

# Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of the Company will be held at Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Friday, 25th October 2002 at 10.00 a.m. for the following purposes:-

## AGENDA

### AS ORDINARY BUSINESS

1. To receive and adopt the Financial Statements for the year ended 30 April 2002 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring in accordance with Article 87 of the Company's Articles of Association and being eligible, offer themselves for re-election :-
  - (i) Mr See Wee Chern @ See Chan Wee Chern **(Resolution 2)**
  - (ii) Mr Koh Poh Seng **(Resolution 3)**
  - (iii) Mr Lau Fook Meng **(Resolution 4)**
  - (iv) Mr Wong Keet Loy **(Resolution 5)**
3. To re-appoint Messrs Shamsir Jasani Grant Thornton as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions:-

#### 4. Ordinary Resolution - AUTHORITY TO ISSUE SHARES

*"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approval from other relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company."*

**(Resolution 7)**



## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

### 5. Special Resolution - CHANGE OF COMPANY'S NAME

*"THAT the name of the Company be changed to **KPS CONSORTIUM BERHAD** with effect from the date of the Certificate of Incorporation on the Change of Name of Company issued by the Companies Commission of Malaysia."*

**(Resolution 8)**

6. To transact any other business which may properly be transacted at an Annual General Meeting for which due notice shall have been given.

By order of the Board

**LIM SECK WAH** (MAICSA 0799845)

**M. CHANDRASEGARAN A/L S. MURUGASU** (MAICSA 0781031)  
Company Secretaries

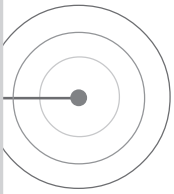
Selangor Darul Ehsan

Dated this 1st day of October 2002.

#### Notes:

1. *A member shall be entitled to appoint more than one proxy to attend and vote in his place. A proxy need not be a member of the Company.*
2. *Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of its attorney.*
4. *The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a certified copy thereof must be deposited at the Company's Registered Office, Lot 765, Jalan Haji Sirat, Off Jalan Meru, 42100 Klang, Selangor Darul Ehsan not less than 48 hours before the time set for holding the Meeting or adjourned meeting as the case maybe.*





## NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

### 5. Explanatory notes on Special Business

#### (a) **Ordinary Resolution pursuant to Section 132D of the Companies Act, 1965**

The proposed Resolution 7 is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.

#### (b) **Special Resolution on the proposed change of Company's name**

The proposed Resolution 8 on the change of Company's name to "KPS Consortium Berhad" is to reflect the Corporate identity following the completion of the corporate restructuring of the Company. The Shareholders have approved the acquisition of the entire equity interest in KPS Plywood Sdn. Bhd. (formerly known as Koh Poh Seng Plywood Co. (M) Sdn. Bhd.) and its group of companies in the Extraordinary General Meeting held on 17th August 2002.



# Statement Accompanying The Notice Of Annual General Meeting

*(Pursuant to paragraph 8.28 (2) of the Kuala Lumpur Stock Exchange Listing Requirements)*

## 1. Names of individuals who are standing for re-election:

- a) Mr See Wee Chern @ See Chan Wee Chern
- b) Mr Koh Poh Seng
- c) Mr Lau Fook Meng
- d) Mr Wong Keet Loy

(The abovenamed Directors are retiring pursuant to Article 87 of the Company's Articles of Association)

## 2. Details of attendance of Directors at Board Meetings:

Four (4) Board of Directors' Meetings were held during the financial year ended 30 April 2002 and the details of attendance by each of the Directors are noted in the Corporate Governance Statement of this Annual Report.

## 3. The place, date and hour of the general meeting:

The annual general meeting will be held as follows:

Place : Klang Executive Club,  
Persiaran Bukit Raja 2,  
Bandar Baru Klang,  
41150 Klang

Date : 25 October 2002

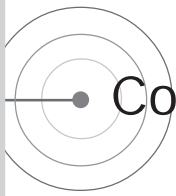
Time : 10.00 am

## 4. Details of Directors standing for re-election:

- Mr See Wee Chern @ See Chan Wee Chern
- Mr Koh Poh Seng
- Mr Lau Fook Meng
- Mr Wong Keet Loy

Details of the abovenamed Directors are set out in the Profile of the Board of Directors of this Annual Report.





# Corporate Information

## BOARD OF DIRECTORS

*Executive Chairman*

Izhar bin Sulaiman

### *Directors*

Koh Poh Seng  
Group Managing Director

Wong Mun Wai  
Executive Director

Lau Boon Seong  
Executive Director

Lau Fook Meng  
Executive Director

Wong Keet Loy  
Finance Director

See Wee Chern @ See Chan Wee Chern  
Senior Independent Non-Executive Director

Goh Jooi Lai  
Independent Non-Executive Director

Chuah Hock Soon  
Independent Non-Executive Director

Kamariah binti Abdul  
Independent Non-Executive Director

## COMPANY SECRETARIES

Lim Seck Wah  
M. Chandrasegaran a/l S.Murugasu

## STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange, Second Board

## AUDIT COMMITTEE

*Chairman*

Chuah Hock Soon

*Members*

Wong Mun Wai  
Lau Fook Meng  
See Wee Chern @ See Chan Wee Chern  
Kamariah binti Abdul

## NOMINATION COMMITTEE

*Chairman*

See Wee Chern @ See Chan Wee Chern

*Members*

Goh Jooi Lai  
Kamariah binti Abdul



# Corporate Information *(Cont'd)*

## REMUNERATION COMMITTEE

### *Chairman*

See Wee Chern @ See Chan Wee Chern

### *Members*

Wong Mun Wai  
Goh Jooi Lai

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Lot 765, Jalan Haji Sirat, Off Jalan Meru, 42100 Klang,  
Selangor  
Tel : (603) 32915566  
Fax: (603) 32914489

## REGISTRAR

Insurban Corporate Services Sdn Bhd  
149B, Jalan Aminuddin Baki  
Taman Tun Dr Ismail  
60000 Kuala Lumpur  
Tel : (603) 77295529  
Fax: (603) 77285948  
E-mail: [leou@pc.jaring.my](mailto:leou@pc.jaring.my)

## AUDITORS

Shamsir Jasani Grant Thornton  
(Member of Grant Thornton International)  
Chartered Accountants  
Level 11-1, Faber Imperial Court  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : (603) 26924022  
Fax: (603) 26915229  
E-mail: [sjgt@gt.com.my](mailto:sjgt@gt.com.my)

## PRINCIPAL BANKERS

AmBank Berhad (formerly known as Arab-Malaysian  
Bank Berhad)  
Malayan Banking Berhad

## SOLICITORS

Cheang & Ariff  
39 Court  
39 Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Tel: (603) 21610803  
Fax: (603) 21614475/21621533/21630622  
E-mail: [ca@cheangariff.com](mailto:ca@cheangariff.com)

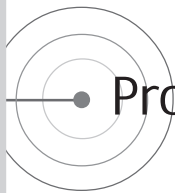
## WEBSITE

<http://www.haiming.com>

## E-MAIL ADDRESS

[enquiry@haiming.com](mailto:enquiry@haiming.com)





## Profile of the Board of Directors

The Board of Directors of Hai Ming Holdings Berhad ("Hai Ming " or "HMHB") comprises of an Executive Chairman, a Group Managing Director, four (4) Executive Directors and four (4) Independent Non-Executive Directors.

The Board meets quarterly and additional Board Meetings are held as and when required. The Board met four (4) times during the financial year ended 30 April 2002.

Particulars of the Directors are as follows:

### IZHAR BIN SULAIMAN

**Izhar bin Sulaiman**, aged 51, was appointed a Director of HMHB in 1999 and became the Executive Chairman on 4 March 1999. His qualification includes an advance diploma in marketing from Japan. He is a prominent entrepreneur with interests in various companies involved in investment holding, property development, food industry, tools & dies and metal stamping, hotel related industry, timber logging and money lending. He is currently a director of KFC Holdings (M) Bhd (Year of appointment: 1999) and Ayamas Food Corporation Bhd (Year of appointment: 1999), both of which are listed on the Main Board of the KLSE.

### KOH POH SENG

**Koh Poh Seng**, aged 46, is the founder and Managing Director of KPS Plywood Sdn Bhd ("KSB") (formerly known as Koh Poh Seng Plywood Co (M) Sdn Bhd). Mr Koh was appointed Group Managing Director of Hai Ming on 18 September 2002 upon the successful reverse takeover of Hai Ming by KSB. He had completed his Form 1 Secondary Education. He has more than twenty years of experience in trading of plywood and wood related products. Between 1971 to 1975, Mr Koh worked in a furniture factory as an apprentice for carpentry works. Between 1975 to 1980, he set up Lian Yap Furniture, a sole proprietorship business involved in the production of furniture. From 1981 to 1983, he set up another sole proprietorship business under the name Ban Chuan hardware Supply Co. which is mainly involved in the trading of hardware products and supplies. Between 1981 to 1983, he was the sole proprietor of Syarikat Hiap Bee, a business involved in the production of furniture. During 1983 to 1989, Mr Koh formed a partnership under the name of Syarikat Perniagaan Hiap Huat which is principally involved in the trading of hardware products and supplies. Towards 1989, Syarikat Perniagaan Hiap Huat was also involved in the trading of plywood. Subsequently in 1990, KSB was set up by Mr Koh to undertake the business of trading in plywood. The trading of cement and steel bars were undertaken by KSB commencing from 1998 to 1999 respectively.

Presently, Mr Koh is also a director of various other private companies, whereby their principal activities are that of construction and timber.

### WONG MUN WAI

**Wong Mun Wai**, aged 45, joined HMHB in 1997 as the Chief Operating Officer. He was appointed Executive Director of HMHB in September 2000. Mr Wong is a fellow member of the Chartered Association of Certified Accountants (UK) and has over twenty years of experience both in the accounting profession and in commerce. After twelve years in the public accounting profession, Mr Wong joined a company listed on the Main Board of KLSE in 1993 as the finance manager looking into matters concerning corporate finance, accounts, legal matters, secretarial and operational functions. He was subsequently appointed the Senior Finance Manager cum Company Secretary before he left in 1997 to join HMHB.

### LAU BOON SEONG

**Lau Boon Seong**, aged 34, was appointed an Independent Non-Executive Director of HMHB on 1 October 2001. After completing his Sijil Pelajaran Malaysia in 1987, he joined as a partner in a family owned business dealing in consumable foodstuff and resigned in 1990. He was appointed a director in Megaply Industries (M) Sdn Bhd, a manufacturing company dealing in secondary processing of plywood, medium density fibreboard, particle board and furniture parts from 1991 to 1997. In 1998, Mr Lau was appointed a director in Asiaprima Resources Sdn Bhd, a trading company dealing in building materials and has been a director since then. Mr Lau has been re-designated as an Executive Director of HMHB on 18 September 2002.





## Profile of the Board of Directors (Contd)

### LAU FOOK MENG

**Lau Fook Meng**, aged 50, was appointed Executive Director of Hai Ming on 19 September 2002. He is a chartered accountant who has obtained his Fellowship from the Institute of Chartered Accountant of England & Wales. Upon graduation, he joined Asiatic Development Bhd in 1981 as an Accountant until 1983. In 1984, he joined Unico Holdings Bhd as the Group Accountant and left in 1992. Since 1993 till 2002, he was the General Manager of Nichmurni Sdn Bhd.

### WONG KEET LOY

**Wong Keet Loy**, aged 38, was appointed Finance Director of Hai Ming on 18 September 2002. He is a Fellow Member of the Chartered Association of Certified Accountants and a Chartered Accountant of the Malaysian Institute of Accountants. He has experience in accounting and banking after having worked in an international firm of accountants and the Malaysian central office of a foreign bank. Prior to joining Hai Ming, he was a finance manager of a listed property developer and plantation company. Mr Wong joined Hai Ming in October 1997 as the Group Financial Controller. He also sits on the Board of the Malaysian subsidiary companies of Hai Ming.

### CHUAH HOCK SOON

**Chuah Hock Soon**, aged 37, was appointed an Independent Non-Executive Director of HMHB on 11 February 1999. He graduated with a Bachelor of Arts (majoring in Business & Economics) from Ohio, USA. After graduation, he worked as a financial consultant and was a registered representative for NASDAQ and NYSE. Upon his return to Malaysia in 1991, he worked as a senior research manager and financial analyst for Swiss Bank Corp. In 1995, he joined MBF Northern Securities Sdn Bhd as the General Manager cum Head of Research before joining HMHB in February 1999.

### KAMARIAH BINTI ABDUL

**Kamariah binti Abdul**, aged 53, was appointed an Independent Non-Executive Director of HMHB on 20 September 2000. She was formerly with the Royal Malaysian Police before joining HMHB.

### GOH JOOI LAI

**Goh Jooi Lai**, aged 34, was appointed an Independent Non-Executive Director of HMHB on 28 September 2001. He graduated with a Bachelor of Business and Administration (Finance & Accounting) from University of Toledo, Ohio, USA in 1992. He joined Yamaichi Advisory Services (M) Sdn Bhd in 1993 as a senior equity analyst before he resigned in 1995. He subsequently joined HSBC James Capel as a senior equity analyst until mid 1997. He was the head of research in UT Securities Sdn Bhd from mid 1997 to 1999. Later in 2000, he joined Aseambankers Malaysia Berhad as a merchant banker before leaving in 2001 to join HMHB.

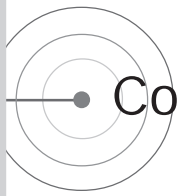
### SEE WEE CHERN @ SEE CHAN WEE CHERN

**See Wee Chern @ See Chan Wee Chern**, aged 48, was appointed an Independent Non-Executive Director of HMHB on 18 February 2002. He graduated with a Bachelor of Science from University of Manitoba, Canada in 1975 and obtained his Master of Business Administration from University of McGill, Montreal, Canada in 1979. Mr See worked as an assistant to the Managing Director in UMW Berhad from 1985 to 1989. From 1989 to 1994, he joined the Man Shoon Group, a group of Companies involved in construction and trading as the Managing Director. Presently, Mr See is a Director of two private companies involved in trading of construction materials.

All the above directors are Malaysian, have not been convicted of any criminal offence (other than ordinary traffic offence) and are not related to each other.







# Corporate Governance Statement

The Board of Directors fully acknowledges the importance of good corporate governance and is taking steps to evaluate the status of the corporate governance practices adopted by the Group as tabulated below and its compliance with the code of best practices as set out in Part 1 and Part 2 of the Malaysian Code on Corporate Governance pursuant to Paragraph 15.26 of the Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE"). Any areas where the Company and Group have not complied with the Code are explained in this Annual Report.

## 1.0 Directors

### 1.1 Composition of the Board of Directors

The Board presently has ten (10) members and is headed by the Executive Chairman, Encik Izhar bin Sulaiman. The profile of each Director is presented separately in the Annual Report.

### 1.2 Board Balance

The Board has ten (10) members comprising one (1) Executive Chairman, one (1) Group Managing Director, four (4) Executive Directors and four (4) Independent Non-Executive Directors. The Company is in compliance with Paragraph 15.02 of the KLSE Listing Requirements whereby one-third of its Board members are independent directors.

All Board members participate fully in decisions on the key issues involving the Group. The Executive Chairman and Group Managing Director have primary responsibilities for managing the Group's day-to-day operations and together with the Non-Executive Directors ensure that the strategies proposed by the management are fully discussed and examined, and take into account the long term interests of the various stakeholders including shareholders, employees, clients, suppliers and the various communities in which the Group conducts its business.

The Board is assured of a balanced and independent view at all Board deliberations largely due to the presence of its Non-Executive Directors who are independent from Management and major shareholders of the Company. The Independent Directors are also free from any business or other relationships that could materially interfere with the exercise of their independent judgement. Together with the Group Managing Director and Executive Directors who have intimate knowledge of the Company's and Group's business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

As part of its commitment, the Board supports the highest standards of corporate governance and the development of the best practices for the Group.

In addition to the role of guidance by the Independent Non-Executive Directors, each Director brings independent judgement to bear on issues of strategy, performance, resources and standard of conduct.

### 1.3 Responsibilities of the Board of Directors

The Board retains full and effective control of the Company and the Group. This includes responsibility for determining the Group's overall strategic direction as well as development and control of the Group.

### 1.4 Executive Chairman and Group Managing Director

There is a division of responsibilities between the Executive Chairman and the Group Managing Director to ensure that there is a balance of power and authority.



# Corporate Governance Statement *(Contd)*

## 1.5 Board Structures and Procedures

Four (4) Board of Directors' Meetings were held during the financial year ended 30 April 2002 and the details of attendance by each of the Directors are as follows:-

Name of Directors	No. of meetings attended / No. of meetings held during directors' tenure in office	% of Attendance
Encik Izhar bin Sulaiman	4/4	100
Mr Wong Mun Wai	4/4	100
Mr Chuah Hock Soon	4/4	100
Puan Kamariah binti Abdul	4/4	100
Mr Goh Jooi Lai (Appointed on 28.09.2001)	2/2	100
Mr Lau Boon Seong (Appointed on 01.10.2001)	2/2	100
Mr See Wee Chern @ See Chan Wee Chern (Appointed on 18.02.2002)	1/1	100
Mr Koh Poh Seng (Appointed on 18.09.2002)	0/0	N/A
Mr Lau Fook Meng (Appointed on 19.09.2002)	0/0	N/A
Mr Wong Keet Loy (Appointed on 18.09.2002)	0/0	N/A

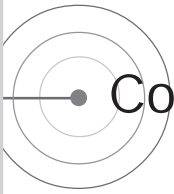
*N/A – Recent appointments made after FYE 2002*

All Board of Directors' Meetings were held at Conference Room, Lot 765 Jalan Haji Sirat, Off Jalan Meru, 42100 Klang and the date and time of the meetings held were as follows:

Date	Time
29 June 2001	10.30 am
17 September 2001	9.30 am
14 December 2001	9.30 am
25 March 2002	10.00 am

All Directors have complied with the minimum attendance at Board meetings as stipulated in the Listing Requirements of the KLSE during the financial year.





## Corporate Governance Statement (Contd)

### 1.6 *Directors' Training*

The Board as a whole ensures that it recruits to the Board only individuals of sufficient caliber, knowledge and experience to fulfill the duties of a Director appropriately. There is no formal training programme for Directors. However, at the date of this Statement, five (5) Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") organized by the Research Institute of Investment Analysis ("RIIAM") in accordance with the Listing Requirements of the Kuala Lumpur Stock Exchange. The other 5 Directors are awaiting the call by RIIAM to attend the MAP.

The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge.

### 1.7 *Appointments to the Board*

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board with due consideration given to the mix of expertise and experience required for an effective Board.

In compliance with the Listing Requirements of the KLSE, the Board has established a Nomination Committee comprising three (3) Independent Non-Executive Directors on 25 March 2002.

The Nomination Committee is empowered by the Board and its terms of reference to consider and evaluate the appointment of new Directors and Directors to Board Committees of the Company. The Nomination Committee will then recommend the candidates to the Board for the appointment. The Nomination Committee also keeps under review the Board structure, size and composition and the mix of skills and core competencies required for the Board to discharge its duties effectively. In addition, the Nomination Committee will deliberate on Board succession plan as and when appropriate.

The Nomination Committee will also assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director on at least an annual basis.

The members of the Nomination Committee are as follows:

- a. Mr See Wee Chern @ Mr See Chan Wee Chern (Chairman)
- b. Mr Goh Jooi Lai
- c. Puan Kamariah binti Abdul

### 1.8 *Retirement and Re-election*

In accordance with the Articles of Association of the Company, at least one-third of the Directors shall retire by rotation at each Annual General Meeting and can offer themselves for re-election at the Annual General Meeting ("AGM"). Directors who are appointed by the Board to fill a casual vacancy or as additional directors during the financial year are subject to re-election by shareholders at the next AGM following their appointment. All Directors shall retire from office at least once in three years, but shall be eligible for re-election.

### 1.9 *Supply of Information*

The agenda and Board papers for each item as well as minutes of previous meetings are circulated prior to the Board meetings to give Directors time to deliberate on the issues to be raised at the Board meetings.



# Corporate Governance Statement *(Contd)*

## 1.9 *Supply of Information (Cont'd)*

In arriving at any decision on recommendations by the Management, thorough deliberation and discussion by the Board is a pre-requisite. All proceedings of the Board Meetings are minuted and signed by the Chairman of the meeting in accordance with the provision of Section 156 of the Companies Act, 1965.

The Board is kept updated on the Company's and Group's activities and its operations on a regular basis. The directors also have access to reports on the Group's activities, both financial and operational.

All directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed and the Board may also take independence advice, at the Company's expense, in the furtherance of their duties if so required. The Board also has unlimited access to all information with regard to the activities of the Company.

## 1.10 Relationship of the Board to Management

- **Quality of Information**

Information plays a key role in the Board's decision-making and in setting up the policies and strategies of the Company. The Board has unrestricted access to timely and accurate information, which is not only confined to qualitative and quantitative information, but also to other information deemed suitable such as customer satisfaction, products and services quality, market share and market reaction and macro economic performance.

- **Access to information**

Prior to the board meetings, all Directors receive an agenda and Board papers containing information relevant to the business of the meeting including information on major financial, operational and corporate matters relating to the activities and performance of the Group. This is issued in sufficient time to enable Directors to obtain further explanation, where necessary, in order to be properly informed before the meeting.

- **Use of Board Committees**

As appropriate, the Board has delegated certain responsibilities to Board Committees which operate within clearly defined terms of reference. The Committees are as follows:

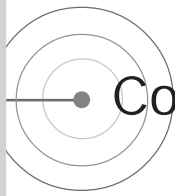
- a. Audit Committee
- b. Remuneration Committee
- c. Nomination Committee

Prior to the establishment of the Nomination and Remuneration Committees on 25 March 2002, their functions were assumed by the Board as a whole. All the above Committees have written terms of reference and operating procedures.

## 1.11 The relationship between the Board and the shareholders

The principal forum for dialogue with shareholders is the AGM, during which shareholders are encouraged to participate and pose questions to the Board regarding operational and financial information. The AGM also allows shareholders an opportunity to interact directly with the Board and seek first-hand information on the above matters. Extraordinary General Meetings are held as and when shareholders' approvals are required on specific matters and shareholders are notified of such meetings requirements.





# Corporate Governance Statement (Contd)

## 2.0 Directors' Remuneration

### 2.1 The level and make-up of remuneration

The remuneration of the Directors of the Company for the financial year ended 30 April 2002 is set out below:

- (i) Aggregate remuneration of Directors with categorization into appropriate components:

	Executive Directors (RM) *a	Non-Executive Directors (RM)	Total (RM)
Fees	-	-	-
Salary & other emoluments	144,400	-	144,400
<b>Total</b>	<b>144,400</b>	<b>-</b>	<b>144,400</b>

\*a The remuneration of the Executive Director was paid by a subsidiary company, Paragon Marketing Sdn Bhd

- (ii) Number of Directors whose remuneration falls into the following bands:

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
Below RM50,000	-	-	-
RM50,001 to RM100,000	-	-	-
RM100,001 to RM150,000	1	-	1

There are no contract of service between any Directors and the Company or its subsidiary companies.

### 2.2 Procedure

In compliance with the Listing Requirements of the KLSE, the Board has established a Remuneration Committee comprising two (2) Independent Non-Executive Directors and one (1) Executive Director. The Committee's primary responsibility is to recommend to the Board, the remuneration of Directors. However, the final decision on remuneration for Directors is a matter for the Board as a whole and individual directors are required to abstain from discussion of their own remuneration. The members of the Remuneration Committee are as follows:

- a. Mr See Wee Chern @ See Chan Wee Chern (Chairman)
- b. Mr Wong Mun Wai
- c. Mr Goh Jooi Lai



# Corporate Governance Statement *(Contd)*

## 3.0 Shareholders

### 3.1 *Dialogue between the Company and Investors*

The Group values dialogue with investors as a mean of effective communication that enables the Board to convey information about the Group's performance, corporate strategy and other matters affecting shareholders' interests.

The AGM is the principal forum for dialogue with individual shareholders. It is a crucial mechanism in shareholder communication for the Company. At the Company's AGM, shareholders have direct access to the Board and are given the opportunity to ask questions during the open questions and answers session prior to moving for approval of the Company's Audited Financial Statements and Directors' Report for the financial year and other businesses (if applicable). The shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general.

The Chairman of the Board also addresses the shareholders on the review of the Group's operations for the financial year and outlines the prospects of the Group for the new financial year.

The Board is also committed to ensure that shareholders are well informed of major developments of the Company and the Group and the information is also communicated to them through the following channels:-

- a. the Annual Report;
- b. various disclosures and announcements made to the KLSE including the quarterly results and annual results; and
- c. the Company's website [www.haiming.com](http://www.haiming.com) through which shareholders and the public in general can gain access to the latest corporate and product information of the Group.

Shareholders and prospective investors who wish to contact the Company on any matters relating to the Group can channel their queries via the Group's website or contact the following personnel:

<b>Name</b>	<b>Contact No.</b>	<b>E-mail Address</b>
Mr Wong Mun Wai (Executive Director)	03-32915566	<a href="mailto:mwwong@haiming.com">mwwong@haiming.com</a>
Mr See Wee Chern @ See Chan Wee Chern (Senior Independent Non-Executive Director)	03-32915566	

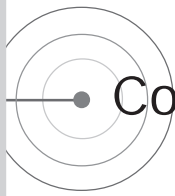
### 3.2 *Annual General Meeting ("AGM")*

Notice of AGM and annual reports are sent out to shareholders at least 21 days before the date of the meeting.

At the AGM, the Board also provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. Directors and senior management staff are available to provide responses to shareholders' questions during these meetings.







## Corporate Governance Statement (Contd)

### 3.2 Annual General Meeting ("AGM") (Cont'd)

For the re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

Each item of special business included in the notice of meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

## 4.0 Accountability And Audit

### 4.1 Financial Reporting

The Board is aware of its responsibilities to shareholders and the requirement to present a balanced and comprehensive assessment of the Group's financial position by means of the annual and quarterly reports and other published information. In this regard, the Board is primarily responsible for the preparation of a financial statement to present a fair and balanced report of the financial state of affairs of the Group.

Before releasing to the Kuala Lumpur Stock Exchange, the quarterly financial results are reviewed by the Audit Committee and approved by the Board of Directors. The details of the Company's and the Group's financial positions are included in the Financial Statements section of the Annual Report.

### 4.2 Internal Control

The Directors acknowledge their responsibilities for the internal control system in the Company and the Group, covering not only financial controls but also controls relating to operational, compliance and risk management. The system of internal controls involves each key business unit and its management, including the Board, and is designed to meet the business units' particular needs, and to manage the risks to which they are exposed. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognizes the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board recognizes that risks cannot be fully eliminated. As such, the systems, processes and procedures being put in place are aimed at minimizing and managing them. Ongoing reviews are continuously being carried out to ensure that the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Company's assets.

### 4.3 Audit Committee

The Audit Committee meets quarterly with senior financial management staff and the external auditors to review the Company's and the Group's financial reporting, the nature and scope of audit reviews, and the effectiveness of the systems of internal control and compliance.

The terms of reference of the Audit Committee have recently been revised to conform with the Listing Requirements of the KLSE. The terms of reference and activities of the Audit Committee during the financial year ended 30 April 2002 are provided separately in this Annual Report.

### 4.4 Relationship with Auditors

The Company's external auditors, Shamsir Jasani Grant Thornton report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements. From time to time, the auditors highlight to the Audit Committee and Board of Directors on matters that require the Board's attention.





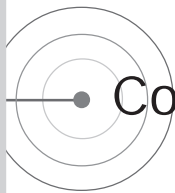
## Corporate Governance Statement *(Contd)*

### 5.0 *Statement On The Extent Of Compliance With The Best Practices In Corporate Governance Set Out In Part 2 Of Malaysian Code On Corporate Governance*

Save as disclosed below, the Group has substantially complied with the Best Practices of the Code throughout the financial year:

- a) Appointment of a Senior Independent Non-Executive Director to whom concerns may be conveyed was made after the financial year ended on 30 April 2002. Mr Lau Boon Seong was appointed on 14 June 2002 as the Senior Independent Non-Executive Director to whom all concerns may be conveyed. However, since the re-designation of Mr Lau as an Executive Director, Mr See Wee Chern @ See Chan Wee Chern was appointed on 18 September 2002 as the Senior Independent Non-executive Director to whom all concerns may be conveyed.
- b) The Board does not have a formal schedule of matters specifically reserved to it for decision. However, it has been the practice for the Board to deliberate on matters that involve overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure, consideration of significant financial matters and the review of the financial and operating performance of the Group.
- c) The Board has not developed position descriptions for the Board and the Group Chief Executive Officer. This is mainly due to the current set-up of the Board and the various Board Committees that are in place to facilitate the smooth functioning of the Group. Nevertheless, in order to enhance the existing corporate governance practice of the Company, the Board will consider adopting a Board Charter which delineates the role and function of the Board as well as the differing roles of Executive Directors and Non-Executive Directors.
- d) The Board, through various management committees, has been able to identify business risks and ensure the implementation of appropriate measures to manage these risks. Nevertheless, the Board is of the view that a more structured risk management process would need to be established to better identify, monitor and manage the business risks affecting the Group. In view of this, the Board will consider appointing an external consultant after the Group's proposed debt restructuring exercise to carry out an Enterprise Risk Management assignment on the Group. This assignment will enable the Board to identify the principal business risks of the Group on a more objective and structured manner so that relevant and appropriate measures can be implemented to manage these risks.
- e) The Group does not have an Internal Audit Division at the current moment. Senior management staff are currently appointed to assist the Audit Committee in the discharge of its duties and responsibilities. The Board and the Audit Committee feel that although the current arrangement is not the best practice advocated, it provides sufficient assurance in obtaining regular review and / or appraisal of the effectiveness of the system of internal controls within the Group. However, the Board has definite plans to set up an Internal Audit Division that is independent and adequately equipped to assist the Audit Committee in obtaining the assurance it requires regarding the effectiveness of the Group's system of internal controls once the Group's debt restructuring exercise has been successfully completed.





## Corporate Governance Statement *(Contd)*

### 6.0 Directors' Responsibility Statement On Annual Audited Accounts

The Board of Directors are required under Paragraph 15.27(a) of the Listing Requirements of the KLSE to issue a statement explaining their responsibility in the preparation of the annual financial statements.

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit and loss of the Company and of the Group for the financial year.

In preparing those financial statements, the Directors are required to:-

- a) use appropriate accounting policies and consistently apply them;
- b) make judgements and estimates that are reasonable and prudent; and
- c) state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and of the Group and to enable them to ensure that the accounts comply with the Companies Act, 1965. The Directors had also ensured that proper internal controls had been implemented.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 30 April 2002, the Group has used the appropriate accounting policies and applied them consistently and prudently. The Directors are of the opinion that all relevant approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The above Statement has been signed in accordance with a resolution of the Directors.



# Other Information Required Pursuant to Part A, Appendix 9C of the KLSE Listing Requirements

In compliance with the Kuala Lumpur Stock Exchange Listing Requirements, the following information is provided:

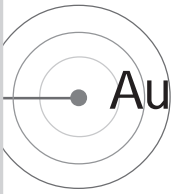
- Utilisation of Proceeds**  
 No proceeds were raised by the Company from any corporate proposal during the financial year.
- Share buybacks**  
 During the financial year, there were no share buybacks by the Company.
- Option, Warrants and Convertible Securities**  
 The Company has not issued any options, warrants or convertible securities during the financial year.
- American Depository Receipt ("ADR") / Global Depository Receipt ("GDR")**  
 During the financial year, the Company did not sponsor any ADR or GDR programme.
- Sanctions and / or Penalties**  
 There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management staff by the relevant regulatory bodies during the financial year.
- Non-Audit Fee**  
 The total amount of non-audit fee payable to the external auditors by the Company and its subsidiaries for the financial year ended 30 April 2002 amounted to RM170,100. These fees were incurred in respect of the Proposed Restructuring Exercise undertaken by the Group.
- Variance from Profit Forecast or Unaudited Results Previously Made**  
 The Group had submitted a profit/(loss) projection to the Authorities pursuant to the Proposed Restructuring Exercise ("PRE") as mentioned in Note 27 to the Financial Statements. The variances are as follows:

	Audited	Projection	Variances	Variances
	RM'000	(before PRE) RM'000	+ / (-) RM'000	%
Turnover	26,834	27,079	(245)	(0.9)
Loss before taxation	(5,300)	(6,018)	718	11.9
Loss after taxation	(5,518)	(6,083)	565	9.3

The Group's results varied from the projection mainly due to better margins earned.

- Profit Guarantee**  
 During the financial year, there were no profit guarantees given by the Company. The relevant regulatory bodies did not impose any profit guarantee on the major shareholders for the current financial year.
- Material Contracts**  
 There were no material contracts (not being contracts entered into in the ordinary course of business) subsisting as at or entered into since the end of the previous financial year, by the Company or its subsidiaries, which involved the interests of the Directors and major shareholders.
- Revaluation of landed properties**  
 The Group does not have a revaluation policy for its landed properties.





# Audit Committee

## Members

The current members of the Committee and their respective designations are as follows:

- **Mr Chuah Hock Soon**  
*Chairman / Independent Non-Executive Director*
- **Puan Kamariah binti Abdul**  
*Member / Independent Non-Executive Director*
- **Mr See Wee Chern @ See Chan Wee Chern**  
*Member / Independent Non-Executive Director*
- **Mr Wong Mun Wai**  
*Member / Non-Independent Executive Director*
- **Mr Lau Fook Meng**  
*Member / Non-Independent Executive Director*

## Terms of Reference

The terms of reference of the Audit Committee have recently been revised to conform with the Listing Requirements of the KLSE.

## Composition

The Audit Committee shall be appointed from among the Board's members and should consist of no fewer than three (3) members, a majority of whom shall be independent directors.

At least one (1) member of the Committee:-

- must be a member of the Malaysian Institute of Accountants ("MIA"); or
- if he is not a member of the MIA, he must have at least 3 years' working experience and:-
  - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1968; or
  - he must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967

The Chairman of the Committee shall be an independent non-executive Director appointed by the Board.

In the event of any vacancy in the Audit Committee resulting in the number of members being reduced to below three, the Company must fill the vacancy within three (3) months.



# Audit Committee *(Cont'd)*

## Authority

The Audit Committee shall be granted the authority to investigate any activity of the Company and its subsidiaries within its terms of reference and all employees shall be directed to cooperate as and when required by the Audit Committee. The Committee shall also be empowered to consult independent experts, where necessary, to assist in executing its duties and shall have direct communication channels with the external and internal auditors.

## Meetings

The Committee shall meet at least three (3) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, any Executive Director, or the external auditors.

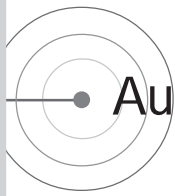
In order to form a quorum, the majority of members present must be independent directors.

## Responsibilities and Duties of the Committee

The duties and responsibilities of the Committee shall include:-

1. To review:-
  - a) With the external auditors, the audit report, the audit plan and their evaluation of the system of internal controls of the Group and audit findings;
  - b) The adequacy of the scope, functions and resources on the internal audit functions and that it has the necessary authority to carry out its work;
  - c) The internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function (when formed);
  - d) The quarterly results and year end financial statements of the Company, prior to approval by the Board of Directors, focusing particularly on:-
    - i) changes in or implementation of major accounting policy changes;
    - ii) significant and unusual events; and
    - iii) compliance with accounting standards and other legal requirements.
  - e) Any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
2. To recommend the appointment of the external auditors and in relation thereto, to discuss their audit fees and any questions of resignation or dismissal.
3. To monitor organizational compliance with statutory and KLSE's requirements.





## Audit Committee (Cont'd)

### Responsibilities and Duties of the Committee (Cont'd)

4. To perform any other functions as may be mutually agreed by the Committee and the Board of Directors.

### Secretary

The Secretary of the Company shall also be the Secretary of the Committee.

### Audit Committee Report

During the financial year ended 30 April 2002, the Audit Committee comprising the following members held a total of four (4) meetings. The details of attendance of the Committee members are as follows:

Name of Committee Member	No. of Meetings attended / held
Mr Chuah Hock Soon	4/4 (100%)
Puan Kamariah binti Abdul	4/4 (100%)
Mr Wong Mun Wai	4/4 (100%)
Mr See Wee Chern @ See Chan Wee Chern	0/0 (Note 1)
Mr Lau Fook Meng	0/0 (Note 1)

*Note 1: Appointments made after the financial year ended 30 April 2002*

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year ended 30 April 2002 in the discharge of its functions and duties:

- a) Reviewed the external auditors' scope of work and audit plans for the year. Prior to the audit, representatives from the external auditors, presented their audit strategy and plan.
- b) Reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response.
- c) Consideration and recommendation to the Board for approval of the audit fees payable to the external auditors.
- d) Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval.
- e) Reviewed the audited Financial Statements of the Group and the Company prior to submission to the Board for their consideration and approval. The review was to ensure that the audited Financial Statements were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable accounting standards approved by the Malaysian Accounting Standard Board ("MASB").
- f) Reviewed the Company's compliance in particular the quarterly and year end financial statements with the listing Requirements of the KLSE, MASB and other legal and regulatory requirements.



## Audit Committee *(Cont'd)*

### Audit Committee Report *(Cont'd)*

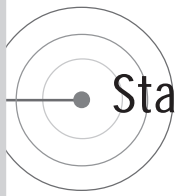
- g) Reviewed any related party transactions entered into by the Group.
- h) Reviewed the extent of the Group's compliance with the provisions set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement pursuant to the KLSE Listing Requirements.

### Internal Audit Functions

The Group does not have an Internal Audit Division at the current moment. Senior management staff are currently appointed to assist the Audit Committee in the discharge of its duties and responsibilities. The Board and the Audit Committee feel that although the current arrangement is not the best practice advocated, it provides sufficient assurance in obtaining regular review and / or appraisal of the effectiveness of the system of internal controls within the Group. However, the Board has definite plans to set up an Internal Audit Division that is independent and adequately equipped to assist the Audit Committee in obtaining the assurance it requires regarding the effectiveness of the Group's system of internal controls once the Group's debt restructuring exercise has been successfully completed.







# Statement Of Internal Control

The Board of Directors is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following Statement of Internal Control which outlines the nature and scope of internal control of the Group during the financial year pursuant to paragraph 15.27(b) of the Kuala Lumpur Stock Exchange Listing Requirements. To this end, the Board of Directors also ensures that the external auditors review the Statement of Internal Control and report the results thereto to the Board of Directors annually.

## 1. Internal Control

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system involves each business and key management from each business, including the Board, and is designed to meet the Group's particular needs and to manage the risks to which it is exposed. This system, by its nature, can only provide reasonable but not absolute assurance against material loss or against the Group failing to achieve its objectives.

The key elements of the Group's internal control system are as described below:

- Clearly defined delegation of responsibilities to committees of the Board and to operating units, including authorization levels for all aspects of the business which are set out in the Limit of Authority matrix.
- Documented internal procedures set out in circulars, and Operating Procedures Manuals. It is the intention of the Company to continuously review and update the Operating Procedures Manuals.
- The Group's management operates a risk management process that identifies the key risks by line of business and key functional activities.
- Regular visits to operating units by members of the Board and senior management whenever appropriate.

## 2. Internal Audit Functions

The Group does not have an Internal Audit Division at the current moment. Senior management staff are currently appointed to assist the Audit Committee in the discharge of its duties and responsibilities. The Board and the Audit Committee feel that although the current arrangement is not the best practice advocated, it provides sufficient assurance in obtaining regular review and / or appraisal of the effectiveness of the system of internal controls within the Group. However, the Board has definite plans to set up an Internal Audit Division that is independent and adequately equipped to assist the Audit Committee in obtaining the assurance it requires regarding the effectiveness of the Group's system of internal controls once the Group's debt restructuring exercise has been successfully completed.

## 3. Other Risks and Control Processes

The Group also has in place an organizational structure with defined line of responsibility, delegation of authority and a process of hierarchical reporting. The existence of Limits of Authority which provides the authority limits of the employees in the approval of various transactions and an Employee Handbook which highlights policies on Group's objectives, terms and conditions of employment, remuneration, training and development, performance review, safety and misconduct which are relevant across Group's operations.

The Executive Directors also report to the Board on significant changes in the business and external environment which affect the Group. The Board is provided with financial information on a quarterly basis which includes key performance and risk indicators and amongst others, the monitoring of results against budget.



# Chairman's Statement

On behalf of the Board of Directors, I present the Annual Report and Audited Accounts of the Group and of the Company for the financial year ended 30 April 2002.

This financial year was again a tough year for the Group.

During the last few years we have laid the foundation for the revival of the Group. Non profitable operations were either hived off or shut down, obsolete machinery were written off, surplus assets including motor vehicles were sold, upgrading and maintenance of operating machinery were carried out to improve efficiency and productivity, reduction in head counts through natural wastage and repositioning of our marketing strategy have made the Group lean and efficient to compete once the proposed financial restructuring is completed.

## Overview of Group Results

### Operating Results

For the financial ended 30 April 2002, Group turnover increased to RM26.8 million (2001 - RM25.5 million) and we recorded a much lower losses of RM5.3 million (2001 – RM7.1 million), a further reduction in losses since 2000. Cash flow remained very tight but it is heartening to note that we have generated a cash surplus from operating activities of RM0.65 million after a deemed payment of overdraft interest of RM2.3 million or a total of RM2.95 million in cash surplus.

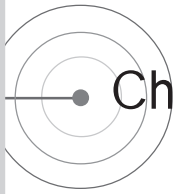
At Company level, no turnover in term of dividend income from subsidiaries was recorded as our subsidiaries were operating under financial constraints.

### Review of Operations

The Group continued to operate under severe cash constraints. The limited resources available were channelled to the tissue manufacturing division to maximise return.

	Turnover			(Loss) / Profit Before Tax		
	2002 RM (m)	2001 RM (m)	(%) Changes	2002 RM (m)	2001 RM (m)	(%) Changes
Tissue Division						
- West Malaysia	10.38	7.48	39	(0.18)	(1.43)	88
- East Malaysia	2.52	2.20	15	(0.24)	(0.47)	48
Woodfree Division	1.49	4.59	(69)	(3.18)	(3.56)	11
Trading	12.41	11.23	10	(0.02)	(0.20)	90





## Chairman's Statement (Contd)

### Tissue Division

#### *West Malaysia*

Paragon Paper Mill Sdn Bhd operations which used to contribute most of the losses of the Group in the past had been successfully turnaround after the initial hiccups. The mill was able to operate at 80% capacity and generate a turnover of RM10.4 million. This has surpass the pre-fire level on the back of selling more than 70% of the production in roll form whereas we used to convert more than 70% of our mill's production in the past.

This division registered a small pre-tax loss as Paragon Paper Mill Sdn Bhd was absorbing the headquarter overheads.

#### *East Malaysia*

Turnover increase by RM0.30 million as a result of higher capacity (70%) achieved through the production of high grammage paper for envelope and commercial use. Also, efforts to market Hai Ming Paper Mills Sdn Bhd's tissue products in West Malaysia have some degree of success.

These efforts have resulted in a lower pre-tax loss of RM0.243 million (2001 – RM0.471 million).

We will continue to produce wider range of products and carry out up grading works to improve the quality and marketability of our products with the view to raise the production to 85% level. Having turnaround Paragon Paper Mill Sdn Bhd, we are set to turnaround Hai Ming Paper Mills Sdn Bhd in the next financial year.

### Woodfree Division

Since the last quarter of the previous financial year, this division has been relatively inactive due to falling paper prices and non-availability of working capital. Paper prices continued to slide during the financial year, falling from USD650 / MT in May 2001 to USD575 / MT in early 2002 before recovering to USD630 / MT in March 2002. Since then paper prices had continued its up trend to USD730 / MT in August 2002.

I am glad to report that during financial year, we were appointed as one of the agent for Double A copier paper in Malaysia. This brand name has been actively promoted in Malaysia by our principal from Thailand. Besides being the only brand actively promoted in media, supply from Thailand offer a much shorter lead-time thereby reducing the holding risk inherent in the paper trade.

We expect the sales of Double A to contribute significantly to the turnover of woodfree division in the next financial year.

Since the end of the financial year we have also re-established our link with Sabah Forest Industries Sdn Bhd. With the cash flow generated from the tissue division and the newly acquired subsidiaries, this division is expected to contribute more significantly to the turnover of the Group in the next financial year.

However it will take us a few years before we can reach the level of pre- crisis years.



# Chairman's Statement *(Contd)*

## Trading Division

The trading division saw a 10% increase in turnover but a 90% reduction in losses magnifying the importance of sufficient turnover to absorb fixed and semi-fixed overheads. With the severe constraint in cash flow, I am happy to note that we were able to increase the turnover and at better margins.

We are confident the trading division will return to profitability in the next financial year.

## Financial Restructuring

During the financial year we continued to work hard on our debt restructuring proposal and I am pleased to say that in October 2001, we were finally able to announce the signing of the comprehensive debt restructuring agreement. With this agreement, we should be able to settle nearly two thirds of the Group's debts via the issuing of new paper at lower interest rate, equity for debt swap and the acquisition of profit generating businesses by the issue of new shares in the Company.

The debt restructuring proposal has since been approved by the various authorities and your approval was received on 17 August 2002. At the time of writing, we are in the process of implementing the proposal.

With the completion of the debt restructuring proposal, the Group's debt burden will be alleviated. This together with the new businesses will return the Group to profitability and the existing business will turnaround.

## Human Resources

During the financial year, we continue to make good progress with relocating our manpower resources to enable us to manage our operations despite several resignations to take up better offers elsewhere. I am pleased to report that we have achieved better efficiency and higher turnover on the back of 30 fewer employees.

We will continue to streamline our functions, processes and systems and to introduce new programmes to boost efficiency and effectiveness to promote a high performance corporate culture.

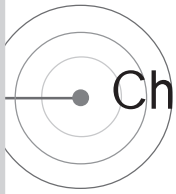
## Going Forward

With the implementation of the proposed restructuring in the final stages, and the existing operations lean and efficient, we are optimistic that the next financial year will be the beginning of better times to come for the Group.

## Dividend

The Board is unable to propose a dividend under these trying circumstances.





## Chairman's Statement *(Cont'd)*

### **Acknowledgement**

The last few years have proven the resilience of the Company and I thank the shareholders for the support and your approval of the proposed restructuring plan.

We owe a similar gratitude to our customers and business associates for their unwavering support throughout the difficult times of the last few years. I would also like to express our appreciation to all Government agencies and regulatory authorities for their assistance and guidance.

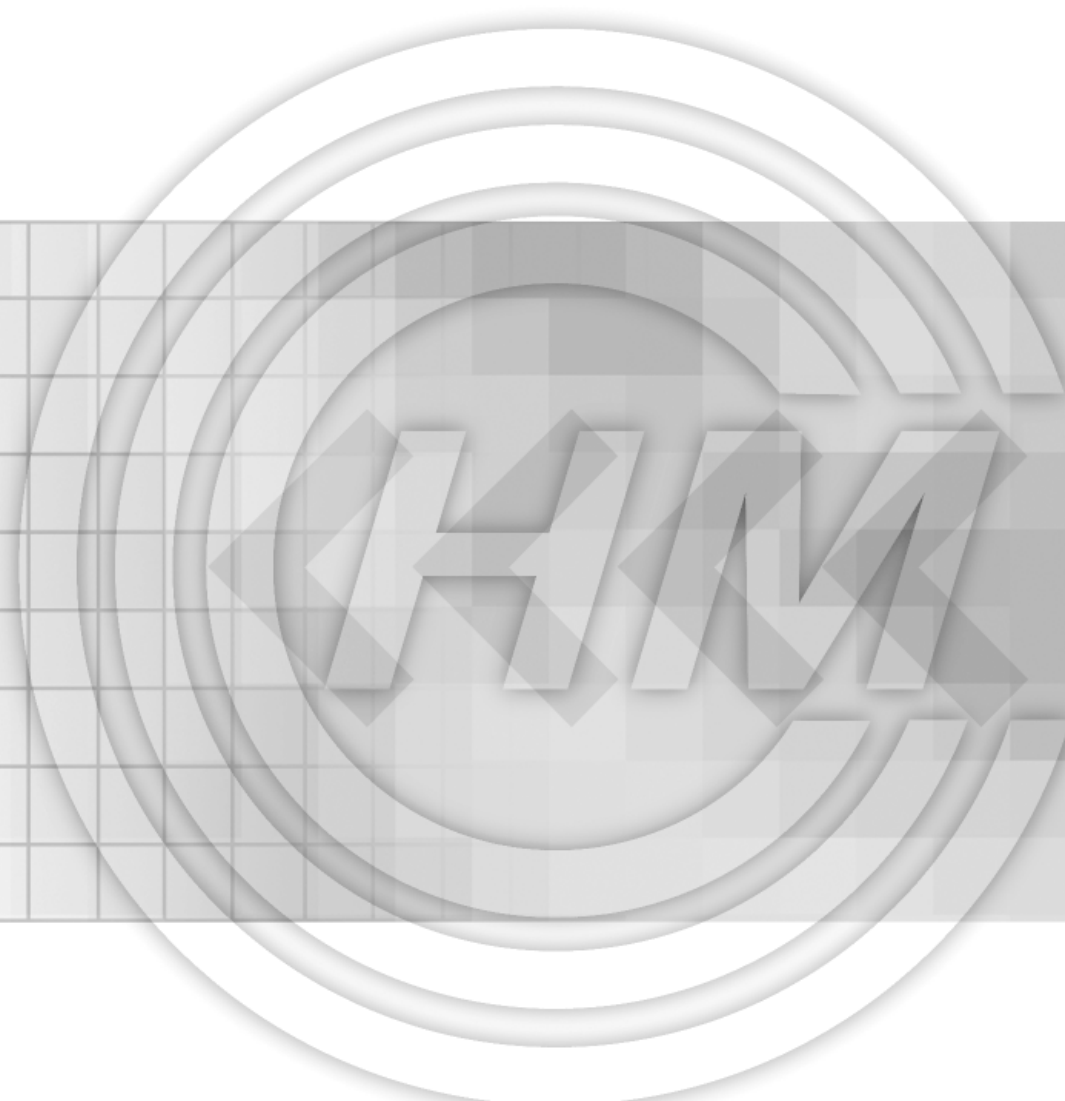
Puan Kamariah binti Abdullah and Mr Chuah Hock Soon will be retiring at this AGM and do not wish to seek re-election. I thank them for their years of contribution and commitment to the Group. I would also like to welcome several new Board Members; Mr Koh Poh Seng, who was appointed Group Managing Director on 18 September 2002, Mr Wong Keet Loy, who was appointed Finance Director on 18 September 2002 and Mr Lau Fook Meng who was appointed Executive Director on 19 September 2002.

Finally and above all, on behalf of the Board, I wish to offer our heartfelt thanks to all our staff for their dedication and loyalty without which the Group's operations may not have survived to complete the restructuring exercise. Your dedication and loyalty have enabled us to look forward with hope.

**Izhar Bin Sulaiman**  
Executive Chairman

1<sup>st</sup> October 2002





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40	Cash Flow Statements
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# Directors' Report

The Directors of Hai Ming Holdings Bhd. hereby submit their report and audited financial statements of the Group and of the Company for the financial year ended 30 April 2002.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are disclosed in Note 10 to the Financial Statements.

There have been no significant changes in the activities of the Company and its subsidiary companies during the financial year.

## FINANCIAL RESULTS

	Group RM	Company RM
Net loss for the year	5,518,191	922,584
Accumulated loss brought forward	30,548,675	21,997,895
Accumulated loss carried forward	<u>36,066,866</u>	<u>22,920,479</u>

## DIVIDENDS

There were no dividends paid or declared since the end of the previous financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

## ISSUE OF SHARES AND DEBENTURES

There were no shares or debentures issued during the financial year.

## INFORMATION ON THE FINANCIAL STATEMENTS

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

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.





# Directors' Report *(Contd)*

## **INFORMATION ON THE FINANCIAL STATEMENTS *(CONT'D)***

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

- (a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) 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.

No contingent or other liability 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 affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

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

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

## **OTHER STATUTORY INFORMATION**

The Directors state that:-

At the date of this report, they are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors :-

- (a) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

## **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

Significant events during the financial year are disclosed in Note 27 to the Financial Statements.





## Directors' Report (Cont'd)

### SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

Significant events subsequent to the financial year are disclosed in Note 28 to the Financial Statements.

### DIRECTORS OF THE COMPANY

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

**Izhar bin Sulaiman** (*Executive Chairman*)

**Wong Mun Wai** (*Executive Director*)

**Chuah Hock Soon** (*Independent Non-Executive Director*)

**Kamariah binti Abdul** (*Independent Non-Executive Director*)

**Goh Jooi Lai** (*Independent Non-Executive Director and appointed on 28.9.2001*)

**Lau Boon Seong** (*Independent Non-Executive Director and appointed on 1.10.2001*)

**See Wee Chern @ See Chan Wee Chern** (*Independent Non-Executive Director and appointed on 18.2.2002*)

**Mr Chuah Hock Soon** and **Puan Kamariah binti Abdul** who will retire by rotation in accordance with Article 80 will not be seeking re-election whereas **Mr See Wee Chern @ See Chan Wee Chern** will retire in accordance with Article 87 of the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

None of the Directors at the end of the financial year held any interest in the shares of the Company during the financial year.

### DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in Note 26 to 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 he is a member, or with a company in which he has a substantial financial interest.

### AUDIT COMMITTEE

The Audit Committee comprises the following members:-

**Chuah Hock Soon** (*Chairman*)

- *Independent Non-Executive Director*

**Kamariah binti Abdul**

- *Independent Non-Executive Director*

**Wong Mun Wai**

- *Executive Director*



# Directors' Report *(Contd)*

## **AUDIT COMMITTEE *(CONT'D)***

The functions of the Audit Committee are to review accounting policies, internal controls, financial results and annual financial statements of the Group and of the Company on behalf of the Board of Directors.

The Committee had reviewed the financial statements of the Group and of the Company as well as the auditors' report thereon and recommended to the Board of Directors, the reappointment of Messrs Shamsir Jasani Grant Thornton as statutory auditors.

## **AUDITORS**

Messrs Shamsir Jasani Grant Thornton have expressed their willingness to continue in office.

On behalf of the Board

**IZHAR BIN SULAIMAN**

**WONG MUN WAI**

)  
)  
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)  
) DIRECTORS  
)  
)  
)  
)

Klang  
26 August 2002





# Statement By Directors

In the opinion of the Directors, the financial statements set out on pages 37 to 64 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 April 2002, results of the operations and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board

**IZHAR BIN SULAIMAN**

**WONG MUN WAI**

Klang  
26 August 2002

## Statutory Declaration

I, **Wong Keet Loy**, being the Officer primarily responsible for the financial management of Hai Ming Holdings Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 37 to 64 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed at Kuala Lumpur in )  
the Federal Territory this day of ) **WONG KEET LOY**  
26 August 2002 )  
)

Before me:

No. W 228

**T Thandonee RajaGopal**  
Commissioner for Oaths



# Report Of The Auditors

## To The Members Of Hai Ming Holdings Bhd.

(Incorporated in Malaysia)

We have audited the financial statements set out on pages 37 to 64. These financial statements are 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 sufficient 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 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 that our audit provides a reasonable basis for our opinion.

In the previous financial years, the financial statements of an overseas subsidiary company, Hubei Huali Paper Mills Co. Ltd. (HHPM), has been deconsolidated due to the lack of effective control of HHPM's operations as the Group does not exercise sufficient control over the management team. Full provision for diminution in value of the investment in HHPM has been made.

On 23 November 2001, a Sale and Purchase Agreement ("SPA") was entered into with Ensonet. Com. (Beijing) Ltd. to dispose this subsidiary. However, the SPA was subsequently terminated on 29 May 2002 as disclosed in note 27(b) and 28(b) to the Financial Statements.

During the previous financial year, a Court Order was issued pursuant to creditors petition for winding up to freeze the assets and operations of HHPM. The Company is unable to exercise management control over the preparation of the financial statements of HHPM due to the Court Order. No audited financial statements of HHPM have been made available and the financial statements are not annexed. This is not in compliance with Para 5(4)(c)(ii) of the Ninth Schedule of the Companies Act, 1965.

Except for the non-compliance with the Companies Act, 1965 as stated above, in our opinion:-

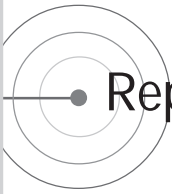
- (a) the financial statements which have been prepared under the historical cost convention, as modified by the revaluation of certain assets, are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :-
  - (i) the 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
  - (ii) the state of affairs of the Group and of the Company as at 30 April 2002, results of the operations and cash flows of the Group and of the Company for the financial year ended on that date;

and

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

We have considered the financial statements and the auditors' reports thereon of the subsidiary companies of which we have not acted as auditors, as indicated in Note 10 to the Financial Statements.





## Report Of The Auditors (Cont'd)

We are satisfied that the financial statements of the subsidiary companies 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 as required by us for those purposes.

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

Without qualifying our opinion, we draw your attention to Notes 2, 27(a) and 28(a) of the Financial Statements, that the Directors are of the opinion that continuing financial support from shareholders, bankers and creditors will be forthcoming as its Proposed Restructuring Exercise has already been approved by the relevant authorities and members. Whilst the strategies are being pursued, the Group and the Company have the ability to maintain its current level of operations and accordingly, it is appropriate for the financial statements to be prepared on the going concern basis.

**SHAMSIR JASANI GRANT THORNTON**

(NO: AF-737)

*CHARTERED ACCOUNTANTS*

**DATO' N.K. JASANI**

*CHARTERED ACCOUNTANT*

(NO: 708/03/04(J/PH))

PARTNER

Kuala Lumpur  
26 August 2002



# Balance Sheets

As At 30 April 2002

	Note	Group		Company	
		2002 RM	2001 RM	2002 RM	2001 RM
SHARE CAPITAL	5	<b>19,800,000</b>	19,800,000	<b>19,800,000</b>	19,800,000
EXCHANGE FLUCTUATION RESERVE	6	<b>(527)</b>	(5,705)	-	-
ACCUMULATED LOSS		<b>(36,066,866)</b>	(30,548,675)	<b>(22,920,479)</b>	(21,997,895)
		<b>(16,267,393)</b>	(10,754,380)	<b>(3,120,479)</b>	(2,197,895)
DEFERRED AND LONG TERM LIABILITIES					
Finance creditors	7	<b>25,692</b>	285,067	-	-
Deferred taxation	8	<b>34,000</b>	369,000	-	-
		<b>(16,207,701)</b>	(10,100,313)	<b>(3,120,479)</b>	(2,197,895)
REPRESENTED BY :					
PROPERTY, PLANT AND EQUIPMENT	9	<b>36,949,430</b>	39,052,272	-	-
INVESTMENT IN SUBSIDIARY COMPANIES	10	<b>1</b>	1	<b>10,813,988</b>	10,813,988
CURRENT ASSETS					
Inventories	11	<b>4,399,799</b>	3,797,179	-	-
Trade receivables	12	<b>3,410,779</b>	3,345,607	-	-
Other receivables	13	<b>2,021,615</b>	3,083,503	<b>1,327,664</b>	179,648
Amount due from subsidiary companies	14	-	-	<b>1,857,827</b>	2,288,924
Tax recoverable		<b>21,085</b>	-	<b>20,701</b>	20,701
Deposits with licensed banks	15	<b>619,573</b>	719,573	-	-
Cash and bank balances		<b>1,152,948</b>	796,794	<b>8,050</b>	5,466
Total current assets		<b>11,625,799</b>	11,742,656	<b>3,214,242</b>	2,494,739
LESS: CURRENT LIABILITIES					
Trade payables		<b>1,402,481</b>	1,392,104	-	-
Other payables	16	<b>10,237,014</b>	7,880,214	<b>1,133,433</b>	180,733
Amount due to subsidiary companies	14	-	-	<b>16,015,276</b>	15,325,889
Term loans	17	<b>16,528,947</b>	14,167,775	-	-
Bank borrowings	18	<b>36,354,514</b>	37,443,149	-	-
Tax payable		<b>259,975</b>	12,000	-	-
Total current liabilities		<b>64,782,931</b>	60,895,242	<b>17,148,709</b>	15,506,622
NET CURRENT LIABILITIES		<b>(53,157,132)</b>	(49,152,586)	<b>(13,934,467)</b>	(13,011,883)
		<b>(16,207,701)</b>	(10,100,313)	<b>(3,120,479)</b>	(2,197,895)

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







# Income Statements

For The Financial Year Ended 30 April 2002

	Note	Group		Company	
		2002 RM	2001 RM	2002 RM	2001 RM
Revenue	19	<b>26,834,317</b>	25,507,120	-	-
Cost of sales		<b>(23,524,561)</b>	(23,177,541)	-	-
Gross profit		<b>3,309,756</b>	2,329,579	-	-
Other operating income		<b>1,473,921</b>	563,300	<b>22,743</b>	86,164
Distribution costs		<b>(1,409,308)</b>	(1,500,129)	-	-
Administration expenses		<b>(2,845,917)</b>	(2,939,031)	<b>(58,352)</b>	(60,294)
Other operating expenses		<b>(764,622)</b>	(405,956)	-	-
Loss from operations		<b>(236,170)</b>	(1,952,237)	<b>(35,609)</b>	25,870
Finance costs		<b>(5,063,952)</b>	(5,107,694)	<b>(886,975)</b>	(817,894)
Exceptional items	20	-	-	-	(3,128,196)
Loss before taxation	21	<b>(5,300,122)</b>	(7,059,931)	<b>(922,584)</b>	(3,920,220)
Taxation	22	<b>(218,069)</b>	352,903	-	-
Net loss for the year		<b>(5,518,191)</b>	(6,707,028)	<b>(922,584)</b>	(3,920,220)
Loss per share (sen)	23	<b>27.87</b>	33.87		

*The accompanying notes form an integral part of the financial statements.*



# Statements Of Changes In Equity

For The Financial Year Ended 30 April 2002

	Share Capital RM	Exchange fluctuation reserve RM	Accumulated loss RM	Total RM
<b>Group</b>				
Balance at 1 May 2000	19,800,000	61,809	(23,841,647)	(3,979,838)
Currency translation differences	-	(67,514)	-	(67,514)
Net loss for the year	-	-	(6,707,028)	(6,707,028)
Balance at 30 April 2001	19,800,000	(5,705)	(30,548,675)	(10,754,380)
Currency translation differences	-	5,178	-	5,178
Net loss for the year	-	-	(5,518,191)	(5,518,191)
<b>Balance at 30 April 2002</b>	<b>19,800,000</b>	<b>(527)</b>	<b>(36,066,866)</b>	<b>(16,267,393)</b>
<b>Company</b>				
Balance at 1 May 2000	19,800,000	-	(18,077,675)	1,722,325
Net loss for the year	-	-	(3,920,220)	(3,920,220)
Balance at 30 April 2001	19,800,000	-	(21,997,895)	(2,197,895)
Net loss for the year	-	-	(922,584)	(922,584)
<b>Balance at 30 April 2002</b>	<b>19,800,000</b>	<b>-</b>	<b>(22,920,479)</b>	<b>(3,120,479)</b>

*The accompanying notes form an integral part of the financial statements.*





# Cash Flow Statements

For The Financial Year Ended 30 April 2002

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before taxation	(5,300,122)	(7,059,931)	(922,584)	(3,920,220)
Adjustments for:				
Bad debts written off	747,955	34,602	-	-
Depreciation	2,385,022	2,514,135	-	-
Expenditure carried forward written off	-	9,301	-	-
Property, plant and equipment written off	2,197	335,784	-	-
(Gain)/Loss on disposal of property, plant and equipment	(39,126)	1,252	-	-
Gain on disposal of scrapped assets	(41,000)	-	-	-
Inventories written off	-	1,607	-	-
Interest expenses	4,956,061	4,995,911	886,522	817,848
Provision for amount due from subsidiary companies				
- current	-	-	82,935	549,830
- no longer required	-	-	(105,402)	-
Provision for doubtful debts				
- current	-	266,622	-	-
- no longer required	(1,099,491)	(535,481)	-	-
Provision for slow moving inventories				
- current	-	24,898	-	-
- no longer required	(95,745)	(5,232)	-	-
Provision for diminution in investments	-	-	-	2,578,366
Interest income	(38,379)	(73,484)	(276)	(86,164)
Operating profit/(loss) before working capital changes	1,477,372	509,984	(58,805)	(60,340)
Changes in working capital:-				
Inventories	(506,875)	933,077	-	-
Receivables	1,353,449	(524,977)	(1,148,016)	(179,648)
Payables	900,265	(568,336)	943,708	38,893
Subsidiary companies	-	-	1,142,951	937,654
Trade finance	-	341,000	-	-
Cash generated from operations	3,224,211	690,748	879,838	736,559

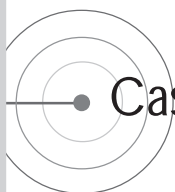


## Cash Flow Statements (Cont'd)

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Interest paid*	(2,308,307)	(2,215,820)	(877,530)	(817,848)
Interest received	38,379	73,484	276	86,164
Tax paid	(308,409)	(10,241)	-	-
Tax refund	3,315	-	-	-
Net cash from/(used in) operating activities	<u>649,189</u>	<u>(1,461,829)</u>	<u>2,584</u>	<u>4,875</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from disposal of property, plant and equipment	102,000	7,793	-	-
Purchase of property, plant and equipment	A (242,251)	(135,064)	-	-
Net cash used in investing activities	<u>(140,251)</u>	<u>(127,271)</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of revolving credits	(500,000)	-	-	-
Repayment of finance creditors	(234,952)	(497,554)	-	-
Net cash used in financing activities	<u>(734,952)</u>	<u>(497,554)</u>	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS</b>				
Net (decrease)/increase	(226,014)	(2,086,654)	2,584	4,875
Brought forward	(22,139,353)	(20,052,699)	5,466	591
Carried forward	B <u>(22,365,367)</u>	<u>(22,139,353)</u>	<u>8,050</u>	<u>5,466</u>

\*Accrued interest on bank overdraft was included as it forms part of the cash and cash equivalents.





## Cash Flow Statements (Cont'd)

### NOTES TO THE CASH FLOW STATEMENTS

#### A. PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM306,251 (2001:RM135,064) of which RM64,000 (2001: Nil) was acquired by means of hire purchase. Cash payments of RM242,251 (2001:RM135,064) were made by the Group to purchase the property, plant and equipment.

#### B. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Cash and bank balances	1,152,948	796,794	8,050	5,466
Deposits with licensed banks	619,573	719,573	-	-
Bank overdrafts	(24,137,888)	(23,655,720)	-	-
Cash and cash equivalents	<u>(22,365,367)</u>	<u>(22,139,353)</u>	<u>8,050</u>	<u>5,466</u>

*The accompanying notes form an integral part of the financial statements.*



# Notes To The Financial Statements

30 April 2002

## 1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

## 2. FUNDAMENTAL ACCOUNTING CONCEPT

As at 30 April 2002, the Group and the Company have capital deficiencies of RM16,267,393 and RM3,120,479 respectively and its total current liabilities exceeded its total current assets by RM53,157,132 and RM13,934,467 respectively.

The financial statements of the Group and of the Company have been prepared on the going concern basis. The validity of this assumption depends on the successful implementation of the Company's strategies to remain a going concern. The financial statements do not include any adjustments that would result if such strategies to remain a going concern are not implemented successfully within the relevant time frame.

The Directors are of the opinion that continuing financial support of shareholders, bankers and creditors will be forthcoming as its Debts Restructuring Proposal have been approved by the relevant authorities.

Whilst the strategies are being pursued, the Directors are of the opinion that the Group and the Company have the ability to maintain its current level of operations and accordingly, it is appropriate for the financial statements to be prepared on the going concern basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Accounting convention

The financial statements of the Group and of the Company are prepared under the historical cost convention unless, otherwise indicated in other significant accounting policies.

### (b) Basis of consolidation

The consolidated financial statements incorporated the audited financial statements of the Company and its subsidiary companies made up to 30 April 2002. Inter-company transactions are eliminated on consolidation and consolidated financial statements reflect external transactions only.

The results of the subsidiary companies acquired are included in the consolidated income statement from the date of acquisition.

The difference between the cost of investment and the net worth of the subsidiary companies at the date of acquisition is included in the consolidated balance sheet as goodwill or capital reserve arising on consolidation. It is retained in the consolidated balance sheet and will be written off only when the Directors are of the opinion that there is a permanent diminution in value.





# Notes To The Financial Statements (Cont'd)

30 April 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Subsidiary companies

A subsidiary company is a company in which the Group or the Company has a long term equity interest of more than 50 percent where it exercises control by management participant through Board of Directors representation.

Investment in subsidiary companies, which are eliminated on consolidation, are stated at cost or valuation in the financial statements of the Company. The investments are revalued at regular interval. Where the carrying values of the revalued investments differ materially from the underlying net tangible asset values of the subsidiary companies, the investments will be carried at subsequent revaluation. Surplus on revaluation are taken to reserves and shortfalls are debited to reserves to the extent of any previous surplus. All other shortfalls are charged to the income statement.

### (d) Foreign currency translation

Foreign currency transactions have been translated into Ringgit Malaysia at the exchange rates prevailing at the transaction dates. All foreign currency assets and liabilities outstanding at the balance sheet date are translated at the approximate exchange rate ruling at that date. Unrealised gains and losses arising from the translation of current assets and liabilities are dealt with in the income statement.

For the purposes of consolidation, net assets of the foreign subsidiary companies are translated into Ringgit Malaysia at the exchange rates ruling at the balance sheet date while the income statement is translated into Ringgit Malaysia at the average exchange rates for the financial year. Exchange differences arising from such translations are transferred to exchange fluctuation reserve.

The closing rates used in translation were as follows :-

	2002	2001
Singapore Dollar	2.10	2.09
US Dollar	3.83	3.83

### (e) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Freehold land is not depreciated. Depreciation on property, plant and equipment is calculated to write off the cost or valuation of the property, plant and equipment on a straight line basis over the estimated useful lives of the property, plant and equipment concerned.

The principal annual depreciation rates used are as follows:-

Buildings	2% - 4%
Furniture, fittings and equipments	10% - 33.3%
Leasehold land	Amortised over the lease terms of 30-60 years
Plant and machineries	6% - 10%
Motor vehicles	12.5% - 20%
Office renovation (categorised under furniture, fittings and others)	10% - 20%





# Notes To The Financial Statements *(Cont'd)*

30 April 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES *(CONT'D)*

### (e) **Property, plant and equipment and depreciation *(Cont'd)***

Restoration cost relating to an item of property, plant and equipment is capitalised only if such expenditure is expected to increase the future benefits from the existing assets beyond its previously assessed standard of performance.

### (f) **Inventories**

Inventories are stated at the lower of cost and net realisable value after adequate specific provision has been made for deteriorated, obsolete and slow moving inventories.

Cost of raw materials is determined using weighted average method. Cost of work-in-progress and finished goods includes direct materials, labour and an appropriate proportion of manufacturing overheads.

Cost of finished goods is determined using standard costing which approximates the actual cost.

### (g) **Deferred taxation**

Deferred taxation is provided on the liability method for taxation which is deferred due to differences between the net book value of assets eligible for capital allowances and the tax written down value of these assets and on any other timing differences existing at year end except to the extent that it can be demonstrated with reasonable probability that the timing differences will continue in the foreseeable future.

Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

### (h) **Finance lease/Hire purchase**

The cost of assets acquired under finance lease or hire purchase arrangements is capitalised. The depreciation policy on these assets is similar to that of the Group's property, plant and equipment depreciation policy. Outstanding obligations under finance lease or hire purchase after deducting finance expenses are included as liabilities in the financial statements. Finance charges on finance lease or hire purchase agreements are allocated to income statement over the period of the respective agreements.

### (i) **Receivables**

Known bad debts are written off and provision is made for debts which are considered to be doubtful of collection.

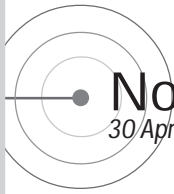
### (j) **Revenue recognition**

Revenue from sale of goods is recognised when the goods are delivered.

Income from investments is included in the income statement when the right to receive has been established.

Sales between Group companies are excluded from revenue of the Group.





# Notes To The Financial Statements (Cont'd)

30 April 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, demand deposits and highly liquid investments which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

## 4. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are mentioned in Note 10 to the Financial Statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of Kuala Lumpur Stock Exchange. The registered office and the principal place of business of the Company is located at Lot 765, Jalan Haji Sirat, Off Jalan Meru, 42100 Klang, Selangor Darul Ehsan.

## 5. SHARE CAPITAL

	Group and Company	
	2002	2001
	RM	RM
Authorised :		
Ordinary shares of RM1 each	<u>25,000,000</u>	<u>25,000,000</u>
Issued and fully paid :		
Ordinary shares of RM1 each	<u>19,800,000</u>	<u>19,800,000</u>

## 6. EXCHANGE FLUCTUATION RESERVE

This reserve is not available for distribution as dividends.



# Notes To The Financial Statements (Cont'd)

30 April 2002

## 7. FINANCE CREDITORS

	Group	
	2002 RM	2001 RM
Finance creditors	1,122,859	1,401,812
Interest-in-suspense	<u>(85,795)</u>	<u>(193,796)</u>
	<b>1,037,064</b>	<b>1,208,016</b>
Total principal sum payable		
- within 1 year	1,011,372	922,949
- after 1 year but not later than 5 years	<u>25,692</u>	<u>285,067</u>
	<b>1,037,064</b>	<b>1,208,016</b>

The amount payable within 12 months has been included in other payables.

## 8. DEFERRED TAXATION

	Group	
	2002 RM	2001 RM
At beginning of year	369,000	541,000
Transfer to income statement	<u>(335,000)</u>	<u>(172,000)</u>
At end of year	<b>34,000</b>	<b>369,000</b>
The deferred taxation arose principally due to the following :-		
Tax effects of timing differences in respect of the excess of book depreciation over tax capital allowances	102,000	2,806,700
Tax effects of unabsorbed capital allowances and unutilised reinvestment allowances	(25,000)	(1,959,600)
Tax effects of unutilised business losses	(60,000)	(495,100)
Tax effects on timing differences arose on revaluation of properties	<u>17,000</u>	<u>17,000</u>
Deferred tax liabilities	<b>34,000</b>	<b>369,000</b>



# Notes To The Financial Statements (Cont'd)

30 April 2002

## 8. DEFERRED TAXATION (CONT'D)

The tax effects of timing differences which would give rise to net future tax benefit are generally recognised only where there is a reasonable expectation of realisation. As at 30 April 2002, the estimated deferred taxation benefits calculated at current tax rate, which have not been recognised in the financial statements, are as follows :-

	2002 RM	2001 RM
Tax effects of timing differences in respect of the excess of book depreciation over tax capital allowances	3,415,000	1,391,000
Tax effects of unabsorbed capital allowances	(6,901,640)	(4,635,640)
Tax effects of unutilised business losses	(5,975,500)	(5,387,600)
Tax effects of timing differences arose on revaluation of properties	<u>72,000</u>	<u>72,000</u>
Deferred tax assets	<u>(9,390,140)</u>	<u>(8,560,240)</u>

The potential deferred tax assets are not provided in the financial statements as it is anticipated that the tax effects of such deferrals will not reverse in the foreseeable future.

## 9. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings	Plant and machineries	Motor vehicles	Furniture, fittings and others	Total 2002	Total 2001
Cost or valuation	RM	RM	RM	RM	RM	RM
At beginning of year						
- cost	13,157,883	23,307,701	1,231,924	1,684,670	39,382,178	40,393,475
- valuation	13,767,235	-	-	-	13,767,235	13,767,235
	<u>26,925,118</u>	<u>23,307,701</u>	<u>1,231,924</u>	<u>1,684,670</u>	<u>53,149,413</u>	<u>54,160,710</u>
Additions	11,000	291,025	-	4,226	306,251	135,064
Disposals	-	(155,870)	(61,925)	-	(217,795)	(55,090)
Written off	-	-	-	(6,876)	(6,876)	(1,091,271)
At end of year	<u>26,936,118</u>	<u>23,442,856</u>	<u>1,169,999</u>	<u>1,682,020</u>	<u>53,230,993</u>	<u>53,149,413</u>
<b>Accumulated depreciation</b>						
At beginning of year	3,429,813	8,417,818	1,183,376	1,066,134	14,097,141	12,384,538
Charge for the year	579,857	1,649,489	47,496	108,180	2,385,022	2,514,135
Disposals	-	(135,028)	(60,893)	-	(195,921)	(46,045)
Written off	-	-	-	(4,679)	(4,679)	(755,487)
At end of year	<u>4,009,670</u>	<u>9,932,279</u>	<u>1,169,979</u>	<u>1,169,635</u>	<u>16,281,563</u>	<u>14,097,141</u>



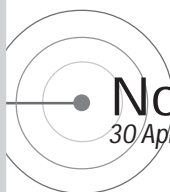
# Notes To The Financial Statements (Cont'd)

30 April 2002

## 9 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Land and buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings and others RM	Total 2002 RM	Total 2001 RM
<b>Cost or valuation</b>						
<b>Net book value</b>						
30 April 2002	22,926,448	13,510,577	20	512,385	<b>36,949,430</b>	-
30 April 2001	23,495,305	14,889,883	48,548	618,536	-	39,052,272
Depreciation charge for the year ended						
30 April 2001	580,195	1,675,534	128,084	130,322	-	2,514,135
Cost or valuation at 30 April 2002						
- cost	13,168,883	23,442,856	1,169,999	1,682,020	<b>39,463,758</b>	39,382,178
- valuation:1993	13,767,235	-	-	-	<b>13,767,235</b>	13,767,235
	26,936,118	23,442,856	1,169,999	1,682,020	<b>53,230,993</b>	53,149,413
Analysis of land:-						
<b>Group</b>	<b>Freehold land RM</b>	<b>Long leasehold land RM</b>	<b>Short leasehold land RM</b>	<b>Total 2002 RM</b>	<b>Total 2001 RM</b>	
<b>Cost or valuation</b>						
At beginning of year						
- cost	-	1,556,876	450,000	<b>2,006,876</b>	2,006,876	
- valuation	2,328,709	-	1,549,000	<b>3,877,709</b>	3,877,709	
At end of year	2,328,709	1,556,876	1,999,000	<b>5,884,585</b>	5,884,585	
<b>Accumulated depreciation</b>						
At beginning of year	-	190,333	346,007	<b>536,340</b>	452,944	
Charge for the year	-	25,948	57,448	<b>83,396</b>	83,396	
At end of year	-	216,281	403,455	<b>619,736</b>	536,340	
<b>Net book value</b>						
30 April 2002	2,328,709	1,340,595	1,595,545	<b>5,264,849</b>	-	
30 April 2001	2,328,709	1,366,543	1,652,993	-	5,348,245	
Depreciation charge for the year ended						
30 April 2001	-	25,948	57,448	-	83,396	
Cost or valuation at 30 April 2002						
- cost	-	1,556,876	450,000	<b>2,006,876</b>	2,006,876	
- valuation: 1993	2,328,709	-	1,549,000	<b>3,877,709</b>	3,877,709	
	2,328,709	1,556,876	1,999,000	<b>5,884,585</b>	5,884,585	





# Notes To The Financial Statements (Cont'd)

30 April 2002

## 9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Analysis of buildings:-

Group	Freehold buildings RM	Long leasehold buildings RM	Short leasehold buildings RM	Total 2002 RM	Total 2001 RM
<b>Cost or valuation</b>					
At beginning of year					
- cost	100,622	5,630,320	5,420,065	<b>11,151,007</b>	11,151,007
- valuation	7,437,328	-	2,452,198	<b>9,889,526</b>	9,889,526
	7,537,950	5,630,320	7,872,263	<b>21,040,533</b>	21,040,533
Additions	11,000	-	-	<b>11,000</b>	-
At end of year	7,548,950	5,630,320	7,872,263	<b>21,051,533</b>	21,040,533
<b>Accumulated depreciation</b>					
At beginning of year	1,189,680	390,902	1,312,891	<b>2,893,473</b>	2,396,674
Charge for the year	150,887	112,606	232,968	<b>496,461</b>	496,799
At end of year	1,340,567	503,508	1,545,859	<b>3,389,934</b>	2,893,473
<b>Net book value</b>					
30 April 2002	6,208,383	5,126,812	6,326,404	<b>17,661,599</b>	-
30 April 2001	6,348,270	5,239,418	6,559,372	-	18,147,060
Depreciation charge for the year ended 30 April 2001	150,759	112,606	233,434	-	496,799
Cost or valuation at 30 April 2002					
- cost	111,622	5,630,320	5,420,065	<b>11,162,007</b>	11,151,007
- valuation: 1993	7,437,328	-	2,452,198	<b>9,889,526</b>	9,889,526
	7,548,950	5,630,320	7,872,263	<b>21,051,533</b>	21,040,533



# Notes To The Financial Statements *(Contd)*

30 April 2002

## 9. PROPERTY, PLANT AND EQUIPMENT *(CONT'D)*

- (a) Certain land and buildings of the Group were revalued in year 1992 and year 1993 by the Directors based on the valuation done by independent professional valuers on an open market value basis and have not been revalued ever since. The Company does not adopt a policy of regular revaluation as required by MASB 15, property, plant and equipment and is applying the transitional provision for assets revalued before the coming into force of the accounting standard.

Had the land and buildings of the Group not been revalued in year 1992 and 1993, the net book value would be as follows:-

	Group	
	2002 RM	2001 RM
At cost	17,768,336	17,768,336
Less: Accumulated depreciation	<u>(2,796,574)</u>	<u>(2,409,926)</u>
Net book value	<u>14,971,762</u>	<u>15,358,410</u>

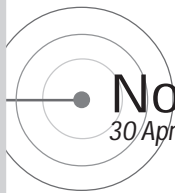
- (b) Land and buildings of the Group with net book value of RM7,921,949 (2001:RM8,212,365) are charged to licensed banks for banking facilities and term loans granted to certain subsidiary companies.

- (c) The net book value of property, plant and equipment which are under hire purchase is as follows:-

	Group	
	2002 RM	2001 RM
Plant and machineries	646,134	828,388
Motor vehicles	<u>-</u>	<u>35,164</u>
	<u>646,134</u>	<u>863,552</u>







# Notes To The Financial Statements (Cont'd)

30 April 2002

## 10. INVESTMENT IN SUBSIDIARY COMPANIES

(a) The particulars of the subsidiary companies are as follows:-

Name of company	Place of incorporation	Group effective interest		Principal activities
		2002 %	2001 %	
Hai Ming Capital Sdn. Bhd.	Malaysia	100	100	Investment holding
Hai Ming Development Sdn. Bhd.	Malaysia	100	100	Dormant
Hai Ming Enterprise Sdn. Bhd.	Malaysia	100	100	Trading in paper products
Hai Ming Industries Sdn. Bhd.	Malaysia	100	100	Converting of paper into paper related products
Hai Ming Management Sdn. Bhd.	Malaysia	100	100	Providing management services
Hai Ming Marketing Sdn. Bhd.	Malaysia	100	100	Trading in paper products
Hai Ming Paper Products Sdn. Bhd.	Malaysia	100	100	Dormant
Hai Ming Paper Mills Sdn. Bhd.	Malaysia	100	100	Manufacturing of tissue paper and tissue related products
Hai Ming Trading Co. Sdn. Bhd.	Malaysia	100	100	Trading in paper, paper products, stationery and general household products
Hai Ming Ventures Sdn. Bhd.	Malaysia	100	100	Dormant
Paragon Paper Mill Sdn. Bhd.	Malaysia	51	51	Manufacturing of tissue paper and tissue related products
Hai Ming Impex (S) Pte. Ltd. *	Singapore	100	100	Dormant



# Notes To The Financial Statements (Cont'd)

30 April 2002

## 10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(a) The particulars of the subsidiary companies are as follows:- (cont'd)

Name of company	Place of incorporation	Group effective interest		Principal activities
		2002 %	2001 %	
<b>Subsidiary company of Hai Ming Capital Sdn. Bhd. :-</b>				
Hubei Huali Paper Mills Co. Ltd. #*	People's Republic of China	60	60	Manufacture and sale of paper
<b>Subsidiary company of Paragon Paper Mill Sdn. Bhd. :-</b>				
Paragon Marketing Sdn. Bhd.	Malaysia	51	51	Trading in tissue related products

\* *Subsidiary company not audited by Shamsir Jasani Grant Thornton.*

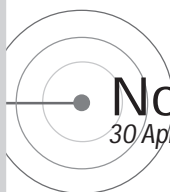
# *Since the previous financial years, the Group is deemed to have no effective control of the Hubei Huali Paper Mills Co. Ltd's operations as the Group does not exercise sufficient control over the management team. The Group is also reluctant to commit further funds of Rmb 40 million (approximately RM18 million) which is required for the construction of a water treatment and filtration plant in view of the imposition of environmental controls by the Chinese Authorities.*

*During the last financial year, a Court Order was issued pursuant to creditors petition for winding up to freeze the assets and operations of Hubei Huali Paper Mills Co. Ltd.. The Company is unable to exercise management control over the preparation of the financial statements of this subsidiary company due to the Court Order. No audited financial statements of Hubei Huali Paper Mills Co. Ltd. have been made available and the financial statements are not annexed.*

*Therefore, this is not in compliance with Para 5(4)(c)(ii) of the Ninth Schedule of the Companies Act, 1965.*

*On 23 November 2001, a Sale and Purchase Agreement ("SPA") was entered into with Ensonet. Com (Beijing) Ltd to dispose of this subsidiary company. However, the SPA was subsequently terminated on 29 May 2002 as disclosed in Note 27(b) and 28(b) to the Financial Statements.*





# Notes To The Financial Statements (Cont'd)

30 April 2002

## 10. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

(b) Investment in subsidiary company not consolidated:-

	Group	
	2002 RM	2001 RM
Unquoted shares, at cost	9,759,432	9,759,432
Less: Goodwill written off in previous year	(3,030,828)	(3,030,828)
Post acquisition loss	<u>(1,649,969)</u>	<u>(1,649,969)</u>
	5,078,635	5,078,635
Less: Provision for diminution in value	<u>(5,078,634)</u>	<u>(5,078,634)</u>
	<u>1</u>	<u>1</u>

(c) Investment in subsidiary companies:-

	Company	
	2002 RM	2001 RM
Unquoted shares :-		
At Directors' valuation	20,714,562	20,714,562
Less : Provision for diminution in value	<u>(10,965,579)</u>	<u>(10,965,579)</u>
	9,748,983	9,748,983
At cost	7,828,115	7,828,115
Less : Provision for diminution in value	<u>(6,763,110)</u>	<u>(6,763,110)</u>
	1,065,005	1,065,005
Total	<u>10,813,988</u>	<u>10,813,988</u>

## 11. INVENTORIES

	Group	
	2002 RM	2001 RM
At cost:-		
Raw materials	955,039	1,193,586
Consumables	93,282	21,832
Work-in-progress	137,254	122,348
Finished goods	<u>3,788,145</u>	<u>3,129,079</u>
	4,973,720	4,466,845
Less : Provision for slow moving inventories	<u>(573,921)</u>	<u>(669,666)</u>
	<u>4,399,799</u>	<u>3,797,179</u>



# Notes To The Financial Statements (Contd)

30 April 2002

## 12. TRADE RECEIVABLES

	Group	
	2002 RM	2001 RM
Trade receivables	4,497,272	5,657,918
Less: Provision for doubtful debts		
- specific	(1,086,493)	(2,162,274)
- general	-	(150,037)
	<u>3,410,779</u>	<u>3,345,607</u>

## 13. OTHER RECEIVABLES

The other receivables comprise the following items:-

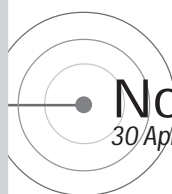
	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Balance on purchase consideration receivable on disposal of land	-	2,025,000	-	-
Deposits	300,665	256,600	-	-
Prepayments	165,162	584,853	-	-
Restructuring expenses	1,327,664	179,648	1,327,664	179,648
Others	381,090	64,041	-	-
	<u>2,174,581</u>	<u>3,110,142</u>	<u>1,327,664</u>	<u>179,648</u>
Less: Provision for doubtful debts	(152,966)	(26,639)	-	-
	<u>2,021,615</u>	<u>3,083,503</u>	<u>1,327,664</u>	<u>179,648</u>

Restructuring expenses will be set off against interest rebate receivable from bank lenders upon the completion of the proposed restructuring exercise.

## 14. AMOUNT DUE FROM/TO SUBSIDIARY COMPANIES

	Company	
	2002 RM	2001 RM
Amount due from subsidiary companies	20,399,122	20,852,686
Less: Provision for doubtful debts	(18,541,295)	(18,563,762)
	<u>1,857,827</u>	<u>2,288,924</u>





# Notes To The Financial Statements (Cont'd)

30 April 2002

## 14. AMOUNT DUE FROM/TO SUBSIDIARY COMPANIES (CONT'D)

The amount due from/to subsidiary companies bears interest at the rate of 6% (2001: 6%) per annum on balances exceeding RM50,000 which are not considered to be doubtful of collection. The amount is unsecured and has no scheme of repayment.

## 15. DEPOSITS WITH LICENSED BANKS

Included in the above is an amount of RM619,573 (2001: RM619,573) pledged to licensed banks for banking facilities of certain subsidiary companies.

## 16. OTHER PAYABLES

The other payables comprise the following items:-

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Accruals for restructuring expenses	295,000	-	295,000	-
Advances from third parties (note)	637,992	-	637,992	-
Interest on bank borrowings and term loan	6,639,572	5,103,876	-	-
Finance creditors-due within 1 year	1,011,372	922,949	-	-
Land premium, quit rent and assessment	315,620	452,701	-	-
Others	1,337,458	1,400,688	200,441	180,733
	<u>10,237,014</u>	<u>7,880,214</u>	<u>1,133,433</u>	<u>180,733</u>

The advances bear interest at rate of 4.5% per annum, unsecured and have no scheme of repayment. These advances form part of the terms of the Proposed Restructuring Exercise as disclosed in Note 27 (a)(v) to the Financial Statements.

## 17. TERM LOANS

	Group	
	2002 RM	2001 RM
Secured	6,633,544	5,417,467
Unsecured	9,895,403	8,750,308
	<u>16,528,947</u>	<u>14,167,775</u>



# Notes To The Financial Statements (Cont'd)

30 April 2002

## 17. TERM LOANS (CONT'D)

Term loans of certain subsidiary companies are secured by a fixed charge over their landed properties or landed properties of fellow subsidiary companies.

Certain term loans of subsidiary companies are obtained by way of negative pledge on their respective assets.

As the subsidiary companies have defaulted in the repayment of these term loans, the subsidiary companies have entered into a Debt Restructuring Agreement with financial institutions on 30 October 2001 to restructure the credit facilities as disclosed in Note 27(a) and 28(a) to the Financial Statements.

All term loans of subsidiary companies are guaranteed by the Company.

Interest is charged at rates ranging from 7.40% to 9.55% (2001: 8.11% to 8.97%) per annum.

## 18. BANK BORROWINGS

	2002 RM	Group 2001 RM
Secured:		
Bank overdrafts	13,254,021	13,691,372
Bills payable/Banker's acceptances	5,925,398	3,177,000
Revolving credit	1,183,908	1,650,000
Trust receipts	-	4,165,371
	<u>20,363,327</u>	<u>22,683,743</u>
Unsecured :-		
Bank overdrafts	10,883,867	9,964,348
Bills payable/Banker's acceptances	1,617,877	1,000,000
Revolving credit	3,489,443	3,200,000
Trust receipts	-	595,058
	<u>15,991,187</u>	<u>14,759,406</u>
Total	<u>36,354,514</u>	<u>37,443,149</u>

Some of the borrowings are secured by fixed and floating charges on the assets of certain subsidiary companies.

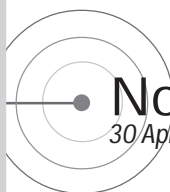
Certain unsecured borrowings of the subsidiary companies are obtained by way of a negative pledge on the respective subsidiary companies' assets.

As the subsidiary companies have defaulted in the repayment of its bank borrowings, these subsidiary companies have entered into a Debt Restructuring Agreement with the financial institutions on 30 October 2001 to restructure the credit facilities granted as disclosed in Note 27(a) and 28(a) to the Financial Statements.

All borrowings of subsidiary companies are guaranteed by the Company.

Interest is charged at rates ranging from 6.80% to 10.33% (2001: 3.55% to 10.50%) per annum.





# Notes To The Financial Statements (Cont'd)

30 April 2002

## 19. REVENUE

Revenue for the Group represents sales of goods outside the Group net of discounts, returns and sales tax.

## 20. EXCEPTIONAL ITEMS

Exceptional items comprise the following:-

	Company	
	2002 RM	2001 RM
Provision for diminution in value of investment in subsidiary companies	-	(2,578,366)
Provision for amount due from subsidiary companies	-	(549,830)
- current	-	-
- no longer required	-	-
	<u>-</u>	<u>(3,128,196)</u>

## 21. LOSS BEFORE TAXATION

Loss before taxation is determined:-

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
After charging :-				
Auditors' remuneration				
- statutory	49,700	51,900	10,000	10,000
- (over)/under provision in previous year	(12,000)	2,500	-	-
- other auditors	1,737	1,672	-	-
- others	170,100	68,140	-	51,500
Bad debts written off	747,955	34,602	-	-
Depreciation	2,385,022	2,514,135	-	-
Property, plant and equipment written off	2,197	335,784	-	-
Expenditure carried forward written off	-	9,301	-	-
Interest expenses				
- bank overdrafts	2,240,737	2,213,311	-	-
- bankers' acceptances/ trust receipts	758,887	665,692	-	-
- hire purchase	67,570	311,724	-	-
Provision for amount due from subsidiary companies	-	-	82,935	-





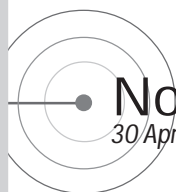
# Notes To The Financial Statements (Cont'd)

30 April 2002

## 21. LOSS BEFORE TAXATION (CONT'D)

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Interest expenses (cont'd)				
- revolving credits	389,558	378,571	-	-
- term loans	1,488,469	1,425,463	-	-
- others	10,840	1,150	8,992	-
- subsidiary companies	-	-	877,530	817,848
Inventories written off	-	1,607	-	-
Loss on disposal of property, plant and equipment	-	1,252	-	-
Provision for doubtful debts				
- specific	-	266,622	-	-
Provision for slow moving inventories	-	24,898	-	-
Rental expenses				
- equipment	2,565	2,408	-	-
- warehouse	6,600	7,000	-	-
Realised loss on foreign exchange	-	641	-	-
And crediting:-				
Bad debts recovered	-	4,180	-	-
Gain on disposal of property, plant and equipment	39,126	-	-	-
Gain on disposal of scrapped assets	41,000	-	-	-
Interest income				
- fixed deposits	26,974	63,509	-	-
- repo	3,280	-	276	-
- others	8,125	9,975	-	-
- subsidiary companies	-	-	-	86,164
Provision for amount due from subsidiary companies				
- no longer required	-	-	105,402	-
Provision for doubtful debts no longer required				
- specific	1,099,491	403,958	-	-
- general	-	131,523	-	-
Provision for slow moving inventories no longer required	95,745	5,232	-	-
Rental income	226,360	174,420	-	-





# Notes To The Financial Statements (Cont'd)

30 April 2002

## 22. TAXATION

	Group	
	2002 RM	2001 RM
In Malaysia :		
(Over)/Under provision in prior years	553,069	(166,620)
Deferred taxation	<u>(335,000)</u>	<u>(172,000)</u>
	218,069	(338,620)
Outside Malaysia :		
Overprovision in prior years	-	(14,283)
Total	<u>218,069</u>	<u>(352,903)</u>

There is no provision for taxation for the current financial year as the Group and the Company have no chargeable income.

The Group's unabsorbed business losses, unutilised capital allowances and reinvestment allowances which can be carried forward to offset against future taxable profit amount to approximately RM21.6 million (2001: RM21.2 million), RM23.3 million (2001: RM22.3 million) and RM1.6 million (2001: RM1.6 million) respectively.

However, the above amounts are subject to the agreement of Inland Revenue Board.

## 23. LOSS PER SHARE

Loss per share is calculated based on loss after taxation and minority interest of RM5,518,191 (2001: RM6,707,028) and the number of shares in issue during the financial year of 19,800,000 (2001: 19,800,000).

## 24. EMPLOYEES INFORMATION

	Group	
	2002 RM	2001 RM
Staff costs	<u>3,781,440</u>	<u>3,491,543</u>

The number of employees of the Group and of the Company at the end of the financial year was 188 and 2 (2001: 217 and 2) persons respectively.



# Notes To The Financial Statements (Cont'd)

30 April 2002

## 25. CONTINGENT LIABILITIES

UNSECURED:-

These represent guarantees provided by the Company for banking and other credit facilities extended to subsidiary companies amounting to RM54,195,000 (2001: RM57,798,000).

## 26. SIGNIFICANT RELATED PARTY TRANSACTIONS

Significant related party transactions during the financial year were as follows:-

	Company	
	2002 RM	2001 RM
Interest income from subsidiary companies	-	86,164
Interest expenses payable to subsidiary companies	<u>877,530</u>	<u>817,848</u>
	Group	
	2002 RM	2001 RM
Directors' emoluments - Executive Director	<u>144,400</u>	<u>134,400</u>

The Directors of the Company are of the opinion that the terms of these transactions were entered into on a negotiated basis.

## 27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

### (a) Proposed Restructuring Exercise

On 30 October 2001, the Company and seven of its subsidiary companies, namely Hai Ming Trading Co. Sdn Bhd, Hai Ming Marketing Sdn Bhd, Paragon Paper Mill Sdn Bhd, Hai Ming Capital Sdn Bhd, Hai Ming Paper Products Sdn Bhd, Hai Ming Paper Mills Sdn Bhd and Hai Ming Industries Sdn Bhd, ("The Group") and the secured and unsecured bank lenders of the Group entered into a Debt Restructuring Agreement ("Proposed Debt Settlement") for the proposed settlement of debts amounting to RM53,588,638;

Among the salient terms of the agreement were:-

- (i) Secured debts of RM30,698,956 will be satisfied by the issuance of the new ordinary shares of RM1.00 each in the Company, 4.5% 5-year redeemable convertible secured loan stocks ("RCSLS") and the balance in cash payment;
- (ii) Unsecured debts of RM22,889,682 will be satisfied by the issuance of the Company's new ordinary shares of RM1.00 each in the Company, 4.5% 5-year irredeemable convertible unsecured loan stocks ("ICULS") and the balance in cash payment;





# Notes To The Financial Statements (Cont'd)

30 April 2002

## 27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONT'D)

### (a) Proposed Restructuring Exercise (Cont'd)

(iii) The Company to undertake the following proposed acquisitions:-

- (a) Proposed acquisition of the entire equity interest in KPS Plywood Sdn Bhd (formerly known as Koh Poh Seng Plywood Co. (M) Sdn Bhd) ("KPSSB") for a purchase consideration of RM90,017,604 to be satisfied by the issuance of 90,017,604 new ordinary shares of RM1.00 each in the Company;
  - (b) Proposed acquisition of 600,000 ordinary shares of RM1.00 each representing 30% equity interest in Yap Swee Thiam & Sons Industries Sdn Bhd ("YSTSB") for a purchase consideration of RM7,574,820 to be satisfied by the issuance of 7,574,820 new ordinary shares of RM1.00 each in the Company; and
  - (c) Proposed acquisition of 499,999 ordinary shares of RM1.00 each representing approximately 50% equity interest in Akateak Sdn Bhd ("ASB") for a purchase consideration of RM2,207,576 to be satisfied by the issuance of 2,207,576 new ordinary shares of RM1.00 each in the Company;
- (iv) The Proposed Debt Settlement has to be completed by 31 March 2002, failing which, the Group shall pay to the bank lenders interest on the outstanding debts at the rate of 1.0% per annum above the prevailing base lending rate of Malayan Banking Berhad, calculated from 1 April 2002 up to the completion date. Such interest shall accrue on a daily basis and paid to the bank lenders on the completion date;
- (v) The Vendors of KPSSB have agreed to advance up to RM2,500,000 to the Company at an interest rate of 4.5% per annum to be used as working capital for the Group (other than the following subsidiaries of the Company namely, Hai Ming Trading Co. Sdn Bhd, Hai Ming Capital Sdn Bhd and Hai Ming Paper Mills Sdn Bhd). Should the Debt Restructuring Agreement be terminated, the repayment of the advance to the Vendors shall be made out of the available funds of the companies within the Group which had utilised the advance; and
- (vi) The Proposed Debt Settlement is subject to the execution of a put and call option agreement to be entered into between the Vendors and the bank lenders.

The above proposals are set out in the Public Announcement dated 31 October 2001 and have been approved by the relevant authorities.

On 3 April 2002, the Securities Commission approved the Proposed Restructuring Exercise subject to certain conditions as set out in the Public Announcement dated 8 April 2002. The Company has accepted these conditions and is making arrangement with the White Knight (KPS Plywood Sdn Bhd, formerly known as Koh Poh Seng Plywood Co. (M) Sdn Bhd) to comply with these conditions.



# Notes To The Financial Statements *(Cont'd)*

30 April 2002

## 27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *(CONT'D)*

### *(b) Proposed disposal of investment in subsidiary company*

On 23 November 2001, Hai Ming Capital Sdn Bhd signed a Sale and Purchase Agreement ("SPA") to dispose its investment held in Hubei Huali Paper Mills Co. Ltd., a subsidiary company incorporated in People's Republic of China in which the Company has 60% equity interest to Ensonet. Com (Beijing) Ltd. ("Ensonet") for a cash consideration of Chinese Renminbi ("Rmb") 2.0 million (equivalent to RM890,000).

## 28. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

### *(a) Proposed Restructuring Exercise ("Proposed Exercise")*

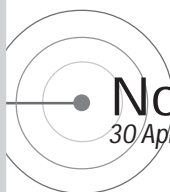
On 6 June 2002, the Securities Commission approved the implementation of the proposed acquisition of 30% interest in Yap Swee Thiam & Sons Industries Sdn Bhd ("YSTSB") and the existing investments of KPS Plywood Sdn Bhd (formerly known as Koh Poh Seng Plywood Co. (M) Sdn Bhd) and Akateak Sdn Bhd of 60% and 10% respectively in YSTSB concurrently with the other proposals under the Proposed Restructuring Exercise subject to certain conditions as set out in the Public Announcement dated 6 June 2002.

The Company had convened and obtained shareholders approval at the Extraordinary General Meeting held on 17 August 2002. The Group and the Company are presently implementing the proposed exercise subject to certain conditions being complied. The proposed exercise is expected to be completed by end of September 2002.

### *(b) Proposed disposal of investment in subsidiary company*

The SPA for the proposed disposal to Ensonet was deemed terminated due to the non-payment of the balance of the disposal consideration after the expiry of the extended period for completion of the SPA on 12 May 2002. Accordingly, the Company has forfeited the 10% deposit amounting to Rmb 200,000 (equivalent to RM89,000) on 29 May 2002.





# Notes To The Financial Statements (Cont'd)

30 April 2002

## 29. SEGMENTAL REPORTING - GROUP

Analysis by activities:-

	Revenue RM	Profit/ (Loss) before taxation RM	Assets employed RM
<b>2002</b>			
Manufacturing	12,625,145	(4,854,369)	40,660,267
Trading	14,209,172	236,133	6,515,305
Investment, management and others	-	(681,886)	1,399,658
	<u>26,834,317</u>	<u>(5,300,122)</u>	<u>48,575,230</u>
<b>2001</b>			
Manufacturing	13,333,315	(4,523,933)	42,018,516
Trading	12,173,805	(1,146,528)	6,477,548
Investment, management and others	-	(1,389,470)	2,298,865
	<u>25,507,120</u>	<u>(7,059,931)</u>	<u>50,794,929</u>

Analysis by geographical location :-

<b>2002</b>			
Malaysia	26,834,317	(5,326,260)	48,575,230
Overseas	-	26,138	-
	<u>26,834,317</u>	<u>(5,300,122)</u>	<u>48,575,230</u>
<b>2001</b>			
Malaysia	25,507,120	(7,068,649)	50,794,267
Overseas	-	8,718	662
	<u>25,507,120</u>	<u>(7,059,931)</u>	<u>50,794,929</u>



# List of Properties

As At 30 April 2002

Location	Description	Tenure	Land Area (meter sq)	Approximate Age of Building (year)	Net Book Value (RM'000)	Year of Acquisition or Revaluation*
1. Lot 67, SEDCO Industrial Estate, Phase 2, Kota Kinabalu, Sabah	Office/residential building, factory and warehouse	60 year lease to 31/12/2034	5,632	16	1,441	1993*
2. Lot 292 & 294, Block 36, Muara Tuang Land District, Sarawak	Factory, office building and warehouse	58-year lease to 30/01/2030	22,784	23 & 5	6,481	1993* & 1992
3. Lot 765, Mukim of Kapar, District of Klang, Selangor	Factory and office building	Freehold	17,705	9	8,567	1993*
4. Lot PT 129942, Kawasan Perusahaan Kanthan, Chemor, Perak.	Factory, staff quarters and office building	60-year lease to 14/03/2055	53,174	3	6,467	1992





# Shareholdings Structure

As at 30 August 2002

(pursuant to paragraph 22, Part A, Appendix 9C Listing Requirements)

Authorised Share Capital	:	RM25,000,000
Issued and Fully Paid-Up Share Capital	:	RM19,800,000
Class of Shares	:	Ordinary Shares of RM1.00 each fully paid
Voting Rights	:	One vote per ordinary share
No. of shareholders	:	2,713

## Distribution of Shareholdings as at 30<sup>th</sup> August 2002

Size of Holdings	No. of Shareholders	Total Holdings	% of Paid-up Capital
1 – 999	5	1,685	0.01
1,000 – 10,000	2,452	6,250,315	31.56
10,001 – 100,000	231	6,702,000	33.85
100,001 – 989,999	25	6,846,000	34.58
990,000 and above	0	0	0
	<b>2,713</b>	<b>19,800,000</b>	<b>100.00</b>

## Substantial Shareholders as at 30<sup>th</sup> August 2002

Shareholders	No. of Shares held		Percentage Holding
	Direct	Indirect	
Duclos Sdn Bhd	992,000	-	5.01
Syed Khalil bin Syed Ibrahim	-	992,000(a)	5.01
Datin Mariam Prudence Bt Yusof	-	992,000(b)	5.01

### Notes:

(a) Deemed interest by virtue of his substantial shareholding in Duclos Sdn Bhd.

(b) Deemed interest by virtue of her substantial shareholding in Duclos Sdn Bhd.



# Shareholdings Structure

As at 30 August 2002

(pursuant to paragraph 22, Part A, Appendix 9C Listing Requirements)

## List of Thirty (30) Largest Shareholders as at 30<sup>th</sup> August 2002

No	Name of Shareholders	No. of Shares	Percentage Holding
1	Duclos Sdn Bhd	992,000	5.01
2	Amsec Nominees (Tempatan) Sdn Bhd - Chai Soon Hing	773,000	3.90
3	Liza binti Harith	487,000	2.46
4	Mayban Nominees (Tempatan) Sdn Bhd - Ng Wai Hong	471,000	2.38
5	Piramid Tulin Sdn Bhd	450,000	2.27
6	Chung Shan Kwang	422,000	2.13
7	Zolkeflee bin Abd Hamid	420,000	2.12
8	Chui Sai Lai	406,000	2.05
9	Chang Swee Ming	348,000	1.76
10	Lee Chap Char	318,000	1.61
11	Mayban Nominees (Tempatan) Sdn Bhd - Tan Hua Kae Vincent	251,000	1.27
12	Wong Ken Kok	195,000	0.98
13	Amsec Nominees (Tempatan) Sdn Bhd - Ong Teik Kooi	160,000	0.81
14	Lau Hock Kwai	139,000	0.70
15	Ching Ong	131,000	0.66
16	Ivy Ong Mun Yee	125,000	0.63
17	TA Nominees (Tempatan) Sdn Bhd -Tang Yang Hing	118,000	0.60
18	Chan Kim Eng	115,000	0.58
19	Kong Ricky Choong	111,000	0.56
20	Than Ah Loh @ Than Boon Chong	110,000	0.55
21	Cheah Fah	110,000	0.55
22	PRB Nominees (Tempatan) Sdn Bhd - Rubber Industry Smallholders Development Authority	103,000	0.52
23	Ng Choo Hwa	101,000	0.51
24	HDM Nominees (Tempatan) Sdn Bhd - Than Ah Loh @ Than Boon Chong	101,000	0.51
25	Amsec Nominees (Tempatan) Sdn Bhd - Chew Siow Geok	101,000	0.51
26	Mayban Securities Nominees (Tempatan) Sdn Bhd - Sum Chi Lin	100,000	0.51
27	Loh Chan Sang	100,000	0.51
28	Chan Lai Wan	100,000	0.51
29	Botly Nominees (Tempatan) Sdn Bhd - Beh Boon Seong	99,000	0.50
30	Sabin bin Samitah @ Sapilin	93,000	0.47
		<b>7,550,000</b>	<b>38.13</b>





## Shareholdings Structure (Cont'd)

As at 30 August 2002

(pursuant to paragraph 22, Part A, Appendix 9C Listing Requirements)

### Directors' Shareholdings and Interest in Shares as at 30<sup>th</sup> August 2002

No.	Name of Directors	No. of Shares	Percentage Holding
1	Izhar bin Sulaiman	Nil	Nil
2	Wong Mun Wai	Nil	Nil
3	Chuah Hock Soon	Nil	Nil
4	Kamariah binti Abdul	Nil	Nil
5	Lau Boon Seong	Nil	Nil
6	Goh Jooi Lai	Nil	Nil
7	See Wee Chern @ See Chan Wee Chern	Nil	Nil
8	Koh Poh Seng	Nil*	Nil*
9	Lau Fook Meng	Nil*	Nil*
10	Wong Keet Loy	Nil*	Nil*

None of the Directors in office as at 30th August 2002 held any interests in shares in related corporations and subsidiary companies of Hai Ming Holdings Berhad.

\* - Not applicable as the directors were appointed after 30<sup>th</sup> August 2002



**PROXY FORM**

Lot 765, Jalan Haji Sirat, Off Jalan Meru, 42100 Klang, Selangor Darul Ehsan, Malaysia

I/We .....  
(please use block letters)

of .....  
being a Member/Members of the abovenamed Company do hereby appoint

.....  
or failing him, .....

of .....  
or failing him, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Sixteenth Annual General Meeting of the Company to be held at the Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru Klang, 41150 Klang, Selangor Darul Ehsan on Friday, 25<sup>th</sup> October, 2002 at 10.00am. or any adjournment thereof for the following purposes :-

The proportion of my/our holding to be represented by my/our proxies are as follows (to be completed if 2 proxies are appointed)

1<sup>st</sup> proxy :            %  
2<sup>nd</sup> proxy :            %

(My/ our proxy is to vote as indicated hereunder. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

	RESOLUTION	FOR	AGAINST
1.	Adoption of Report and Accounts		
2.	Re-election of Director - Mr See Wee Chern @ See Chan Wee Chern		
3.	Re-election of Director - Mr. Koh Poh Seng		
4.	Re-election of Director - Mr. Lau Fook Meng		
5.	Re-election of Director - Mr. Wong Keet Loy		
6.	Re-appointment of Auditors and to authorise the the Directors to fix their remuneration		
7.	As Special Business Authority to issue shares under Section 132D of the Companies Act, 1965		
8.	Proposed Change of Company's Name		

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2002

NO. OF SHARES HELD						

\_\_\_\_\_  
Signature/Common Seal

**NOTES :**

1. A member shall be entitled to appoint more than one (1) proxy to attend and vote in his place. A proxy need not be a member of the Company.
2. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. If the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of its attorney.
4. The instrument appointing a proxy and the power of attorney, if any, under which it is signed or a certified copy thereof must be deposited at the Company's Registered Office, Lot 765, Jalan Haji Sirat, Off Jalan Meru, 42100 Klang, Selangor Darul Ehsan not less than 48 hours before the time set for holding the Meeting or adjourned meeting as the case maybe.

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AFFIX  
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To :  
The Company Secretary  
**HAI MING HOLDINGS BERHAD** (143816-V)  
Lot 765, Jalan Haji Sirat  
Off Jalan Meru, 42100 Klang  
Selangor Darul Ehsan  
Malaysia

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