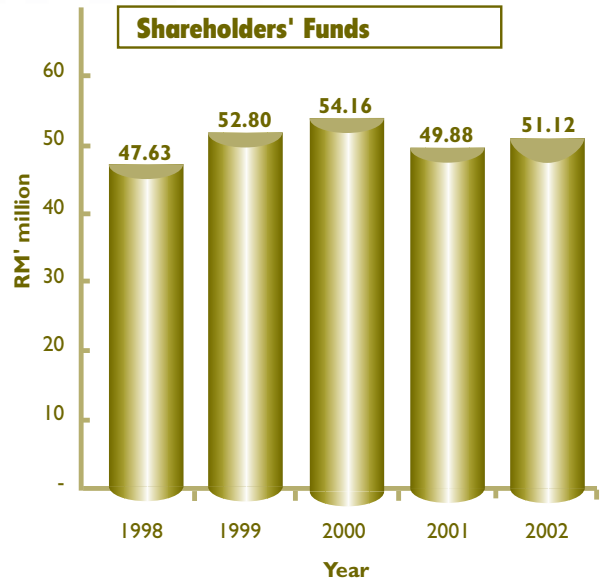
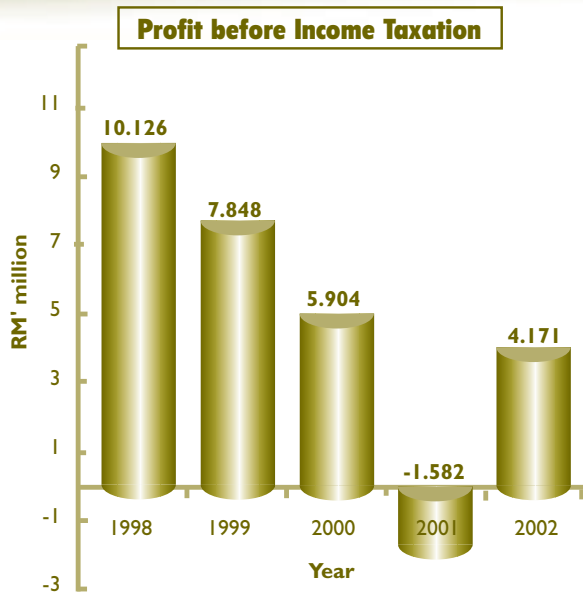


Financial statements



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Directors' report

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 2002.

Principal activities

The Company is principally engaged in investment holding, 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	3,070	63

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 2002 on 26 September 2002.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2002.

Directors of the Company

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

Cheng King Fa
Dato' Cheng Hup
Cheng Ping Keat
Cheng Ping Loke
Nordin Bin Mohamad Desa
Tan Lay Kuan @ Tan Lay Wah
Y.B. Md Azmi Bin Lop Yusof
Lee Ah Lan @ Lee Keok Hooi
Kamil Bin Datuk Haji Abdul Rahman

In accordance with Article 100 of the Company's Articles of Association, Cheng Ping Loke, Tan Lay Kuan @ Tan Lay Wah and Y.B. Md Azmi Bin Lop Yusof retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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 RMI each			
	At 1.1.2002	Bought	Sold	At 31.12.2002
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
Dato' Cheng Hup	3,521,001	-	-	3,521,001
Cheng Ping Keat	1,577,001	-	-	1,577,001

Directors' report (continued)

	Number of ordinary shares of RMI each			
	At 1.1.2002	Bonus issue /Bought *	Sold	At 31.12.2002
Shareholdings in which Directors have direct interests in the Company:				
Cheng King Fa	993,815	331,272	-	1,325,087
Dato' Cheng Hup	1,134,502	378,167	-	1,512,669
Cheng Ping Loke	10,000	3,333	-	13,333
Nordin Bin Mohamad Desa	10,000	3,333	-	13,333
Tan Lay Kuan @ Tan Lay Wah	10,000	3,333	-	13,333
Y.B. Md Azmi Bin Lop Yusof	2,211,955	737,319	(32,000)	2,917,274
Kamil Bin Datuk Haji Abdul Rahman	652,000	167,667	(150,000)	670,667
		1,000#		

* Unless otherwise stated, it is in respect of bonus issue

Bought

	Number of ordinary shares of RMI each			
	At 1.1.2002	Bought	Sold	At 31.12.2002
Shareholdings in which Directors have indirect interests in the Company:				
Cheng King Fa	15,005,728	5,002,009	-	20,007,737
Dato' Cheng Hup	15,005,728	5,002,009	-	20,007,737
Cheng Ping Keat	15,005,728	5,002,009	-	20,007,737

	Number of ordinary shares of RMI each			
	At 1.1.2002	Acquired	Sold	At 31.12.2002
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
Dato' Cheng Hup	1,500,000	-	-	1,500,000
Cheng Ping Keat	1,500,000	-	-	1,500,000

None of the other Director holding office at 31 December 2002 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 29 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.

Issue of shares and debentures

During the financial year, the Company issued 10,000,000 new ordinary shares of RMI each via capitalisation of bonus issue, on the basis of one (1) new ordinary share for every existing three (3) ordinary shares held. The bonus issue was allotted on 30 April 2002 and credited as fully paid ordinary shares via capitalisation from the Company's share premium and unappropriated profits of RM4,800,000 and RM5,200,000 respectively. This is to enable the Company to meet the Securities Commission's ("SC") minimum requirements for companies listed on the Second Board of the Kuala Lumpur Stock Exchange to have at least RM40,000,000 in issued and paid-up share capital by 31 December 2002.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

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.

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, the results of the operations of the Group and of the Company for the financial year ended 31 December 2002 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

.....
Dato' Cheng Hup

Kuala Lumpur,

Date: 18 March 2003

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 26 to 50, 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 at 31 December 2002 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

.....
Dato' Cheng Hup

Kuala Lumpur,

Date: 18 March 2003

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 26 to 50, 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 abovenamed in Shah Alam on 18 March 2003.

.....
Cheng Ping Keat

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



Report of the auditors

to the members of Khind Holdings Berhad

We have audited the financial statements set out on pages 26 to 50. 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 2002 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: 2011/12/03/(J)

Kuala Lumpur,

Date: 18 March 2003

Balance sheets

at 31 December 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Property, plant and equipment	2	30,729	33,661	-	-
Investments in subsidiaries	3	-	-	19,887	15,887
Other investments	4	95	17	78	-
Intangible assets	5	870	980	800	900
Current assets					
Inventories	6	26,134	26,288	-	-
Trade receivables	7	33,499	32,786	-	-
Other receivables, deposits and prepayments	8	4,643	4,259	650	650
Amount due from holding company	9	565	565	510	510
Amount due from subsidiaries	10	-	-	19,922	25,126
Cash and cash equivalents	11	10,919	10,601	292	499
		<u>75,760</u>	<u>74,499</u>	<u>21,374</u>	<u>26,785</u>
Current liabilities					
Trade payables	12	11,956	9,451	-	-
Other payables and accruals		8,087	6,424	47	35
Amount due to affiliates	13	518	518	-	-
Amount due to a subsidiary	10	-	-	2	-
Borrowings	14	28,800	32,334	-	-
Taxation		560	585	-	2
Provision	15	275	-	-	-
		<u>50,196</u>	<u>49,312</u>	<u>49</u>	<u>37</u>
Net current assets		25,564	25,187	21,325	26,748
		<u>57,258</u>	<u>59,845</u>	<u>42,090</u>	<u>43,535</u>
Financed by:					
Capital and reserves					
Share capital	16	40,000	30,000	40,000	30,000
Reserves	17	11,116	19,879	2,090	13,535
		<u>51,116</u>	<u>49,879</u>	<u>42,090</u>	<u>43,535</u>
Minority shareholders' interests	18	61	26	-	-
Long term and deferred liabilities					
Borrowings	14	5,375	8,604	-	-
Deferred taxation	19	706	1,336	-	-
		<u>6,081</u>	<u>9,940</u>	<u>-</u>	<u>-</u>
		<u>57,258</u>	<u>59,845</u>	<u>42,090</u>	<u>43,535</u>

The financial statements were approved and authorised for issue by the Board of Directors on 18 March 2003.

The notes set out on pages 31 to 50 form an integral part of, and, should be read in conjunction with, these financial statements.

Income statements

for the year ended 31 December 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue	20	158,598	130,250	1,000	11,011
Operating profit/(loss)	20	5,878	(104)	350	10,378
Interest expense	22	(1,719)	(1,496)	-	-
Interest income	23	12	18	1	4
Profit/(Loss) before taxation		4,171	(1,582)	351	10,382
Tax expense	24	(1,066)	(1,094)	(288)	(1,630)
Profit/(Loss) after taxation		3,105	(2,676)	63	8,752
(Less)/Add: Minority interests		(35)	152	-	-
Net profit/(loss) for the year		3,070	(2,524)	63	8,752
Basic earnings/(loss) per ordinary share (sen)	25	7.68	(6.31)		
Dividends per ordinary share - net (sen)	26	3.60	4.68		

The notes set out on pages 31 to 50 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 2002

Group	Note	Share capital RM'000	Non-distributable		Distributable Unap- propriated profits RM'000	Total RM'000	
			Share premium RM'000	Reserve on conso- lidation RM'000			Trans- lation reserve RM'000
At 1 January 2001		30,000	4,868	6,066	-	13,229	54,163
Amortisation of reserve on consolidation		-	-	(341)	-	-	(341)
Currency translation differences		-	-	-	(15)	-	(15)
Net loss for the year		-	-	-	-	(2,524)	(2,524)
Dividend	26	-	-	-	-	(1,404)	(1,404)
At 31 December 2001		30,000	4,868	5,725	(15)	9,301	49,879
Bonus issue	16	10,000	-	-	-	-	10,000
Capitalisation for bonus issue		-	(4,800)	-	-	(5,200)	(10,000)
Bonus issue expenses		-	(68)	-	-	-	(68)
Amortisation of reserve on consolidation		-	-	(341)	-	-	(341)
Currency translation differences		-	-	-	16	-	16
Net profit for the year		-	-	-	-	3,070	3,070
Dividend	26	-	-	-	-	(1,440)	(1,440)
At 31 December 2002		<u>40,000</u>	<u>-</u>	<u>5,384</u>	<u>1</u>	<u>5,731</u>	<u>51,116</u>
		Note 16		Note 17		Note 17	
Company							
At 1 January 2001		30,000	4,868	-	-	1,319	36,187
Net profit for the year		-	-	-	-	8,752	8,752
Dividend	26	-	-	-	-	(1,404)	(1,404)
At 31 December 2001		30,000	4,868	-	-	8,667	43,535
Bonus issue	16	10,000	-	-	-	-	10,000
Capitalisation for bonus issue		-	(4,800)	-	-	(5,200)	(10,000)
Bonus issue expenses		-	(68)	-	-	-	(68)
Net profit for the year		-	-	-	-	63	63
Dividend	26	-	-	-	-	(1,440)	(1,440)
At 31 December 2002		<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,090</u>	<u>42,090</u>
		Note 16		Note 17		Note 17	

The notes set out on pages 31 to 50 form an integral part of, and, should be read in conjunction with, these financial statements.

Cash flow statements

for the year ended 31 December 2002

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cash flows from operating activities				
Profit/(Loss) before taxation	4,171	(1,582)	351	10,382
Adjustments for:				
Amortisation of reserve on consolidation	(341)	(341)	-	-
Amortisation of intangible assets	110	110	100	100
Depreciation	2,932	3,079	-	-
Interest expense	1,719	1,496	-	-
Interest income	(12)	(18)	(1)	(4)
Gain on disposal of property, plant and equipment	(119)	(154)	-	-
Property, plant and equipment written off	33	219	-	-
Unrealised (gain)/loss on foreign exchange	(438)	49	-	-
Provision for after sales services	275	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Operating profit before working capital changes	8,330	2,858	450	10,478
(Increase)/Decrease in working capital:				
Inventories	154	(3,956)	-	-
Trade and other receivables	(712)	(1,906)	-	(155)
Trade and other payables	4,168	3,083	12	(521)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash generated from operations	11,940	79	462	9,802
Income taxes paid	(2,053)	(1,673)	(290)	(1,630)
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	9,887	(1,594)	172	8,172
	<hr/>	<hr/>	<hr/>	<hr/>
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired (Note A)	-	-	-	(209)
Additional investment in a subsidiary	-	-	(4,000)	(100)
Interest received	12	18	1	4
Proceeds from disposal of property, plant and equipment	536	884	-	-
Purchase of investments	(78)	(17)	(78)	-
Purchase of property, plant and equipment (Note B)	(372)	(5,158)	-	-
Purchase of intangible assets	-	(1,000)	-	(1,000)
Withdrawal/(Placement) of deposits	213	(6)	-	-
Bonus issue expenses	(68)	-	(68)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	243	(5,279)	(4,145)	(1,305)

Cash flow statements (continued)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cash flows from financing activities				
Advances from holding company	-	203	-	-
Dividend paid to shareholders of the Company	(1,440)	(1,404)	(1,440)	(1,404)
Drawdowns of bankers' acceptances	3,283	10,119	-	-
Repayments of bankers' acceptances	(6,412)	(3,167)	-	-
Drawdowns of term loans	-	8,800	-	-
Repayments of term loans	(2,370)	(608)	-	-
Repayments from/(Advances to) subsidiaries	-	-	5,206	(4,984)
Repayments of hire purchase liabilities	(291)	(354)	-	-
Interest paid	(1,719)	(1,496)	-	-
Net cash (used in)/generated from financing activities	(8,949)	12,093	3,766	(6,388)
Net increase/(decrease) in cash and cash equivalents	1,181	5,220	(207)	479
Cash and cash equivalents at beginning of year	6,443	1,238	499	20
Effect of exchange rate changes on gain/(loss) of an overseas subsidiary	16	(15)	-	-
Cash and cash equivalents at end of year	7,640	6,443	292	499

A) Acquisition of a subsidiary

In the previous year, the Group subscribed for all the ordinary shares in a subsidiary, Khind-Mistral (S) Pte. Ltd. The fair values of assets and liabilities assumed were as follows:

	2001 RM'000
Cash and cash equivalents	209
Net assets acquired/purchase consideration	209
Less: Cash and cash equivalents of subsidiary acquired, net of cash injection from issuance of new 100,000 ordinary shares of SGD1 each	(209)
Cash flow on acquisition, net of cash acquired	-

B) Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM449,000 (2001 – RM5,769,000) of which RM77,000 (2001 - RM611,000) were acquired by means of hire purchases.

C) Cash and cash equivalents

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

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cash and bank balances	10,643	10,333	292	499
Deposits (excluding deposits pledged)	276	55	-	-
Bank overdrafts	(2,895)	(3,945)	-	-
	8,024	6,443	292	499
Unrealised gain foreign exchange	(384)	-	-	-
	7,640	6,443	292	499

The notes set out on pages 31 to 50 form an integral part of, and, should be read in conjunction with, these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

- (i) MASB 20, Provisions, Contingent Liabilities and Contingent Assets, which is applied retrospectively. No restatement of comparative figure is required as no provision was made in the previous year;
- (ii) MASB 23, Impairment of Assets, which is applied prospectively. The adoption of this standard does not have any material effect to the financial statements; and
- (iii) MASB 24, Financial Instruments: Disclosure and Presentation, which has been adopted prospectively.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared in compliance with 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 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 reserve on consolidation 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/Reserve on consolidation

Goodwill/Reserve 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 reserve on consolidation. Reserve on consolidation net of goodwill is stated at cost less accumulated amortisation.

Net reserve on consolidation is amortised over a period of eighteen years (18) from the date of acquisition.

(d) Subsidiaries

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

(e) Property, plant and equipment

Long term leasehold land are stated at cost. 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 lower of net book value and net realisable value (refer Note 1(o)).

1. Summary of significant accounting policies

(e) Property, plant and equipment (continued)

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 sixty (60) 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.

(f) Investments

Long term investments 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.

Amount due from holding company and amount due from subsidiaries are stated at cost.

(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

Trade and other payables, borrowings, amount due to affiliates and amount due to a subsidiary 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.

1. Summary of significant accounting policies (continued)

(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 the Group's assets, other than inventories (refer note 1(h)), and financial assets (other than 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 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 determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

(p) Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

1. Summary of significant accounting policies (continued)

(q) 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:

USD	RM3.80	(2001: USD)	RM3.80
SGD	RM2.17	(2001: SGD)	RM2.06
BND	RM2.19	(2001: BND)	RM2.03
GBP	RM6.09	(2001: GBP)	RM5.46
JPY	Nil	(2001: JPY)	RM0.03
HKD	RM0.49	(2001: HKD)	RM0.49
NTD	RM0.11	(2001: NTD)	RM0.11

(r) 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.

(s) 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

Group	Long term leasehold land	Leasehold properties	Freehold properties	Factory buildings	Plant and machinery	Tools and moulds	Furniture, fittings and office equipment	Motor vehicles	Renovations	Total
Cost	RM'000	RM000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2002	3,000	4,533	6,742	10,143	5,453	10,557	5,031	3,916	1,329	50,704
Additions	-	-	-	-	10	107	226	86	20	449
Disposals	-	-	-	-	(7)	(12)	(13)	(1,323)	-	(1,355)
Reclassification	-	-	-	-	-	-	8	-	(8)	-
Written off	-	-	-	-	(53)	-	-	-	-	(53)
Exchange differences	-	-	-	-	-	1	-	-	-	1
At 31 December 2002	<u>3,000</u>	<u>4,533</u>	<u>6,742</u>	<u>10,143</u>	<u>5,403</u>	<u>10,653</u>	<u>5,252</u>	<u>2,679</u>	<u>1,341</u>	<u>49,746</u>
Depreciation										
At 1 January 2002	-	342	195	1,289	3,413	6,870	2,265	2,199	470	17,043
Charge for the year	-	91	112	199	406	1,087	535	368	134	2,932
Disposals	-	-	-	-	(2)	(11)	(5)	(920)	-	(938)
Reclassification	-	-	-	-	-	-	1	-	(1)	-
Written off	-	-	-	-	(20)	-	-	-	-	(20)
At 31 December 2002	<u>-</u>	<u>433</u>	<u>307</u>	<u>1,488</u>	<u>3,797</u>	<u>7,946</u>	<u>2,796</u>	<u>1,647</u>	<u>603</u>	<u>19,017</u>
Net book value										
At 31 December 2002	<u>3,000</u>	<u>4,100</u>	<u>6,435</u>	<u>8,655</u>	<u>1,606</u>	<u>2,707</u>	<u>2,456</u>	<u>1,032</u>	<u>738</u>	<u>30,729</u>
At 31 December 2001	<u>3,000</u>	<u>4,191</u>	<u>6,547</u>	<u>8,854</u>	<u>2,040</u>	<u>3,687</u>	<u>2,766</u>	<u>1,717</u>	<u>859</u>	<u>33,661</u>
Depreciation charge for the year ended 31 December 2001	<u>-</u>	<u>98</u>	<u>108</u>	<u>198</u>	<u>459</u>	<u>1,149</u>	<u>518</u>	<u>414</u>	<u>135</u>	<u>3,079</u>

Title deeds to the long term leasehold land of RM3,000,000 (2001 - RM3,000,000), leasehold properties with a net book value of RM1,958,000 (2001 - RM3,460,000) and freehold properties with a net book value of RM3,565,000 (2001 - RM5,985,000) belonging to three (3) subsidiaries are in the process of being registered in the names of these companies.

Security

Long term leasehold land, leasehold properties, freehold properties and factory buildings with a net book value of RM9,984,000 (2001 - RM10,175,000) have been pledged as securities for the bank facilities granted to the Group (refer Note 14).

A subsidiary is currently in the process of discharging its leasehold land and factory buildings with a net book value of RM11,655,000 (2001 - RM11,854,000), which had been pledged as security for the secured term loan that was fully settled in the previous year.

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 RM7,000 (2001 - RM14,000) and RM859,000 (2001 - RM1,138,000) respectively.

Notes to the financial statements (continued)

3. Investments in subsidiaries

	Company	
	2002 RM'000	2001 RM'000
Unquoted shares, at cost	19,887	15,887

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

Name of Company	Principal Activities	Country of Incorporation	Effective Ownership Interest	
			2002 %	2001 %
Khind Industries Sdn. Bhd.	Manufacture and sale of electrical home appliances and wiring accessories	Malaysia	100	100
Khind Marketing (M) Sdn. Bhd.	Trading in electrical home appliances and wiring accessories	Malaysia	100	100
Khind Marketing (Sabah) Sdn. Bhd.	Trading in electrical home appliances and wiring accessories	Malaysia	100	100
Khind Marketing (Sarawak) Sdn. Bhd.	Trading in electrical home appliances and wiring accessories	Malaysia	100	100
Khind Components Sdn. Bhd.	Assembly of wire harness and power supply cords	Malaysia	100	100
Khind-NES Electric Sdn. Bhd.	Manufacture and sale of protector, trailing sockets and electrical accessories	Malaysia	100	100
Khind Sales & Service Sdn. Bhd.	Trading in electrical products	Malaysia	75	75
Khind R&D Sdn. Bhd.	Compliance testing of electrical and home appliances	Malaysia	100	100
Khind Home Appliances Sdn. Bhd.*	Intended to manufacture home appliances	Malaysia	100	100
Khind-Mistral (S) Pte. Ltd.**	Trading in electrical products	Singapore	100	100

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

** Audited by other firm of accountants



4. Other investments

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Long term				
Quoted shares, at cost	95	17	78	-
Quoted shares, at market value	69	20	52	-

5. Intangible assets

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cost				
At 1 January	1,100	100	1,000	-
Acquisition during the year	-	1,000	-	1,000
At 31 December	1,100	1,100	1,000	1,000
Amortisation				
At 1 January	(120)	(10)	(100)	-
Amortisation during the year (Note 20)	(110)	(110)	(100)	(100)
At 31 December	(230)	(120)	(200)	(100)
	870	980	800	900

6. Inventories

	Group	
	2002 RM'000	2001 RM'000
Raw material	6,439	8,215
Work-in-progress, at cost	340	1,363
Manufactured inventories	19,355	16,710
	26,134	26,288

Raw material and manufactured inventories of RM81,000 (2001 - Nil) and RM111,000 (2001 - RM244,000) respectively are carried at net realisable value.

Notes to the financial statements (continued)

7. Trade receivables

	Group	
	2002 RM'000	2001 RM'000
Trade receivables	35,251	34,355
Less: Allowance for doubtful debts	(1,752)	(1,569)
	<u>33,499</u>	<u>32,786</u>

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

	Group	
	2002 RM'000	2001 RM'000
HSL Electrical & Electronics Sdn. Bhd.	1,127	780
Pan Malaysia Enterprise Sdn. Bhd.	1,348	-

Bad debts of RM410,000 (2001 - Nil) were written off against allowance for doubtful debts during the year.

8. Other receivables, deposits and prepayments

Group

Included in other receivables, deposits and prepayments is excess tax paid of RM2,583,000 (2001 – RM2,251,000), which is refundable and is subject to agreement by the Inland Revenue Board.

9. Holding company

The holding company and ultimate holding company is Kee Hin Ventures Sdn. Bhd. a company incorporated in Malaysia. Amount due from the holding company is in respect of advances, which are unsecured, interest free and have no fixed terms of repayment.

10. Amounts due from/(to) subsidiaries

Amounts due from/(to) subsidiaries are in respect of advances, which are unsecured, interest free and have no fixed terms of repayment.

11. Cash and cash equivalents

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Deposits placed with licensed banks	276	268	-	-
Cash and bank balances	10,643	10,333	292	499
	<u>10,919</u>	<u>10,601</u>	<u>292</u>	<u>499</u>

Group

In the previous year, deposits placed with licensed banks for the Group of RM213,000 were pledged as security for banking facilities granted (Note 14).

12. Trade payables

Group

Included in trade payables is an amount of RM1,520,188 (2001 – Nil) due to a related party, E & E Sales & Services Sdn. Bhd..

13. 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.

14. Borrowings

		Group	
		2002	2001
		RM'000	RM'000
Current:			
Term loans	- secured	564	536
	- unsecured	2,400	1,800
Bank overdrafts	- secured	750	998
	- unsecured	2,145	2,947
Bankers' acceptances	- secured	221	41
	- unsecured	22,435	25,744
Hire purchase liabilities		285	268
		28,800	32,334
Non-current:			
Term loans	- secured	3,492	4,090
	- unsecured	1,800	4,200
Hire purchase liabilities		83	314
		5,375	8,604

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					
- variable at 6.40% to 8.50% (2001 – 5.75% to 8.55%)	4,056	564	595	1,891	1,006
Unsecured term loan					
- fixed at 6.80% (2001 – 6.80%)	4,200	2,400	1,800	-	-
Secured bank overdrafts					
- variable at 7.90% (2001 – 6.40% to 8.80%)	750	750	-	-	-
Unsecured bank overdrafts					
- variable at 5.10% to 7.90% (2001 – 7.15% to 7.80%)	2,145	2,145	-	-	-
Secured bankers' acceptances					
- variable at 1.25% (2001 – 1.25%)	221	221	-	-	-
Unsecured bankers' acceptances					
- variable at 3.37% to 4.25% (2001 – 2.80% to 4.28%)	22,435	22,435	-	-	-
Hire purchase liabilities					
- fixed at 4.50% to 7.60% (2001 – 4.95% to 8.00%)	368	285	76	7	-
	34,175	28,800	2,471	1,898	1,006

14. Borrowings (continued)

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) debenture created over other assets, both present and future of a subsidiary,
- iii) joint and several guarantee by Directors of a subsidiary; and
- iv) corporate guarantee from the Company.

Secured term loan of RM1,681,000 (2001 – RM1,954,000) is repayable over a period of seven (7) years until full settlement through monthly instalments of RM35,693 commencing November 2000.

Secured term loan of RM1,500,000 (2001 – RM1,680,000) is repayable over one hundred twenty (120) equal monthly instalments of RM22,334, commencing May 2001.

The secured term loan of RM35,000 in the previous year was fully settled during the year.

The remaining secured term loan of RM875,000 (2001 – RM957,000) is repayable over one hundred twenty (120) monthly instalments ranging from RM10,977 to RM11,992, commencing from April 2001.

Unsecured term loan of RM4,200,000 (2001 – RM6,000,000) 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 leasehold land, leasehold properties and freehold properties (Note 2) and are guaranteed by the Company and the Directors of the respective subsidiaries.

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:

- i) not to create or permit to exist any security over the leasehold properties and freehold properties; and
- ii) 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	Interest	Principal	Payments	Interest	Principal
	2002	2002	2002	2001	2001	2001
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Less than one year	323	38	285	314	46	268
Between one and five years	91	8	83	356	42	314
	<u>414</u>	<u>46</u>	<u>368</u>	<u>670</u>	<u>88</u>	<u>582</u>



15. Provision

	Group After sales services RM'000
At 1 January 2002	-
Provision made during the year	275
	<hr/>
At 31 December 2002	275
	<hr/> <hr/>

After sales services

During the year, a subsidiary made a provision of 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.

16. Share capital

	Company	
	2002 RM'000	2001 RM'000
Ordinary shares of RM1 each:		
Authorised	50,000	50,000
Issued and fully paid		
At 1 January	30,000	30,000
Bonus issue	10,000	-
	<hr/>	<hr/>
At 31 December	40,000	30,000
	<hr/> <hr/>	<hr/> <hr/>

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 unappropriated profits of RM4,800,000 and RM5,200,000 respectively.

Notes to the financial statements (continued)

17. Reserves

	Group	
	2002 RM'000	2001 RM'000
Reserve on consolidation		
At 1 January/At 31 December	7,089	7,089
Amortisation		
At 1 January	(1,364)	(1,023)
Charge for the year (Note 20)	(341)	(341)
At 31 December	(1,705)	(1,364)
	<u>5,384</u>	<u>5,725</u>

Unappropriated 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 2002, if paid out as dividends.

18. 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.

19. Deferred taxation

	Group	
	2002 RM'000	2001 RM'000
At 1 January	1,336	1,229
Transfer (to)/from income statement (Note 24)	(630)	107
At 31 December	<u>706</u>	<u>1,336</u>

Subject to agreement by the Inland Revenue Board, the Group has potential deferred tax benefits not taken up in the financial statements under the liability method in respect of the following items:

	Group	
	2002 RM'000	2001 RM'000
Unutilised tax losses	1,562	4,012
Other timing differences	<u>3,182</u>	<u>2,287</u>



20. Operating profit/(loss)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue - sale of goods	158,598	130,250	-	-
- dividends	-	-	1,000	11,011
	<u>158,598</u>	<u>130,250</u>	<u>1,000</u>	<u>11,011</u>
Cost of sales	(125,128)	(103,113)	-	-
Gross profit	33,470	27,137	1,000	11,011
Distribution costs	(12,566)	(11,813)	-	-
Administration expenses	(16,605)	(16,910)	(650)	(633)
Other operating expenses	(424)	-	-	-
Other operating income	2,003	1,482	-	-
	<u>5,878</u>	<u>(104)</u>	<u>350</u>	<u>10,378</u>

Operating profit/(loss) is arrived at after charging:

Auditors' remuneration				
- current year	81	65	10	9
- overprovision in previous year	(1)	-	-	-
Allowance for doubtful debts	615	377	-	-
Amortisation of intangible assets (Note 5)	110	110	100	100
Depreciation (Note 2)	2,932	3,079	-	-
Directors' emoluments				
- remuneration	1,141	1,337	-	-
- fees	75	75	45	30
- benefit-in-kind	102	-	-	-
Inventories written down	398	-	-	-
Inventories written off	-	33	-	-
Loss on foreign exchange - realised	4	6	-	-
- unrealised	-	49	-	-
Property, plant and equipment written off	33	219	-	-
Provision for after sales services	275	-	-	-
Rental of premises	104	202	6	6

and after crediting:

Amortisation of reserve on consolidation (Note 17)	341	341	-	-
Dividend income from subsidiaries	-	-	1,000	11,011
Gain on disposal of property, plant and equipment	119	154	-	-
Gain on foreign exchange				
- realised	60	159	-	-
- unrealised	438	-	-	-
Rental income	284	235	-	-
Allowance for doubtful debts written back	22	-	-	-

The estimated monetary value of Directors' benefits-in-kind is RM45,000 (2001 - RM141,000).

Notes to the financial statements (continued)

21. Employee information

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Staff costs (including Directors' remuneration)	15,913	16,078	213	185

The number of employees of the Group and of the Company (including Directors) at the end of the year was 635 (2001 - 678) and 1 (2001 - 1) respectively.

22. Interest expense

	Group	
	2002 RM'000	2001 RM'000
Interest payable:		
Term loans	(653)	(415)
Bank overdrafts	(223)	(202)
Bankers' acceptances	(785)	(817)
Hire purchase	(52)	(57)
Others	(6)	(5)
	(1,719)	(1,496)

23. Interest income

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Interest receivable:				
Deposits	7	14	1	4
Others	5	4	-	-
	12	18	1	4

24. Tax expense

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Income tax expense:				
- Current year provision	1,721	1,004	290	1,630
- Overprovision in prior years	(25)	(17)	(2)	-
	1,696	987	288	1,630
Deferred tax expense:				
- Transfer (from)/to deferred taxation (Note 19)	(630)	107	-	-
	1,066	1,094	288	1,630



24. Tax expense (continued)

The effective tax rate for the Group in the current year is lower than the statutory tax rate due to utilisation of unutilised tax losses brought forward of RM2,517,000, utilisation of unabsorbed capital allowances and reversal of deferred tax expense. The tax savings derived from utilisation of tax losses brought forward is RM705,000.

The income tax expense of the Group in the previous year was related to tax on profits of certain subsidiaries, which cannot be set-off against losses of other subsidiaries for tax purposes as group relief was not available.

The effective tax rate for the Company in the current year is higher than the statutory tax rate due to certain expenses are not deductible for income tax purposes.

The effective tax rate for the Company in the previous year was lower than the statutory tax rate due to tax exempt dividends received.

Subject to agreement by the Inland Revenue Board, the Group has unutilised reinvestment allowance of Nil (2001 – RM660,000) as at 31 December 2002.

25. Basic earnings/(loss) per ordinary share - Group

The calculation of basic earnings/(loss) per ordinary share is based on the net profit attributable to ordinary shareholders of RM3,070,000 (2001 – net loss attributable to ordinary shareholders of RM2,524,000) and the weighted average number of ordinary shares outstanding during the year of 40,000,000 (2001 - 40,000,000 *)

* Adjusted to include bonus issue of 10,000,000 new ordinary shares

Weighted average number of ordinary shares

	Company	
	2002	2001
	RM'000	RM'000
Issued ordinary shares at beginning of the year	30,000	30,000
Effect of bonus issue in 2002	10,000	10,000
Weighted average number of ordinary shares	40,000	40,000

The previous loss per ordinary share has been restated based on the net loss attributable to ordinary shareholders of RM2,524,000 and the weighted average number of ordinary shares outstanding during the year of 40,000,000 ordinary shares after taking into consideration the bonus issue of 10,000,000 ordinary shares on the assumption that it was issued prior to 31 December 2001 (Note 16).

26. Dividends

	Company	
	2002	2001
	RM'000	RM'000
Ordinary		
Paid – Interim dividend 5% (2001- 6.5%) less tax at 28%	1,440	1,404

27. 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.

Notes to the financial statements (continued)

27. Segmental information (continued)

	Malaysia		Rest of the world *		Eliminations		Total	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Geographical segments by location of customers								
Revenue from external customers	125,734	109,210	32,864	21,040	-	-	158,598	130,250
Inter-segment revenue	75,146	80,959	3,010	-	(78,156)	(80,959)	-	-
Total revenue	<u>200,880</u>	<u>190,169</u>	<u>35,874</u>	<u>21,040</u>	<u>(78,156)</u>	<u>(80,959)</u>	<u>158,598</u>	<u>130,250</u>
Segment result	<u>4,243</u>	<u>(1,181)</u>	<u>1,635</u>	<u>1,077</u>	<u>-</u>	<u>-</u>	<u>5,878</u>	<u>(104)</u>
Interest expense							(1,719)	(1,496)
Interest income							12	18
Profit/(Loss) before taxation							4,171	(1,582)
Tax expense							(1,066)	(1,094)
Profit/(Loss) after taxation							3,105	(2,676)
Minority interests							(35)	152
Net profit/(loss) for the year							<u>3,070</u>	<u>(2,524)</u>
Segment assets	<u>100,494</u>	<u>103,311</u>	<u>6,960</u>	<u>5,846</u>			<u>107,454</u>	<u>109,157</u>
Segment liabilities	<u>50,938</u>	<u>53,168</u>	<u>5,339</u>	<u>6,084</u>			<u>56,277</u>	<u>59,252</u>
Capital expenditure	444	5,629	5	140			449	5,769
Depreciation and amortisation	3,023	3,164	19	25			3,042	3,189
Non-cash expenses	<u>1,423</u>	<u>624</u>	<u>490</u>	<u>-</u>			<u>1,913</u>	<u>624</u>

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

28. Contingent liabilities - unsecured

	Company	
	2002 RM'000	2001 RM'000
Guarantees and contingencies relating to borrowings of subsidiaries	<u>89,120</u>	<u>86,393</u>



28. Contingent liabilities - unsecured (continued)**Litigations****Group**

- i) On 1 November 2002, a subsidiary has received a letter of demand from a supplier's solicitor claiming a sum of RM382,000 as consequential loss suffered due to cancellation of a purchase order. Based on legal advice obtained, the subsidiary intends to proceed with its own 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. Currently, the subsidiary would proceed for full trial at a date to be determined by the court.
- 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. The negotiation to settle the case has been failed. The case was fixed for case management on 27 February 2003 and was subsequently postponed to 12 June 2003.

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.

29. Related parties

Controlling related party relationships are as follows:

- i) The holding company and ultimate holding company as disclosed in Note 9.
- ii) Its subsidiaries as disclosed in Note 3.
- iii) The entire shareholders of the holding company, namely Cheng King Fa, Dato' Cheng Hup and Cheng Ping Keat.

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

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 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	(2,107)	(1,790)	-	-
Pan Malaysia Enterprise Sdn. Bhd. Sales	(2,763)	-	-	-
E & E Sales & Services Sdn. Bhd. Purchases	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 Note 7, Note 12 and Note 13 to the financial statements.

30. Financial instruments

Financial risk management objectives and policies

Exposure to credit, interest rate and currency 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.

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 21% of the Group's sales are from export market and 27% of the Group purchases are sourced from overseas. Most of the foreign currency transactions are denominated in US Dollars, except for 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 USD 1 : 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.

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 tables shows information about the Group's exposure to interest rate risk.

Effective interest rates and repricing analysis

	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 – 5 years RM'000	After 5 years RM'000
2002					
Financial assets					
Deposits placed with a licensed bank	3.20	276	276	-	-
Financial liabilities					
Secured bank overdrafts	7.90	750	750	-	-
Unsecured bank overdrafts	7.90	2,145	2,145	-	-
Secured term loans	7.70	4,056	2,736	720	600
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	-	-
Hire purchased liabilities	11.00	368	285	83	-



30. Financial instruments (continued)

	Effective interest rate %	Within Total RM'000	1 – 5 1 year RM'000	After years RM'000	5 years RM'000
2001					
Financial assets					
Deposits placed with a licensed bank	3.20	268	268	-	-
Financial liabilities					
Secured bank overdrafts	7.20	998	998	-	-
Unsecured bank overdrafts	7.90	2,947	2,947	-	-
Secured term loans	7.80	4,626	2,305	1,654	667
Unsecured term loans	6.80	6,000	1,800	4,200	-
Secured bankers' acceptances	1.25	41	41	-	-
Unsecured bankers' acceptances	3.40	25,744	25,744	-	-
Hire purchased liabilities	11.00	582	268	314	-

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	2002		2001	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Quoted shares – long term	95	69	17	20
Financial liabilities				
Secured term loan (fixed rate)	1,500	1,557	1,680	1,750
Unsecured term loan (fixed rate)	4,200	4,153	6,000	6,000
Company				
Financial assets				
Quoted shares – long term	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, amount due from holding company, amounts due from/(to) subsidiaries, amount due to affiliates and short term borrowings, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

31. Acquisition of a subsidiary**Acquisition**

In previous year, the Company subscribed for 100,000 ordinary shares of SGD1 each at par in Khind-Mistral (S) Pte. Ltd. for a cash consideration of RM209,000. For the period since the date of incorporation to 31 December 2001, the subsidiary contributed a net loss of RM21,000 to the consolidated net loss for the previous year.

The acquisitions had been accounted for using the acquisition method of accounting. The effects of the acquisitions are disclosed in Note A to the cash flow statements.

Notes to the financial statements (continued)

32. Significant event during the year

During the year, the Company proposed an establishment of an employees' share option scheme ("ESOS") of up to ten percent (10%) of the issued and paid-up share capital of the Company.

The proposed ESOS will allow the Company to grant options to eligible employees and Executive Directors of the Group, having the right to subscribe for new ordinary shares of RM1 each.

The application of the proposed ESOS will be submitted to Security Commission ("SC").

33. Comparative figures

Certain comparatives have been restated to conform with the current year's presentation. The changes in the comparatives are as follows:

	As restated RM'000	As previously reported RM'000
Balance sheet		
Intangible assets	980	900
Current assets		
Other receivables, deposits and prepayments	4,259	4,339
Current liabilities		
Borrowings	32,334	32,577
Long term and deferred liabilities		
Borrowings	8,604	8,361

