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## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth 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 28 June 2003 at 10.00 am for the following purposes:-

### AGENDA

#### AS ORDINARY BUSINESS

- |    |   |                     |
|----|---|---------------------|
| 1. | To receive and adopt the Audited Financial Statements for the financial period ended 31 December 2002 together with the Reports of the Directors and Auditors thereon.      | <b>Resolution 1</b> |
| 2. | To re-elect the following Directors retiring in accordance with Article 80 of the Company's Articles of Association and being eligible, offers themselves for re-election:- |                     |
|    | (i) Mr Goh Jooi Lai   | <b>Resolution 2</b> |
|    | (ii) Mr Lau Boon Seong  | <b>Resolution 3</b> |
| 3. | To re-appoint Messrs Shamsir Jasani Grant Thornton as Auditors of the Company and to authorise the Directors to fix their remuneration.                                     | <b>Resolution 4</b> |

#### AS SPECIAL BUSINESS

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

- |    |  |                     |
|----|--|---------------------|
| 4. | <b>ORDINARY RESOLUTION – AUTHORITY TO ISSUE SHARES</b>   |                     |
|    | “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.” | <b>Resolution 5</b> |
| 5. | 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

<b>LIM SECK WAH</b>	<b>(MAICSA 0799845)</b>
<b>M. CHANDRASEGARAN A/L S. MURUGASU</b>	<b>(MAICSA 0781031)</b>
<i>Company Secretaries</i>	

Selangor Darul Ehsan

Dated this : 6 June 2003

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

### 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.
5. Explanatory notes on the Special Business

### **Ordinary Resolution Pursuant to Section 132D of the Companies Act, 1965**

The proposed Resolution 5 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.

## STATEMENT ACCOMPANYING 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 Goh Jooi Lai
- b) Mr Lau Boon Seong

(The abovenamed Directors are retiring pursuant to Article 80 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 period ended 31 December 2002 and the details of attendance by each of the Directors are noted in the Corporate Governance Statement in this 2002 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 : 28 June 2003

Time : 10.00 am

### 4. DETAILS OF DIRECTOR STANDING FOR RE-ELECTION:-

- Mr Goh Jooi Lai
- Mr Lau Boon Seong

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

## CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	
<b>Group Managing Director</b>	Koh Poh Seng
<b>Directors</b>	Lau Boon Seong ( <i>Executive Director</i> ) Lau Fook Meng ( <i>Executive Director</i> ) Wong Keet Loy ( <i>Executive Director</i> ) See Wee Chern @ See Chan Wee Chern ( <i>Senior Independent Non-Executive Director</i> ) Goh Jooi Lai ( <i>Independent Non-Executive Director</i> )
<b>COMPANY SECRETARIES</b>	Lim Seck Wah M. Chandrasegaran A/L S. Murugasu
<b>STOCK EXCHANGE LISTING</b>	Kuala Lumpur Stock Exchange, Second Board
<b>AUDIT COMMITTEE</b>	
<b>Chairman</b>	See Wee Chern @ See Chan Wee Chern
<b>Member</b>	Lau Fook Meng
<b>NOMINATION COMMITTEE</b>	
<b>Chairman</b>	See Wee Chern @ See Chan Wee Chern
<b>Member</b>	Goh Jooi Lai
<b>REMUNERATION COMMITTEE</b>	
<b>Chairman</b>	See Wee Chern @ See Chan Wee Chern
<b>Members</b>	Koh Poh Seng Goh Jooi Lai
<b>REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS</b>	Lot 765, Jalan Haji Sirat, Off Jalan Meru 42100 Klang, Selangor Tel : (603) 32915566 Fax : (603) 32914489
<b>REGISTRAR</b>	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

## CORPORATE INFORMATION (Cont'd)

<b>AUDITORS</b>	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
<b>PRINCIPAL BANKERS</b>	United Overseas Bank (M) Berhad HSBC Bank (Malaysia) Berhad AmBank Berhad OCBC Bank Berhad Malayan Banking Berhad
<b>SOLICITORS</b>	Cheang & Ariff 39 Court 39 Jalan Yap Kwan Seng 50450 Kuala Lumpur Tel : (603) 21610803 Fax : (603) 21614475/21621533/21630622 E-mail : yms@cheangariff.com
<b>WEBSITE</b>	<a href="http://www.haiming.com">http://www.haiming.com</a>
<b>E-MAIL ADDRESS</b>	<a href="mailto:enquiry@haiming.com">enquiry@haiming.com</a>

## PROFILE OF THE BOARD OF DIRECTORS

The Board of Directors of KPS Consortium Berhad (formerly known as Hai Ming Holdings Berhad) (“KPSCB” or the “Company”) comprises of a Group Managing Director, three (3) Executive Directors and two (2) 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 period ended 31 December 2002.

Particulars of the Directors are as follows:-

**Koh Poh Seng**, aged 47, is the founder and Managing Director of KPS Plywood Sdn Bhd (“KSB”). Mr Koh was appointed Managing Director of KPSCB on 18 September 2002 upon the successful reverse takeover of KPSCB by KSB. He had completed his 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.

**Lau Boon Seong**, aged 35, was appointed an Independent Non-Executive Director of KPSCB on 1 October 2001 and was re-designated as an Executive Director of KPSCB on 18 September 2002. After completing his secondary education 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.

**Lau Fook Meng**, aged 51, was appointed Executive Director of KPSCB 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**, aged 39, was appointed Finance Director of KPSCB on 18 September 2002 and re-designated Executive Director on 6 May 2003. He is a Fellow Member of the Association of Chartered 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 KPSCB, he was a finance manager of a listed property developer and plantation company. Mr Wong joined KPSCB in October 1997 as the Group Financial Controller. He also sits on the Board of the Malaysian subsidiary companies of KPSCB.

**Goh Jooi Lai**, aged 35, was appointed an Independent Non-Executive Director of KPSCB 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 KPSCB.

## PROFILE OF THE BOARD OF DIRECTORS (Cont'd)

**See Wee Chern @ See Chan Wee Chern**, aged 49, was appointed an Independent Non-Executive Director of KPSCB 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 with 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 six (6) members and is headed by the Group Managing Director, Mr Koh Poh Seng. The profile of each Director is presented separately in the Annual Report.

#### 1.2 Board Balance

The Board has six (6) members comprising one (1) Group Managing Director, three (3) Executive Directors and two (2) 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 Group Managing Director have primary responsibilities for managing the Group's day-to-day operations and together with the Non-Executive Directors to 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 Chairman and Group Managing Director

In view there is no Chairman, the role of the Chairman is undertaken by the Group Managing Director. In spite that the roles are combined, there is a strong independent element on the Board as there are adequate number of independent directors.

## CORPORATE GOVERNANCE STATEMENT (Cont'd)

### 1.5 Board Structures and Procedures

Four (4) Board of Directors' Meetings were held during the financial period ended 31 December 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
Mr Koh Poh Seng (Appointed on 18.09.2002)	2/3	67
Mr Lau Boon Seong	4/4	100
Mr Wong Keet Loy (Appointed on 18.09.2002)	3/3	100
Mr Lau Fook Meng (Appointed on 19.09.2002)	3/3	100
Mr See Wee Chern @ See Chan Wee Chern	3/4	75
Mr Goh Jooi Lai	3/4	75

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
28 June 2002	10.00 am
18 September 2002	11.00 am
28 October 2002	10.00 am
18 December 2002	10.30 am

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

### 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, three (3) 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 three (3) 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.

## CORPORATE GOVERNANCE STATEMENT (Cont'd)

### 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's Nomination Committee comprises of two (2) Independent Non-Executive Directors.

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

### 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 casual vacancies 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.

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 independent 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.

## CORPORATE GOVERNANCE STATEMENT (Cont'd)

### 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:-

- Audit Committee
- Remuneration Committee
- Nomination Committee

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.

## 2.0 DIRECTORS' REMUNERATION

### 2.1 The Level and Make-Up of Remuneration

The remuneration of the Directors of the Company for the financial period ended 31 December 2002 is set out below:-

- Aggregate remuneration of Directors with categorization into appropriate components:-

	Executive Directors (RM) <i>*a</i>	Non-Executive Directors (RM)	Total (RM)
Fees	—	—	—
Salary & other emoluments	413,802	—	413,802
<b>Total</b>	<b>413,802</b>	<b>—</b>	<b>413,802</b>

*\*a* The remuneration of the Executive Directors was paid by a subsidiary company, Hai Ming Management Sdn Bhd

## CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
Below RM50,000	2	–	2
RM50,001 to RM100,000	1	–	1
RM100,001 to RM150,000	1	–	1
RM150,001 to RM200,000	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 the Group Managing 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 Koh Poh Seng
- c. Mr Goh Jooi Lai

## 3.0 SHAREHOLDERS

### 3.1 Dialogue Between the Company and Investors

The Group values dialogue with investors as a means 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 Group Managing Director also addresses the shareholders on the review of the Group's operations for the financial period 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.

## CORPORATE GOVERNANCE STATEMENT (Cont'd)

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:-

Name	Contact No.	E-mail Address
Mr Koh Poh Seng (Group Managing Director)	03-32915566	pskoh@haiming.com
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.

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.

## CORPORATE GOVERNANCE STATEMENT (Cont'd)

### 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 period ended 31 December 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.

## 5.0 STATEMENT ON THE EXTENT OF COMPLIANCE WITH THE BEST PRACTICES IN CORPORATE GOVERNANCE SET OUT IN PART 2 OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

- a) 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.
- b) 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.
- c) 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 plans 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.
- d) The Group is in the process of setting up a proper Internal Audit Division. 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. The Internal Audit Division which will be 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 should be fully functional by the next financial year.
- e) Currently, the composition of the Company's Audit Committee does not meet the KLSE Listing Requirements. Nevertheless, since the Company has three (3) months to fill any vacancy, the Board has undertaken to seek the right candidate before the deadline.

## CORPORATE GOVERNANCE STATEMENT (Cont'd)

### 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 period ended 31 December 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 conformance 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 period, 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 period.

- **American Depository Receipt (“ADR”) / Global Depository Receipt (“GDR”)**

During the financial period, 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 period.

- **Non-Audit Fee**

The total amount of non-audit fee payable to the external auditors by the Company and its subsidiaries for the financial period ended 31 December 2002 amounted to RM89,600. These fees were incurred in respect of advisory work on tax matters and the debt restructuring exercise undertaken by the Group.

- **Variance from Profit Forecast or Unaudited Results Previously Made**

	Actual Profit/(Loss) RM'000 (A)	Forecast Profit/(Loss) RM'000 (B)	Variance RM'000 (A) - (B)	Note
I Contributions from existing subsidiary companies:-				
1. Manufacturing	1,986	3,027	(1,041)	
2. Trading	1,016	239	777	
3. Others	90	(16)	106	
	3,092	3,250	(158)	
II Contributions from the newly acquired subsidiary companies:-				
1. Manufacturing	760	2,374	(1,614)	}
2. Trading	1,566	5,740	(4,174)	} (a)
	2,326	8,114	(5,788)	
III Investment holding	(1,358)	(2,865)	1,507	(b)
Total profit after tax and minority interest	4,060	8,499	(4,439)	

## OTHER INFORMATION REQUIRED PURSUANT TO PART A (Cont'd)

## APPENDIX 9C OF THE KLSE LISTING REQUIREMENTS

## NOTE:-

- (a) Contributions from the newly acquired companies were only recognized for three (3) months in this financial period ended 31 December 2002 instead of eight (8) months as earlier envisaged in the forecast to the SC. If the 8-months forecasted results of the newly acquired subsidiary companies were to be apportioned to 3 months, the actual results from the newly acquired subsidiary companies of RM2,326,000 is short of its target by RM717,000.

Contributions from the Newly Acquired Subsidiary Companies	Actual Profit/(Loss) RM'000 (A)	Apportioned 3 Month's Profit/(Loss) RM'000 (B)	Variance RM'000 (A) - (B)	Note
1. Manufacturing	760	890	(130)	
2. Trading	1,566	2,153	(587)	(a - 1)
	2,326	3,043	(717)	

a-1: The Trading division of the newly acquired subsidiary companies did not achieve its forecast even though its actual turnover of RM51.7 million exceeded its target (proportionately apportioned to 3 months) by RM3.7 million. The lower profit contribution from the newly acquired subsidiary companies is mainly due to the tough market conditions which resulted in lower margins.

- (b) The actual loss is substantially lower than the forecast submitted to the Securities Commission ("SC") mainly due to lower amortisation of goodwill and interest charged as the restructuring exercise of the Group was only completed in October 2002. The forecast submitted to the SC had assumed completion in March 2002.

- Profit Guarantee**

During the financial period, there were no profit guarantees given by the Company. The relevant regulatory bodies had impose certain profit guarantee on the major shareholders for the current financial period and the next financial year pursuant to the debt restructuring exercise.

The major shareholders (previous Vendors of the newly acquired subsidiary companies) ("Vendors") had provided a 80% profit guarantee on RM10.4 million and RM10.0 million for the financial years ended 31 December 2002 and 2003 respectively secured against shares of the Company.

The actual profit after tax for the year ended 31 December 2002 achieved by the newly acquired subsidiary companies was RM8.8 million. This is RM1.6 million or 15.4% short of the profit warranted by the Vendors. However, any shortfall in profit contribution from the newly acquired companies will be carried forward to the financial year ending 31 December 2003 as provided for in the profit guarantee agreement between the Company and the Vendors.

- Material Contracts**

Save for the profit guarantee agreement, (as described above) entered into between the Company and the Vendors (whereby Mr Koh Poh Seng who is the Company's Group Managing Director and major shareholder is deemed a connected party), there were no other 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 See Wee Chern @ See Chan Wee Chern  
Chairman/Independent Non-Executive Director
- Mr Lau Fook Meng  
Member/Non-Independent Executive Director

### Terms of Reference

The terms of reference of the Audit Committee had been revised to conform to the Listing Requirements of the KLSE.

### COMPOSITION

The Audit Committee shall be appointed from among their 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:-

- i) must be a member of the Malaysian Institute of Accountants (“MIA”); or
- ii) 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 1<sup>st</sup> 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.

### 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.

## AUDIT COMMITTEE (Cont'd)

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

### AUDIT COMMITTEE REPORT

During the financial year period ended 31 December 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 During Member's Tenure
Mr See Wee Chern @ See Chan Wee Chern	4/4 (100%)
Mr Lau Fook Meng	2/2 (100%)

## AUDIT COMMITTEE (Cont'd)

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial period ended 31 December 2002 in the discharge of its functions and duties:-

- a) Reviewed the external auditors' scope of work and audit plans for the period. 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.
- 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 is in the process of setting up a proper Internal Audit Division. 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. The Internal Audit Division which will be 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 should be fully functional by the next financial year.

### NON-COMPLIANCE WITH THE KLSE LISTING REQUIREMENTS

Currently, the composition of the Company's Audit Committee does not meet the KLSE Listing Requirements. Nevertheless, since the Company has three (3) months to fill any vacancy, the Board has undertaken to seek the right candidate before the deadline.

## 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 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 on 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 is in the process of setting up a proper Internal Audit Division. 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. The Internal Audit Division which will be 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 should be fully functional by the next financial year.

### 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 reports 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.

## GROUP MANAGING DIRECTOR'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 period ended 31 December 2002.

This financial period was an exciting period for the Group mainly due to the completion of the Group's debt restructuring exercise. The completion of this exercise had not only enabled the Group to pull itself out of its debt problems with its financial institutions but allowed the Group to venture into new areas of business; namely trading of plywood, building materials and manufacturing of timber products.

### OVERVIEW OF GROUP RESULTS

#### Operating Results

For the financial period ended 31 December 2002, Group turnover increased to RM76.3 million (Apr 2002 – RM26.8 million). We recorded a pre-tax profit of RM5.3 million as compared to a pre-tax loss of RM5.3 million in April 2002. This turnaround in results and improvement of turnover were mainly as a result of the incorporation of the Group's new acquisitions made during the financial period. We have generated a net cash surplus from operating activities of RM5.6 million, RM17.6 million from investing activities and RM0.6 million from financing activities.

At Company level, no turnover in term of dividend income from subsidiaries was recorded.

#### Review of Operations

Division	Turnover		Profit/ (Loss) Before Tax	
	8-mth Dec 2002 (RM'm)	12-mth Apr 2002 (RM'm)	8-mth Dec 2002 (RM'm)	12-mth Apr 2002 (RM'm)
Paper milling	7.0	11.1	1.9	(0.9)
Paper converting	5.4	1.5	2.1	(0.4)
Plywood	45.0	–	3.0	–
Timber manufacturing	7.7	–	1.2	–
Others:-				
Trading of paper products & general household products	11.2	14.2	1.3	–
Investment & management	–	–	(16.7)	(0.1)
Eliminations	–	–	15.7	1.2
<b>Total turnover</b>	<b>76.3</b>	<b>26.8</b>		
Profit/(Loss) from operations			8.5	(0.2)
Finance cost			(3.2)	(5.1)
<b>Profit/(Loss) before taxation</b>			<b>5.3</b>	<b>(5.3)</b>

#### Paper Milling

The Group's tissue mill which used to contribute most of the losses of the Group in the past had been successfully turnaround after the initial hiccups. This division registered higher operating profit before tax and finance cost of RM1.9 million as compared to loss of RM0.9 million in April 2002 on the back of lower turnover of RM7.0 million (April 2002: RM11.1 million). This reflected that our efficiency of the mill had improved.

We will continue to produce wider range of products and carry out up-grading works to improve the quality and marketability of our products to compete with our competitors.

## GROUP MANAGING DIRECTOR'S STATEMENT (Cont'd)

### Paper Converting and Trading of Woodfree Paper

I am glad to report that this division recorded higher turnover of RM5.4 million as compared to RM1.5 million previously. Operating profit before tax and finance cost increased to RM2.1 million as compared to loss of RM0.4 million.

Sales of Double A paper had contributed significantly to the higher turnover whilst demand continues to increase for paper produced by Sabah Forest Industries.

### Plywood and Timber Manufacturing

These are the two new divisions of the Group, acquired as part of the group debt restructuring exercise. The Plywood Division recorded turnover of RM45.0 million and operating profit before tax and finance cost of RM3.0 million. Timber manufacturing recorded turnover of RM7.7 million and operating profit before tax and finance cost of RM1.2 million.

### Others - Trading of Paper Products and General Household Products

Turnover from this division reached RM11.2 million for the 8-month period as compared to RM14.2 million for the 12 month period in April 2002. Operating profit before tax and finance cost improved to RM1.3 million as compared to breakeven position previously.

## HUMAN RESOURCES

During the financial period, 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. With the new acquisitions, I am pleased to report that we now have higher number of employees, totaling 423 as compared to 188 previously.

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 integration of the new divisions from the new acquisition, 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 any dividend.

## ACKNOWLEDGEMENT

The last few years have proven the resilience of the Company and I would like to thank the shareholders for their unwavering support so far.

The Board would like to thank Encik Izhar bin Sulaiman and Mr Wong Mun Wai who had resigned on 30 January and 1 May 2003 respectively from the Board for their past contribution to the Group. We wish them every success in their future endeavours.

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.

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 over the past year and their steadfastness and resilience in facing the new challenges.



## DIRECTORS' REPORT

The Directors of KPS Consortium Berhad have pleasure in submitting their report and audited financial statements of the Group and of the Company for the financial period ended 31 December 2002.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are disclosed in Note 13 to the Financial Statements.

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

### FINANCIAL RESULTS

	Group RM	Company RM
Net profit/(loss) for the period	4,059,859	(17,873,325)
Accumulated loss brought forward	(36,066,866)	(22,920,479)
Accumulated loss carried forward	(32,007,007)	(40,793,804)

### 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 period.

### ISSUE OF SHARES AND DEBENTURES

During the financial period, the following shares were issued:-

Date of Issue	Purpose of Issue	Class of Share	Number	Terms of Issue
11.10.2002	Acquisition of subsidiary companies	Ordinary	99,800,000	By way of shares swap
18.10.2002	Settlement of debt	Ordinary	18,752,000	Capitalisation of liabilities

There were no debentures issued during the financial period.

### IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS AND REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

On 25 October 2002, a total of RM14,876,000 nominal value of 5 year 4.5% Irredeemable Convertible Unsecured Loan Stocks (ICULS) and RM19,953,000 nominal value of 5 year 4.5% Redeemable Convertible Secured Loan Stocks (RCCLS) were issued and allotted.

The terms of the conversion of the ICULS and RCCLS are disclosed in Note 8 to the financial statements.

As at year end, the number of ICULS and RCCLS in issue are 14,876,000 and 19,953,000 (30.4.2002: Nil) respectively.

## DIRECTORS' REPORT (Cont'd)

### 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 including 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.

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 period 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 period 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 period.

### 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 period 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 period 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 period in which this report is made.

### SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

Significant events during the financial period are disclosed in Note 31 to the Financial Statements.

## DIRECTORS' REPORT (Cont'd)

### DIRECTORS OF THE COMPANY

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

Wong Mun Wai (Executive Director)  
 Goh Jooi Lai (Independent Non-Executive Director)  
 Lau Boon Seong (Executive Director)  
 See Wee Chern @ See Chan Wee Chern (Independent Non-Executive Director)  
 Koh Poh Seng (appointed as Group Managing Director on 18.9.2002)  
 Lau Fook Meng (appointed as Executive Director on 19.9.2002)  
 Wong Keet Loy (appointed as Executive Director on 18.9.2002)  
 Izhar bin Sulaiman (resigned as Non-Executive Chairman on 30.1.2003)  
 Chuah Hock Soon (resigned as Independent Non-Executive Director on 25.10.2002)  
 Kamariah binti Abdul (resigned as Independent Non-Executive Director on 25.10.2002)

Mr. Wong Mun Wai and Mr. Lau Boon Seong who will retire by rotation in accordance with Article 80 of the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

According to the Register of Directors' shareholdings, the beneficial interest of those who were Directors at the end of the financial period in the shares of the Company are as follows:-

	At 1.5.2002	Ordinary Shares of RM1.00 each		At 31.12.2002
		Bought	Sold	
Koh Poh Seng	–	89,576,428	22,847,128	66,729,300

By virtue of Mr. Koh Poh Seng's direct interest in the Company, he is also deemed to have interest in the shares of all the subsidiary companies to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

No other Directors at the end of the financial period held any interest in the shares of the Company during the financial period.

### DIRECTORS' BENEFITS

During and at the end of the financial period, 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 30 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.

## DIRECTORS' REPORT (Cont'd)

### AUDIT COMMITTEE

The Audit Committee comprises the following members:-

Wong Mun Wai - Executive Director

See Wee Chern @ See Chan Wee Chern - Independent Non-Executive Director (appointed on 18.9.2002)

Lau Fook Meng - Executive Director (appointed on 19.9.2002)

Goh Jooi Lai - Independent Non-Executive Director (appointed on 28.10.2002)

Chuah Hock Soon (Chairman) - Independent Non-Executive Director (resigned on 25.10.2002)

Kamariah binti Abdul - Independent Non-Executive Director (resigned on 25.10.2002)

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

<b>KOH POH SENG</b>	)	
	)	
	)	
	)	<b>DIRECTORS</b>
	)	
	)	
<b>LAU BOON SEONG</b>	)	

Klang  
24 April 2003

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 31 to 62 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 31 December 2002, results of the operations and cash flows of the Group and of the Company for the financial period then ended.

On behalf of the Board

**KOH POH SENG**

**LAU BOON SEONG**

Klang  
24 April 2003

## STATUTORY DECLARATION

I, Koh Poh Seng, being the Director primarily responsible for the financial management of KPS Consortium Berhad (formerly known as 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 31 to 62 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 )  
24 April 2003 )  
)

**KOH POH SENG**

Before me:

**T THANDONEE RAJAGOPAL (NO. W 228)**  
*Commissioner for Oaths*

## REPORT OF THE AUDITORS

TO THE MEMBERS OF KPS CONSORTIUM BERHAD

We have audited the financial statements set out on pages 31 to 62. 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, a Court Order was issued pursuant to creditors petition for winding up to freeze the assets and operations of an overseas subsidiary company, Hubei Huali Paper Mills Co. Ltd. (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 31 December 2002, results of the operations and cash flows of the Group and of the Company for the financial period 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 company of which we have not acted as auditors, as indicated in Note 13 to the Financial Statements.

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.

### SHAMSIR JASANI GRANT THORNTON

(No: AF-737)  
Chartered Accountants

**DATO' N.K. JASANI**  
Chartered Accountants  
(No: 708/03/04(J/PH) )  
Partner

Kuala Lumpur  
24 April 2003

## BALANCE SHEETS

As At 31 DECEMBER 2002

	Note	Group		Company	
		31.12.2002 RM	30.4.2002 RM	31.12.2002 RM	30.4.2002 RM
SHARE CAPITAL	6	138,352,000	19,800,000	138,352,000	19,800,000
EXCHANGE FLUCTUATION RESERVE	7	47,443	(527)	–	–
ACCUMULATED LOSS		(32,007,007)	(36,066,866)	(40,793,804)	(22,920,479)
		106,392,436	(16,267,393)	97,558,196	(3,120,479)
MINORITY INTEREST		16,566	–	–	–
<b>DEFERRED AND LONG TERM LIABILITIES:-</b>					
Irredeemable convertible unsecured loan stock	8	14,876,000	–	14,876,000	–
Redeemable convertible secured loan stock	8	19,953,000	–	19,953,000	–
Term loan	9	1,738,143	–	–	–
Finance creditors	10	122,757	25,692	–	–
Deferred taxation	11	1,507,055	34,000	–	–
		144,605,957	(16,207,701)	132,387,196	(3,120,479)
<b>REPRESENTED BY:-</b>					
PROPERTY, PLANT AND EQUIPMENT	12	66,421,328	36,949,430	–	–
INVESTMENT IN SUBSIDIARY COMPANIES	13	1	1	110,613,988	10,813,988
GOODWILL	14	42,286,733	–	–	–
DEPOSITS WITH LICENSED BANKS	15	24,038,383	–	–	–
<b>CURRENT ASSETS:-</b>					
Inventories	16	29,952,057	4,399,799	–	–
Trade receivables	17	66,365,153	3,410,779	–	–
Other receivables	18	6,851,037	2,021,615	37,917	1,327,664
Amount due from subsidiary companies	19	–	–	29,952,539	1,857,827
Tax recoverable		384	21,085	–	20,701
Deposits with licensed banks	15	448,000	619,573	–	–
Cash and bank balances		3,251,328	1,152,948	7,364	8,050
Total current assets		106,867,959	11,625,799	29,997,820	3,214,242
<b>LESS : CURRENT LIABILITIES</b>					
Trade payables		11,131,206	1,402,481	–	–
Other payables	20	6,656,308	9,599,022	510,568	495,441
Amount due to subsidiary companies	19	–	–	5,002,179	16,015,276
Amount due to a Director	21	2,711,865	637,992	2,711,865	637,992
Term loans	9	1,534,369	16,528,947	–	–
Bank borrowings	22	62,547,033	36,354,514	–	–
Tax payable		10,427,666	259,975	–	–
Total current liabilities		95,008,447	64,782,931	8,224,612	17,148,709
NET CURRENT ASSETS/(LIABILITIES)		11,859,512	(53,157,132)	21,773,208	(13,934,467)
		144,605,957	(16,207,701)	132,387,196	(3,120,479)

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

## INCOME STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 MAY 2002 TO 31 DECEMBER 2002

	Note	Group		Company	
		1.5.2002 to 31.12.2002 RM	1.5.2001 to 30.4.2002 RM	1.5.2002 to 31.12.2002 RM	1.5.2001 to 30.4.2002 RM
<b>Revenue</b>					
- existing	23	20,873,818	26,834,317	-	-
- new acquisition	24	55,437,952	-	-	-
		76,311,770	26,834,317	-	-
Cost of sales - existing		(18,158,240)	(23,524,561)	-	-
- new acquisition	24	(47,734,905)	-	-	-
Gross profit		10,418,625	3,309,756	-	-
Other operating income		743,065	1,473,921	30	22,743
Interest waived		4,676,453	-	-	-
Distribution costs		(1,528,068)	(1,409,308)	-	-
Administration expenses		(5,706,119)	(2,845,917)	(445,650)	(58,352)
Other operating expenses		(110,424)	(764,622)	(16,652,709)	-
Profit/(loss) from operations		8,493,532	(236,170)	(17,098,329)	(35,609)
Finance costs		(3,166,993)	(5,063,952)	(774,917)	(886,975)
Profit/(loss) before taxation	25	5,326,539	(5,300,122)	(17,873,246)	(922,584)
Taxation	26	(1,274,379)	(218,069)	(79)	-
Profit/(loss) after taxation		4,052,160	(5,518,191)	(17,873,325)	(922,584)
Minority interest		7,699	-	-	-
Net profit/(loss) for the period/year		4,059,859	(5,518,191)	(17,873,325)	(922,584)
Earning/(loss) per share (sen)	27	7.14	(27.87)		

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



## STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD FROM 1 MAY 2002 TO 31 DECEMBER 2002

Group	Share Capital RM	Exchange Fluctuation Reserve RM	Accumulated Loss RM	Total RM
Balance at 1 May 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)
Balance at 30 April 2002	19,800,000	(527)	(36,066,866)	(16,267,393)
Issue of share capital	118,552,000	–	–	118,552,000
Currency translation differences	–	47,970	–	47,970
Net profit for the period	–	–	4,059,859	4,059,859
Balance at 31 December 2002	138,352,000	47,443	(32,007,007)	106,392,436
<b>Company</b>				
Balance at 1 May 2001	19,800,000	–	(21,997,895)	(2,197,895)
Net loss for the year	–	–	(922,584)	(922,584)
Balance at 30 April 2002	19,800,000	–	(22,920,479)	(3,120,479)
Issue of share capital	118,552,000	–	–	118,552,000
Net loss for the period	–	–	(17,873,325)	(17,873,325)
Balance at 31 December 2002	138,352,000	–	(40,793,804)	97,558,196

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

## CASH FLOW STATEMENTS

FOR THE FINANCIAL PERIOD FROM 1 MAY 2002 TO 31 DECEMBER 2002

	Group		Company	
	1.5.2002 to 31.12.2002 RM	1.5.2001 to 30.4.2002 RM	1.5.2002 to 31.12.2002 RM	1.5.2001 to 30.4.2002 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before taxation	5,326,539	(5,300,122)	(17,873,246)	(922,584)
<b>Adjustments for:-</b>				
Amortisation of goodwill	535,275	—	—	—
Bad debts written off	96,810	747,955	—	—
Depreciation	2,770,979	2,385,022	—	—
Property, plant and equipment written off	—	2,197	—	—
Gain on disposal of property, plant and equipment	(37,479)	(39,126)	—	—
Gain on disposal of scrapped assets	—	(41,000)	—	—
Gain on disposal of investment	(23,102)	—	—	—
Interest expenses	3,193,249	4,956,061	774,358	886,522
Provision for amount due from subsidiary companies				
- current	—	—	16,652,710	82,935
- no longer required	—	—	—	(105,402)
Provision for doubtful debts				
- current	124,526	—	—	—
- no longer required	(142,183)	(1,099,491)	—	—
Provision for slow moving inventories no longer required	(5,267)	(95,745)	—	—
Interest waived	(4,676,453)	—	—	—
Interest income	(205,185)	(38,379)	(30)	(276)
Operating profit/(loss) before working capital changes	6,957,709	1,477,372	(446,208)	(58,805)
<b>Changes in Working Capital:-</b>				
Bankers' acceptances and trust receipts	4,926,699	—	—	—
Inventories	(2,182,626)	(506,875)	—	—
Receivables	662,576	1,353,449	1,289,748	(1,148,016)
Payables	(2,203,793)	900,265	(306,922)	943,708
Subsidiary companies	—	—	(21,328,969)	1,142,951
Shareholders	2,711,865	—	2,019,013	—
Cash generated from/(used in) operations	10,872,430	3,224,211	(18,773,338)	879,838
Interest paid*	(3,193,249)	(2,308,307)	—	(877,530)
Interest received	205,185	38,379	30	276
Tax paid	(2,284,239)	(308,409)	—	—
Tax refund	20,623	3,315	20,623	—
Net cash from/(used in) operating activities	5,620,750	649,189	(18,752,685)	2,584

**CASH FLOW STATEMENTS (Cont'd)**

FOR THE FINANCIAL PERIOD FROM 1 MAY 2002 TO 31 DECEMBER 2002

		Group		Company	
		1.5.2002 to 31.12.2002 RM	1.5.2001 to 30.4.2002 RM	1.5.2002 to 31.12.2002 RM	1.5.2001 to 30.4.2002 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment	A	(5,701,932)	(242,251)	–	–
Acquisition of subsidiaries, net of cash acquired	B	22,908,348	–	(1)	–
Proceeds from disposal of investment		223,102	–	–	–
Proceeds from disposal of property, plant and equipment		206,889	102,000	–	–
Net cash generated from/(used in) investing activities		17,636,407	(140,251)	(1)	–
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Cash outflow arising from restructuring exercises		(7,638)	–	–	–
Drawdown of term loan		1,053,929	–	–	–
Placement of fixed deposits		(24,038,383)	–	–	–
Repayment of revolving credits		–	(500,000)	–	–
Repayment of finance creditors		(541,114)	(234,952)	–	–
Proceeds from issuance of shares		–	–	18,752,000	–
Settlement of bank overdraft through debt restructuring scheme		24,137,887	–	–	–
Net cash generated from/(used in) financing activities		604,681	(734,952)	18,752,000	–
<b>CASH AND CASH EQUIVALENTS</b>					
Net increase/(decrease)		23,861,838	(226,014)	(686)	2,584
Brought forward		(22,365,367)	(22,139,353)	8,050	5,466
Carried forward	C	1,496,471	(22,365,367)	7,364	8,050

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

## CASH FLOW STATEMENTS (Cont'd)

FOR THE FINANCIAL PERIOD FROM 1 MAY 2002 TO 31 DECEMBER 2002

### A. PROPERTY, PLANT AND EQUIPMENT

During the financial period, the Group acquired property, plant and equipment with an aggregate cost of RM5,735,407 (30.4.2002 : RM306,251) of which RM33,475 (30.4.2002 : RM64,000) was acquired by means of hire purchase. Cash payments of RM5,701,932 (30.4.2002: RM242,251) were made by the Group to purchase the property, plant and equipment.

### B. ACQUISITION OF SUBSIDIARY COMPANIES

The fair value of assets and liabilities of the subsidiary companies acquired during the financial period are as follows:-

	<b>31.12.2002</b> <b>RM</b>
Property, plant and equipment	26,676,875
Other investments	200,000
Investment in subsidiary companies	9,898,009
Inventories	23,364,365
Receivables	78,123,063
Provision for doubtful debts	(1,045,381)
Payables	(22,958,970)
Bank borrowing	(55,417,477)
Term loan	(2,218,584)
Taxation	(12,629,982)
Cash and bank balances	22,908,349
Net asset acquired	66,900,267
Less : Minority interest	(24,265)
	66,876,002
Goodwill on consolidation	42,822,008
	109,698,010
Less : Cost of investment in KPS Plywood Sdn. Bhd. (formerly known as Koh Poh Seng Plywood Co. (M) Sdn. Bhd.)	(9,898,009)
	99,800,001
Less : Consideration discharged by shares issued	(99,800,000)
Company's cash flow on acquisition	1
Less : Cash and bank balances taken over	(22,908,349)
Group's cash flow on acquisition, net of cash acquired	(22,908,348)

## CASH FLOW STATEMENTS (Cont'd)

FOR THE FINANCIAL PERIOD FROM 1 MAY 2002 TO 31 DECEMBER 2002

### C. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	1.5.2002 to 31.12.2002 RM	1.5.2001 to 30.4.2002 RM	1.5.2002 to 31.12.2002 RM	1.5.2001 to 30.4.2002 RM
Cash and bank balances	3,251,328	1,152,948	7,364	8,050
Deposits with licensed banks	448,000	619,573	–	–
Bank overdrafts	(2,202,857)	(24,137,888)	–	–
Cash and cash equivalents	1,496,471	(22,365,367)	7,364	8,050

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

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 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. RESTRUCTURING EXERCISE

The Company ("KPSCB") has implemented the Debt Restructuring Exercise which has been approved by the relevant authorities, includes the following:-

- (a) On 23 August 2002, KPSCB increased its authorised share capital from RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each to RM200,000,000 comprising 200,000,000 ordinary shares of RM1.00 each.
- (b) On 18 October 2002, KPSCB acquired the entire equity interest in KPS Plywood Sdn Bhd ("KPSPSB"), 30% equity shares in Yap Swee Thiam & Sons Industries Sdn Bhd ("YSTSB") and approximately 50% equity shares in Akateak Sdn Bhd ("ASB") for the total purchase consideration of RM99,800,000 satisfied by the issuance of 99,800,000 new ordinary shares of RM1.00 each in KPSCB.
- (c) On 18 October 2002, a waiver was given to the Director of KPSCB, Mr Koh Poh Seng and parties acting in concert with him from the obligation to extend a mandatory take-over offer for the remaining ordinary shares not already owned by them in KPSCB upon completion of Acquisition of KPSPSB.
- (d) On 25 October 2002, KPSCB settled its debts owing to secured and unsecured Bank Lenders amounting to RM53,588,638 and the debts settlement scheme are as follows:-
  - (i) Secured debts of RM30,698,956 satisfied by the issuance of 10,743,000 new ordinary shares of RM1.00 each in KPSCB, RM19,953,000 nominal value of 5 years 4.5% Redeemable Convertible Secured Loan Stocks (RCSLS) and cash payment of RM2,956.
  - (ii) Unsecured debts of RM22,889,682 satisfied by the issuance of 8,009,000 new ordinary shares of RM1.00 each in KPSCB, RM14,876,000 nominal value of 5 years 4.5% Irredeemable Convertible Unsecured Loan Stocks (ICULS) and cash payment of RM4,682.

### 3. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its risks. The Group operates within policies that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

#### (a) Foreign Currency Risk

The Group is exposed to foreign currency risk as a result of its normal operating activities, both external and intra-Group where the currency denomination differs from the local currency, Ringgit Malaysia (RM). The Group's policy is to minimise the exposure of overseas operating activities to transaction risk by matching local currency income against local currency costs.

#### (b) Interest Rate Risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

### (c) Credit Risk

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. An internal credit review is conducted if the credit risk is material.

### (d) Market Risk

For key product purchases, the Group establishes floating and fixed price levels that the Group considers acceptable and enters physical supply agreements, where necessary, to achieve these levels. The Group does not face significant exposure from the risk from changes in debts and equity prices.

### (e) Liquidity and Cash Flow Risks

The Group seeks to achieve a balance between certainty of funding even in difficult times for the markets or the Group and a flexible, cost-effective borrowing structure. This is to ensure that at the minimum, all projected net borrowing needs are covered by committed facilities. Also, the objective for debt maturity is to ensure that the amount of debt maturing in any one period is not beyond the Group's means to repay and refinance.

## 4. 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 the 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 31 December 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 amortised over 20 years. Goodwill will be written off immediately when the Directors are of the opinion that there is a permanent diminution in value.

### (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 participation 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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

### (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 period. Exchange differences arising from such translations are transferred to exchange fluctuation reserve.

The closing rates used in translation were as follows:-

	31.12.2002	30.4.2002
Singapore Dollar	2.21	2.10
US Dollar	3.80	3.83

### (e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and less any impairment losses. 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% - 5%
Furniture, fittings and others	10% - 33.3%
Leasehold land	Amortised over the lease terms of 30-60 years
Plant and machineries	6% - 10%
Motor vehicles	10% - 20%

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, it is permanently less than their carrying value.

Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

### (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 property, plant and equipment eligible for capital allowances and the tax written down value of these property, plant and equipment and on any other timing differences existing at period 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

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the financial year end.

### (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.

### (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.

### (l) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

### (m) Impairment of Assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is charged to the income statements immediately, unless the assets is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

### (n) Segmental Information

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

### (o) Intersegment Transfers

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

## 5. 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 13 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.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 April 2003.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

**6. SHARE CAPITAL**

	<b>Group and Company</b>	
	<b>31.12.2002</b>	<b>30.4.2002</b>
	<b>RM</b>	<b>RM</b>
Authorised:-		
Ordinary shares of RM1 each		
At beginning of period/year	25,000,000	25,000,000
Created during the period/year	175,000,000	-
At end of period/year	200,000,000	25,000,000
Issued and fully paid:-		
Ordinary shares of RM1 each		
At beginning of period/year	19,800,000	19,800,000
Issued during the period/year	118,552,000	-
At end of period/year	138,352,000	19,800,000

**7. EXCHANGE FLUCTUATION RESERVE**

This reserve is not available for distribution as dividends.

**8. LOANS STOCKS**

	<b>Group and Company</b>	
	<b>31.12.2002</b>	<b>30.4.2002</b>
	<b>RM</b>	<b>RM</b>
Issued and allotted during the period/year:-		
- Irredeemable Convertible Unsecured Loan Stocks	14,876,000	-
- Redeemable Convertible Secured Loan Stocks	19,953,000	-

On 25 October 2002, the Company issued and allotted RM14,876,000 and RM19,953,000 nominal amount of 5 year 4.5% Irredeemable Convertible Unsecured Loan Stocks (ICULS) and 5 year 4.5% Redeemable Convertible Secured Loan Stocks (RCCLS) respectively.

The terms of the conversion and redemption of the ICULS and RCCLS are as follows:-

**(i) Conversion Price**

The conversion price for the ICULS and RCCLS are RM1 for each new ordinary share of RM1 each in the Company and shall be satisfied by tendering its RM1 nominal amount of ICULS and RCCLS respectively.

**(ii) Conversion Rights**

The registered holder of the ICULS and RCCLS shall have the rights at any time during the conversion period to convert the ICULS and RCCLS at the conversion price into new ordinary shares of RM1 each in the Company.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

### (iii) Conversion Period

The ICULS and RCCLS can be converted into new ordinary shares of RM1 each in the Company at anytime during the 5 years from the date of issue and maturing on 31 October 2007.

### (iv) Redeemability

- ICULS - It is not redeemable. All outstanding ICULS will be automatically converted by the Company into new ordinary shares of RM1 each in the Company on the last day of the conversion period.
- RCCLS - The RCCLS will be redeemed in cash at the times and in the manner as follows:-
- 2nd anniversary of the Issued Date - 10% of the total RCCLS issued
  - 3rd anniversary of the Issued Date - 20% of the total RCCLS issued
  - 4th anniversary of the Issued Date - 30% of the total RCCLS issued
  - 5th anniversary of the Issued Date - Balance of the outstanding RCCLS

The ICULS and RCCLS bear interest at rate of 4.5% per annum and payable semi-annually in arrears.

## 9. TERM LOANS

	Group	
	31.12.2002 RM	30.4.2002 RM
Secured :-		
Due after one year	1,738,143	-
Due within one year	1,534,369	6,633,544
	3,272,512	6,633,544
Unsecured:-		
Due within one year	-	9,895,403
Total	3,272,512	16,528,947

The term loans were secured by:-

- (i) charges and deeds of assignment over the lands and properties of the subsidiary companies;
- (ii) pledge of fixed deposit of the subsidiary companies; and
- (iii) Joint and several guarantees of a Director and a person related to a Director.

As the subsidiary companies have defaulted in the repayment of previous term loans, the subsidiary companies have entered into a Debt Restructuring Agreement with financial institutions on 30 October 2001 to restructure the credit facilities granted and has been implemented on 25 October 2002 as disclosed in Note 31(a) to the Financial Statements.

Interest is charged at rates ranging from 7.40% to 9.55% (30.4.2002: 7.40% to 9.55%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

## 10. FINANCE CREDITORS

	Group	
	31.12.2002 RM	30.4.2002 RM
Minimum lease payment		
- within 1 year	872,010	1,070,417
- after 1 year but not later than 5 years	162,456	52,442
	1,034,466	1,122,859
Interest-in-suspense	(145,715)	(85,795)
	888,751	1,037,064
Total principal sum payable		
- within 1 year	765,994	1,011,372
- after 1 year but not later than 5 years	122,757	25,692
	888,751	1,037,064

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

## 11. DEFERRED TAXATION

	Group	
	31.12.2002 RM	30.4.2002 RM
At beginning of period/year	1,361,855	369,000
Transfer from/(to) income statement	145,200	(335,000)
At end of period/year	1,507,055	34,000
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	1,591,055	102,000
Tax effects of unabsorbed capital allowances and unutilised reinvestment allowances	-	(25,000)
Tax effects of unutilised business losses	-	(60,000)
Tax effects on timing differences arose on revaluation of properties	17,000	17,000
Tax effect of other timing differences	(101,000)	-
Deferred tax liabilities	1,507,055	34,000

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

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 31 December 2002, the estimated deferred taxation benefits calculated at current tax rate, which have not been recognised in the financial statements, are as follows:-

	31.12.2002 RM	30.4.2002 RM
Tax effects of timing differences in respect of the excess of book depreciation over tax capital allowances	5,615,055	3,415,000
Tax effects of unabsorbed capital allowances	(4,384,160)	(6,901,640)
Tax effects of unutilised business losses	(6,611,300)	(5,975,500)
Tax effects of timing differences arose on revaluation of properties	89,000	72,000
Tax effects of other timing differences	(133,000)	-
Deferred tax assets	(5,424,405)	(9,390,140)

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.

## 12. PROPERTY, PLANT AND EQUIPMENT

Group	Land and Buildings RM	Plant and Machineries RM	Motor Vehicles RM	Furniture, Fittings and Others RM	Total 31.12.2002 RM	Total 30.4.2002 RM
<b>Cost or Valuation</b>						
<b>At Beginning of Period/Year</b>						
- cost	13,168,883	23,442,856	1,169,999	1,682,020	39,463,758	39,382,178
- valuation	13,767,235	-	-	-	13,767,235	13,767,235
Additions	26,936,118	23,442,856	1,169,999	1,682,020	53,230,993	53,149,413
Acquisition of subsidiaries	3,697,567	1,879,102	112,000	46,738	5,735,407	306,251
Disposals	20,864,714	13,067,226	3,701,570	855,134	38,488,644	-
Written off	-	(145,000)	(674,478)	(3,125)	(822,603)	(217,795)
At end of period/year	51,498,399	38,068,736	4,309,091	2,579,967	96,456,193	53,230,993
<b>Accumulated Depreciation</b>						
At beginning of period/year	4,009,670	9,932,279	1,169,979	1,169,635	16,281,563	14,097,141
Charge for the period/year	548,357	2,002,475	127,367	92,780	2,770,979	2,385,022
Acquisition of subsidiaries	1,606,291	6,719,735	2,997,819	487,924	11,811,769	-
Disposals	-	-	(650,402)	(2,796)	(653,198)	(195,921)
Written off	-	(175,448)	-	(800)	(176,248)	(4,679)
At end of period/year	6,164,318	18,479,041	3,644,763	1,746,743	30,034,865	16,281,563
<b>Net Book Value</b>						
31 December 2002	45,334,081	19,589,695	664,328	833,224	66,421,328	-
30 April 2002	22,926,448	13,510,577	20	512,385	-	36,949,430
Depreciation charge for the year ended 30 April 2002	579,857	1,649,489	47,496	108,180	-	2,385,022
Cost or valuation at 31 December 2002						
- cost	37,731,164	38,068,736	4,309,091	2,579,967	82,688,958	39,463,758
- valuation : 1993	13,767,235	-	-	-	13,767,235	13,767,235
	51,498,399	38,068,736	4,309,091	2,579,967	96,456,193	53,230,993

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

Analysis of Land:- Group	Freehold Land RM	Long Leasehold Land RM	Short Leasehold Land RM	Total 31.12.2002 RM	Total 30.4.2002 RM
Cost or Valuation					
<b>At Beginning of Period/Year</b>					
- cost	–	1,556,876	450,000	2,006,876	2,006,876
- valuation	2,328,709	–	1,549,000	3,877,709	3,877,709
	2,328,709	1,556,876	1,999,000	5,884,585	5,884,585
Addition	–	–	192	192	–
Acquisition of subsidiaries	5,979,575	348,379	–	6,327,954	–
At end of period/year	8,308,284	1,905,255	1,999,192	12,212,731	5,884,585
<b>Accumulated Depreciation</b>					
At beginning of period/year	–	216,281	403,455	619,736	536,340
Charge for the period/year	–	18,267	90,442	108,709	83,396
Acquisition of subsidiaries	–	19,965	–	19,965	–
At end of period/year	–	254,513	493,897	748,410	619,736
<b>Net Book Value</b>					
31 December 2002	8,308,284	1,650,742	1,505,295	11,464,321	–
30 April 2002	2,328,709	1,340,595	1,595,545	–	5,264,849
Depreciation charge for the year ended 30 April 2002	–	25,948	57,448	–	83,396
Cost or valuation at 31 December 2002					
- cost	5,979,575	1,905,255	450,192	8,335,022	2,006,876
- valuation : 1993	2,328,709	–	1,549,000	3,877,709	3,877,709
	8,308,284	1,905,255	1,999,192	12,212,731	5,884,585

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

Analysis of Building:- Group	Long		Short	Total	
	Freehold Land RM	Leasehold Land RM	Leasehold Land RM	31.12.2002 RM	30.4.2002 RM
<b>Cost or Valuation</b>					
At beginning of period/year					
- cost	111,622	5,630,320	5,420,065	11,162,007	11,151,007
- valuation	7,437,328	-	2,452,198	9,889,526	9,889,526
Additions	7,548,950	5,630,320	7,872,263	21,051,533	21,040,533
Acquisition of subsidiaries	231,772	3,465,603	-	3,697,375	11,000
	11,597,308	2,939,452	-	14,536,760	-
At end of period/year	19,378,030	12,035,375	7,872,263	39,285,668	21,051,533
<b>Accumulated Depreciation</b>					
At beginning of period/year	1,340,567	503,508	1,545,859	3,389,934	2,893,473
Charge for the period/year	191,225	145,249	103,174	439,648	496,461
Acquisition of subsidiaries	1,436,812	149,514	-	1,586,326	-
At end of period/year	2,968,604	798,271	1,649,033	5,415,908	3,389,934
<b>Net Book Value</b>					
31 December 2002	16,409,426	11,237,104	6,223,230	33,869,760	-
30 April 2002	6,208,383	5,126,812	6,326,404	-	17,661,599
Depreciation charge for the year ended 30 April 2002	150,887	112,606	232,968	-	496,461
Cost or valuation at 31 December 2002					
- cost	11,940,702	12,035,375	5,420,065	29,396,142	11,162,007
- valuation : 1993	7,437,328	-	2,452,198	9,889,526	9,889,526
	19,378,030	12,035,375	7,872,263	39,285,668	21,051,533

- (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	
	31.12.2002 RM	30.4.2002 RM
At cost	17,768,336	17,768,336
Less : Accumulated depreciation	(3,083,653)	(2,796,574)
Net book value	14,684,683	14,971,762



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

- (b) Land and buildings of the Group with net book value of RM16,253,411 (30.4.2002: RM7,921,949) have been pledged to banks for credit facilities granted to certain subsidiary companies and third party and term loans granted to certain subsidiary companies.
- (c) Land and buildings of the Group with net book value of RM 7,728,405 (30.4.2002: Nil) at the end of the financial period have been pledged to a licensed bank as partial security of RM1,534,000 nominal value of 5 year 4.5% Redeemable Convertible Secured Loan Stocks issued by the Company.
- (d) Plant and machineries of the Group with net book value of RM431,479 (30.4.2002: Nil) at the end of the financial period have been pledged to licensed bank for banking facilities granted to a subsidiary company.
- (e) The net book value of property, plant and equipment which are under hire purchase is as follows:-

	<b>Group</b>	
	<b>31.12.2002</b>	<b>30.4.2002</b>
	<b>RM</b>	<b>RM</b>
Plant and machineries	1,304,441	646,134
Motor vehicles	343,580	-
	<b>1,648,021</b>	<b>646,134</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

## 13. 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
		31.12.2002 %	30.4.2002 %	
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 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
KPS Food Industries Sdn. Bhd. (formerly known as Hai Ming Ventures Sdn. Bhd.)	Malaysia	100	100	Dormant
Paragon Paper Mill Sdn. Bhd.	Malaysia	51	51	Manufacturing of tissue paper
Hai Ming Impex (S) Pte. Ltd. *	Singapore	100	100	Dormant
KPS Plywood Sdn. Bhd. (formerly known as Koh Poh Seng Plywood Co. (M) Sdn. Bhd.)	Malaysia	100	–	Trading of plywood and investment holding
<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
<b>Subsidiary Companies of KPS Plywood Sdn. Bhd.:-</b>				
Akateak Sdn. Bhd.	Malaysia	100	–	Distributor and retailer of wooden doors, plywood and related building materials
Yap Swee Thiam & Sons Industries Sdn. Bhd.	Malaysia	100	–	Manufacturing and sale of timber doors, window frames and other timber related products
Vector Marketing Sdn. Bhd.	Malaysia	60	–	Trading in tissue related products

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

- \* Subsidiary company not audited by Shamsir Jasani Grant Thornton.
- # In the previous financial years, 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 operation as well as 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 31(c) to the Financial Statements.

- (b) Investment in subsidiary company not consolidated:-

	Group	
	31.12.2002 RM	30.4.2002 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	(1,649,969)	(1,649,969)
	5,078,635	5,078,635
Less : Provision for diminution in value	(5,078,634)	(5,078,634)
	1	1

- (c) Investment in subsidiary companies:-

	Company	
	31.12.2002 RM	30.4.2002 RM
Unquoted shares:-		
At Directors' valuation	20,714,562	20,714,562
Less : Provision for diminution in value	(10,965,579)	(10,965,579)
	9,748,983	9,748,983
At cost	107,628,115	7,828,115
Less : Provision for diminution in value	(6,763,110)	(6,763,110)
	100,865,005	1,065,005
Total	110,613,988	10,813,988

## 14. GOODWILL

	Group	
	31.12.2002 RM	30.4.2002 RM
Arising from acquisition of subsidiary companies	42,822,008	-
Less : Amortisation during the period/year	(535,275)	-
	42,286,733	-

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

## 15. DEPOSITS WITH LICENSED BANKS

	31.12.2002 RM	Group 30.4.2002 RM
Pledged to licensed bank for banking facilities	23,534,810	619,573
Pledged to licensed bank as partial security of RM1,543,000 nominal value of 5 years 4.5% Redeemable Convertible Secured Loan Stocks issued by the Company	561,573	-
REPO	390,000	-
	24,486,383	619,573
Non-current	24,038,383	-
Current	448,000	619,573
	24,486,383	619,573

Fixed deposits of the Group of RM4,120,686 (30.4.2002: Nil) are registered in the name of a Director of the Company.

## 16. INVENTORIES

	31.12.2002 RM	Group 30.4.2002 RM
At cost:-		
Raw materials	12,910,181	955,039
Consumables	110,601	93,282
Work-in-progress	1,202,741	137,254
Finished goods	16,297,188	3,788,145
	30,520,711	4,973,720
Less : Provision for slow moving inventories	(568,654)	(573,921)
	29,952,057	4,399,799

## 17. TRADE RECEIVABLES

	31.12.2002 RM	Group 30.4.2002 RM
Trade receivables	68,490,281	4,497,272
Less : Specific provision for doubtful debts	(2,125,128)	(1,086,493)
	66,365,153	3,410,779

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

**18. OTHER RECEIVABLES**

The other receivables comprise the following items:-

	Group		Company	
	31.12.2002 RM	30.4.2002 RM	31.12.2002 RM	30.4.2002 RM
Advance for timber concession rights	3,500,000	–	–	–
Deposits	698,431	300,665	–	–
Prepayments	2,006,542	1,492,826	37,917	1,327,664
Others	788,119	381,090	–	–
	6,993,092	2,174,581	37,917	1,327,664
Less : Provision for doubtful debts	(142,055)	(152,966)	–	–
	6,851,037	2,021,615	37,917	1,327,664

**19. AMOUNT DUE FROM/TO SUBSIDIARY COMPANIES**

	Company	
	31.12.2002 RM	30.4.2002 RM
Amount due from subsidiary companies	65,146,544	20,399,122
Less : Provision for doubtful debts	(35,194,005)	(18,541,295)
	29,952,539	1,857,827

The amount due from/to subsidiary companies is trade in nature, unsecured, interest free and no scheme of repayment has been arranged. However, charges at the rate of 1.35% (30.4.2002: 1.35%) per month had been imposed on late payment for an amount of RM385,015 (30.4.2002: RM351,780) due from a subsidiary company. Further, charges at the rate of 1.50% (30.4.2002: 1.50%) per month had been imposed on any outstanding balances on purchases made by a subsidiary company which exceeds the credit period.

**20. OTHER PAYABLES**

The other payables comprise the following items:-

	Group		Company	
	31.12.2002 RM	30.4.2002 RM	31.12.2002 RM	30.4.2002 RM
Accruals of expenses	1,239,021	–	–	–
Accruals for restructuring expenses	–	295,000	–	295,000
Balance outstanding on acquisition of land	3,060,000	–	–	–
Deposits	112,547	–	–	–
Interest on bank borrowings and term loan	–	6,639,572	–	–
Interest on loan stocks	322,049	–	322,049	–
Finance creditors due within 1 year	765,994	1,011,372	–	–
Land premium, quit rent and assessment	–	315,620	–	–
Others	1,156,697	1,337,458	188,519	200,441
	6,656,308	9,599,022	510,568	495,441

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

### 21. AMOUNT DUE TO A DIRECTOR

#### Group and Company

The amount due to a Director bears interest at the rate of 4.5% (30.4.2002: Nil) per annum. The amount is unsecured and has no scheme of repayment.

### 22. BANK BORROWINGS

	Group	
	31.12.2002 RM	30.4.2002 RM
Secured:-		
Bank overdrafts	2,202,857	13,254,021
Bills payable/Banker's acceptances	60,344,176	5,925,398
Revolving credit	-	1,183,908
	62,547,033	20,363,327
Unsecured:-		
Bank overdrafts	-	10,883,867
Bills payable/Banker's acceptances	-	1,617,877
Revolving credit	-	3,489,443
	-	15,991,187
Total	62,547,033	36,354,514

The bank borrowings of the Group are secured by the following:-

- (i) charges and deeds of assignment over the lands and properties of the subsidiary companies;
- (ii) pledge of fixed deposit of the subsidiary companies; and
- (iii) Joint and several guarantees of a Director and a person related to a Director.

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 and has been implemented on 25 October 2002 as disclosed in Note 31(a) to the Financial Statements.

Interest is charged at rates ranging from 2.92% to 6.4% (30.4.2002: 6.80% to 10.33%) per annum.

### 23. REVENUE

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

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

## 24. SUMMARY EFFECT OF ACQUISITION OF SUBSIDIARY COMPANIES

- (a) The effect of the acquisition of KPS Plywood Sdn. Bhd. (formerly known as Koh Poh Seng Plywood Co. (M) Sdn. Bhd.), Yap Swee Thiam & Sons Industries Sdn. Bhd., Akateak Sdn. Bhd. and Vector Marketing Sdn. Bhd. on the financial results of the Group during the period was as follows:-

	<b>31.12.2002</b> <b>RM</b>
Revenue	55,437,952
Cost of sales	(47,734,905)
	7,703,047
Distribution expenses	(1,021,052)
Administration expenses	(2,224,882)
Other operating expenses	(241,215)
Profit from operation	4,215,898
Finance cost	(900,494)
Profit before taxation	3,315,404
Taxation	(997,765)
Net profit for the period	2,317,639
Minority interest's share of profit	7,699
	<b>2,325,338</b>

- (b) The effect of the acquisition of KPS Plywood Sdn. Bhd. (formerly known as Koh Poh Seng Plywood Co. (M) Sdn. Bhd.), Yap Swee Thiam & Sons Industries Sdn. Bhd., Akateak Sdn. Bhd. and Vector Marketing Sdn. Bhd. on the financial position of the Group as at period end was as follows:-

	<b>31.12.2002</b> <b>RM</b>
Property, plant and equipment	30,893,375
Inventories	23,339,101
Receivables	70,724,248
Cash and bank balances	26,244,015
Payables	(14,415,776)
Term loans	(3,272,512)
Bank borrowing	(62,547,033)
Taxation	(11,625,721)
Minority interest	(8,410,456)
Increase in Group's net assets	<b>50,929,241</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

## 25. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been determined:-

	Group		Company	
	31.12.2002 RM	30.4.2002 RM	31.12.2002 RM	30.4.2002 RM
<b>After Charging:-</b>				
Amortisation of goodwill	535,275	—	—	—
Auditors' remuneration				
- statutory	95,700	49,700	10,000	10,000
- under/(over) provision in previous year	658	(12,000)	—	—
- other auditors	2,410	1,737	—	—
- others	89,600	170,100	—	—
Bad debts written off	96,810	747,955	—	—
Depreciation	2,770,979	2,385,022	—	—
Property, plant and equipment written off	—	2,197	—	—
Interest expenses				
- bank overdrafts	873,430	2,240,737	—	—
- bankers' acceptances/trust receipts	748,576	758,887	—	—
- hire purchase	99,335	67,570	—	—
- ICULS	137,552	—	137,552	—
- RCSLS	184,497	—	184,497	—
- revolving credits	162,017	389,558	—	—
- term loans	554,681	1,488,469	—	—
- others	378,302	10,840	—	8,992
- subsidiary companies	—	—	397,450	877,530
- advances from a Director	54,859	—	54,859	—
Provision for amount due from subsidiary companies	—	—	16,652,710	82,935
Provision for doubtful debts				
- specific	124,526	—	—	—
Rental expenses				
- equipment	9,620	2,565	—	—
- warehouse	58,155	6,600	—	—
<b>And Crediting:-</b>				
Bad debts recovered	6,055	—	—	—
Gain on disposal of property, plant and equipment	37,479	39,126	—	—
Gain on disposal of investment	23,102	—	—	—
Gain on disposal of scrapped assets	—	41,000	—	—
Interest income				
- fixed deposits	152,625	26,974	—	—
- repo	61	3,280	30	276
- others	52,499	8,125	—	—
Provision for amount due from subsidiary companies no longer required	—	—	—	105,402
Interest waived	4,676,453	—	—	—
Provision for doubtful debts no longer required				
- specific	123,436	1,099,491	—	—
- general	18,747	—	—	—
Provision for slow moving inventories no longer required	5,267	95,745	—	—
Rental income	291,119	226,360	—	—



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

### 26. TAXATION

	Group		Company	
	31.12.2002 RM	30.4.2002 RM	31.12.2002 RM	30.4.2002 RM
In Malaysia:-				
Current year provision	1,169,541	–	–	–
(Over)/underprovision in prior years	(40,362)	553,069	79	–
Deferred taxation	145,200	(335,000)	–	–
<b>Total</b>	<b>1,274,379</b>	<b>218,069</b>	<b>79</b>	<b>–</b>

The provision for current year's taxation is determined by applying the Malaysian Statutory tax rate on the chargeable income.

There is no provision for taxation as the Company has no chargeable income.

The effective tax rate of the Group is higher than the statutory tax rate due to certain expenses being disallowed for tax purposes.

The Group's unabsorbed business losses, unutilised capital allowances and reinvestment allowances which can be carried forward to offset against future taxable profit amounted to approximately RM21.6 million (30.4.2002: RM21.6 million), RM23.3 million (30.4.2002: RM23.3 million) and RM1.6 million (30.4.2002: RM1.6 million) respectively.

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

### 27. EARNING/(LOSS) PER SHARE

Earnings/(loss) per share is calculated based on profit/(loss) after taxation and minority interest of RM4,059,859 (30.4.2002: (RM5,518,191)) and the weighted average number of shares in issue during the financial period of 56,847,500 (30.4.2002: 19,800,000).

### 28. EMPLOYEES INFORMATION

	Group	
	31.12.2002 RM	30.4.2002 RM
Staff costs	8,811,173	3,781,440

The number of employees of the Group and of the Company at the end of the financial period was 423 and Nil (30.4.2002: 188 and 2) persons respectively.

### 29. CONTINGENT LIABILITIES

Unsecured:-

These represent guarantees provided by the Company for banking and other credit facilities extended to subsidiary companies amounting to RM4,102,400 (30.4.2002: RM54,195,000).

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

### 30. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	31.12.2002 RM	30.4.2002 RM	31.12.2002 RM	30.4.2002 RM
Interest payable to a Director	54,859	–	54,859	–
Interest expenses payable to subsidiary companies	–	–	397,450	877,530
Directors' emoluments				
- Executive Director	413,802	144,400	–	–

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

### 31. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

#### (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) (“KPSPSB”) 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 have successfully implemented the Debt Restructuring Exercise during the financial period as disclosed in Note 2 to the Financial Statements.

#### (b) Profit Guarantee and Stakeholders Agreement (“Agreement”)

The proposed restructuring exercise is subject to the Vendors of KPSPSB jointly and severally providing a profit guarantee to the Company with the major terms and conditions as follows:-

- (i) The audited profit after tax of KPSPSB group of companies for the financial year ended (“FYE”) 31 December 2002 and 2003 will be not less than RM10,394,400 and RM10,049,600 respectively;
- (ii) Upon the execution of the Agreement, Mr. Koh Poh Seng, one of the vendors of KPSPSB will transfer 22,488,400 Company shares to AmTrustee as stakeholders; and
- (iii) Any shortfall in respect of the profit guarantee in the respective FYE, the Company will require the vendors to make payment to the Company within 3 business days from the date of notice after the issue of KPSPSB's group audited financial statements.

#### (c) Proposed Disposal of Investment in Subsidiary Company

The Sale and Purchase Agreement (“SPA”) for the proposed disposal of investment in Hubei Huali Paper Mills Pte. Ltd. in the Company's wholly owned subsidiary company, Hai Ming Capital Sdn. Bhd., 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)

31 DECEMBER 2002

### (d) Proposed Acquisition of Land by Subsidiary Company

On 28 October 2002, the Company had approved the proposal to acquire a piece of land held under Plot No. 4 forming part of H.S.(M) 16865, PT No. 11, Jalan Perusahaan Dua, Mukim Of Batu by the Company's wholly owned subsidiary, Yap Swee Thiam & Sons Industries Sdn Bhd from MWE Properties Sdn Bhd for a cash consideration of RM3,400,000.

### (e) Change of Name of Company

On 6 November 2002, the Company changed its name from Hai Ming Holdings Bhd to KPS Consortium Berhad.

## 32. FINANCIAL INSTRUMENTS

### (a) Interest Rate Risk

The interest rate risk that financial instruments' values will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, are as follows:-

Group 31.12.2002	Less Than 1 Year RM	1 to 5 Years RM	More Than 5 Years RM	Total RM	Effective Interest Rate During the Period
<b>Financial Assets</b>					
Deposit, cash and bank balances	3,699,328	24,038,383	–	27,737,711	–
<b>Financial Liabilities</b>					
Borrowings	62,547,033	–	–	62,547,033	2.92%-6.4%
Term loan	1,534,369	1,738,143	–	3,272,512	6.5%
ICULS	–	14,876,000	–	14,876,000	4.5%
RCSLS	–	19,953,000	–	19,953,000	4.5%
<b>Company 31.12.2002</b>					
<b>Financial Assets</b>					
Cash and bank balances	7,364	–	–	7,364	–
<b>Financial Liabilities</b>					
ICULS	–	14,876,000	–	14,876,000	4.5%
RCSLS	–	19,953,000	–	19,953,000	4.5%

### (b) Credit Risk

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

The Group and the Company has no significant concentrations of credit risk with any single party.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

### (c) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at balance sheet date approximated their fair values except as set out below:-

	Group		Company	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Unquoted shares in subsidiary companies	1	*	110,613,988	*

\* It was not practicable within the constraints of timeliness and cost to estimate these fair values reliably.

### 33. SEGMENTAL REPORTING - GROUP

#### (a) Primary Segmental Reporting – Business Segment

The Group is organised based on six major business segments as follows:-

Business Segments	Business Activities
Paper milling	Manufacture of various types of tissue paper and tissue related products.
Paper converting	Converting of paper into related products and trading in paper related products.
Plywood	Distributor and retailer of wooden doors, plywood and related building materials. This segment also deals with trading in tissue related products and plywood.
Timber manufacturing	Manufacturing and sale of timber doors, window frames and other timber related products.
Investment and management	Providing management services, investment holding and dormant companies.
Others	Trading in paper, paper products, stationery, general household products and other unclassified companies of diversified activities.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

2002	Paper Milling RM	Paper Converting RM	Plywood RM	Timber Manufacturing RM	Investment and Management RM	Others RM	Eliminations RM	Consolidated RM
<b>Revenue</b>								
External revenue	7,031,812	5,421,067	45,013,282	7,697,649	-	11,147,960		76,311,770
Intersegment revenue	1,677,420	419,213	2,223,516	136,763	80,000	308,297	(4,845,209)	-
Total revenue	8,709,232	5,840,280	47,236,798	7,834,412	80,000	11,456,257	(4,845,209)	76,311,770
<b>Results</b>								
Segment results	898,080	(817,467)	2,806,796	1,174,475	(17,385,565)	703,239	16,767,418	4,146,976
Interest waived	996,829	2,580,569	-	-	614,506	484,549	-	4,676,453
Interest income	1,294	386,833	144,096	41,171	30	123,219	(491,266)	205,377
Unallocated corporate expenses	-	-	-	-	-	-	(535,274)	(535,274)
Profit/(loss) from operations	1,896,203	2,149,935	2,950,892	1,215,646	(16,771,029)	1,311,007		8,493,532
Finance cost								(3,166,993)
Profit before taxation								5,326,539
Taxation								(1,274,379)
Profit after taxation								4,052,160
Minority interest								7,699
Net profit for the period								4,059,859

2002	Paper Milling RM	Paper Converting RM	Plywood RM	Timber Manufacturing RM	Investment and Management RM	Others RM	Consolidated RM
<b>Other Information</b>							
Segment assets	25,210,368	17,116,254	99,083,833	48,374,309	101,220	7,441,303	197,327,287
Tax recoverable	-	-	-	-	384	-	384
Unallocated corporate assets	-	-	-	-	-	-	42,286,733
Consolidated total assets	25,210,368	17,116,254	99,083,833	48,374,309	101,604	7,441,303	239,614,404
Segment liabilities	1,314,200	548,240	58,446,324	21,913,860	38,120,171	927,886	121,270,681
Tax payable	-	-	4,936,599	5,311,067	-	180,000	10,427,666
Deferred taxation	-	-	109,200	1,268,855	-	129,000	1,507,055
Consolidated total liabilities	1,314,200	548,240	63,492,123	28,493,782	38,120,171	1,236,886	133,205,402
Capital expenditure on property, plant and equipment	100,779	8,181	1,149,162	4,460,905	-	16,380	5,735,407
Depreciation	957,931	514,778	633,353	591,136	2,711	71,070	2,770,979
Property, plant and equipment written off	-	-	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 DECEMBER 2002

### (b) Secondary Segmental Reporting - Geographical Segment

The Group's operations are mainly based in Malaysia:-

Geographical Segments	Business Activities
Malaysia *	Mainly consists of manufacturing of various types of tissue paper and tissue related products, converting of paper into related products, trading in paper related products, plywood and related building materials, manufacturing and sale of timber doors, window frames and other timber related products, providing of management services, investment holding and general trading activities.
Singapore	Only consists of a dormant company.

2002	Revenue RM	Carrying Amount of Segment Assets RM	Additions to Property, Plant and Equipment RM
Malaysia *	76,311,771	196,170,944	5,735,407
Singapore	-	1,156,719	-
	76,311,771	197,327,663	5,735,407

\* Company's home country.

### 34. CHANGE OF REPORTING PERIOD

The Group and the Company changed its financial year end from 30 April to 31 December, with effect from 28 October 2002.

### 35. COMPARATIVE INFORMATION

#### Group and Company

- (a) The comparative figures are for the period from 1 May 2001 to 30 April 2002. Consequently, the comparative figures for the income statement, statement of changes in equity, cash flow statement and related notes are not comparable.
- (b) The following comparative figures have been reclassified as follows:-

	Group		Company	
	As Reclassified RM	As Previously Reported RM	As Reclassified RM	As Previously Reported RM
<b>Balance Sheet</b>				
Other payables	9,599,022	10,237,014	495,441	1,133,433
Amount due to a Director	637,992	-	637,992	-

The above reclassification is necessary to conform with the appointment of new director.

## LIST OF PROPERTIES

AS AT 31 DECEMBER 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	17	1,413	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	24 & 6	6,315	1993* & 1992
3. Lot 765, Mukim of Kapar, District of Klang, Selangor.	Factory and office building	Freehold	17,705	10	8,467	1993*
4. Lot PT129942, Kawasan Perusahaan Kanthan, Chemor, Perak.	Factory and office building	60-year lease to 14/03/2055	53,174	4	6,375	1992
5. Lot 2191, Industrial Land Mentakab, Temerloh, Pahang.	Vacant land	Freehold	105,645 sq ft	N/A	231	1997
6. Lot 3144C, Agriculture Land, Batu 6 ½, Puchong, Selangor.	Vacant land	Freehold	15,700 sq ft	N/A	256	1995
7. Lot 33893, Bandar Puchong Utama, Puchong, Selangor.	4-storey shop/office	Freehold	1,760 sq ft	3	748	1996
8. Lot 33894, Bandar Puchong Utama, Puchong, Selangor.	4-storey shop/office	Freehold	1,760 sq ft	3	748	1996
9. Lot 9446, Bandar Puchong Jaya, Puchong, Selangor.	2 ½ shop/office	Freehold	1,600 sq ft	11	623	1995
10. Lot 9447, Bandar Puchong Jaya, Puchong.	2 ½ shop/office	Freehold	1,600 sq ft	11	577	1995
11. Lot 14374, Bandar Kinrara Industrial Centre, Selangor.	3-storey office block & 2-storey open warehouse	Freehold	186,590 sq ft	6	8,994	1995
12. Lot 4, Section 91A, Block B, Tmn Miharja UE3.	Office suite	99-year lease	7,396 sq ft	6	2,434	1997
13. MWE Kepong, Lot 15543, MWE Kepong Commercial Park, Kuala Lumpur.	4-storey shop/office	99-year lease to 13/08/2097	1,600 sq ft	6	538	1993

## LIST OF PROPERTIES (Cont'd)

AS AT 31 DECEMBER 2002

Location	Description	Tenure	Land Area (meter sq)	Approximate Age of Building (year)	Net Book Value (RM'000)	Year of Acquisition or Revaluation*
14. Lot 4C/LM/E2/A/3, Apartment Merak, Bukit Idaman, Mukim Batu, Selangor.	Ground floor flat	99-year (Strata, title not ready)	600 sq ft	2	31	1990
15. Lot 68.2C, 1-2C, Jln PS6, Prima Selayang, Mukim Batu, Selangor.	Shop/office apartment	99-year (Strata, title not ready)	995 sq ft	2	63	1994
16. Lot 2794, Mukim Petaling, B-2-1 Megan Phoenix, Jalan 2/142A, Off Jalan Cheras.	B2F-19, Block B, Unit 19, Industrial Business Park	Freehold	1,606 sq ft	5	335	2002
17. PM 339, Lot 44692, (HS(M) 16865 PT11, Jln Perusahaan Dua), Mukim Of Batu, Gombak.	Vacant factory land	99-year lease to 05/09/2074	110,599 sq ft	N/A	3,446	2002
18. Lot 46082, Jalan Sg Tua, Batu 9, Batu Caves, Selangor.	Office, factory building & warehouse	Freehold	74,721 sq ft	4	3,769	1999



## SHAREHOLDINGS STRUCTURE

AS AT 30 APRIL 2003 (PURSUANT TO PARAGRAPH 22, PART A, APPENDIX 9C LISTING REQUIREMENTS)

Authorised Share Capital	:	RM200,000,000
Issued and Fully Paid-Up Share Capital	:	RM138,352,000
Class of Shares	:	Ordinary Shares of RM1.00 each fully paid
Voting Rights	:	One vote per ordinary share
No. of shareholders	:	5,018

### DISTRIBUTION OF SHAREHOLDINGS AS AT 30 APRIL 2003

Size of Holdings	No. of Shareholders	Total Holdings	% of Paid-up Capital
Less than 100	3	20	0.00
100-1000	1,332	1,325,683	0.96
1001-10,000	2,885	12,739,515	9.21
10,001-100,000	728	20,730,732	14.98
100,001 and below 5% of share capital	67	40,826,750	29.51
Above 5% of share capital	3	62,729,300	45.34
	5,018	138,352,000	100.00

### SUBSTANTIAL SHAREHOLDERS AS AT 30 APRIL 2003

Shareholders	No. of Shares Held		Percentage Holding
	Direct	Indirect	
AMMB Nominees (Tempatan) Sdn Bhd - AmTrustee Berhad for Koh Poh Seng	22,488,400	-	16.25
Koh Poh Seng	22,329,118	-	16.14
AMMB Nominees (Tempatan) Sdn Bhd - AmTrustee Berhad for Koh Poh Seng	17,911,782	-	12.95

### LIST OF THIRTY (30) LARGEST SHAREHOLDERS AS AT 30 APRIL 2003

No.	Name of Shareholders	No. of Share	Percentage Holding
1.	AMMB Nominees (Tempatan) Sdn Bhd - Amtrustee Berhad for Koh Poh Seng	22,488,400	16.25
2.	Koh Poh Seng	22,329,118	16.14
3.	AMMB Nominees (Tempatan) Sdn Bhd - AmTrustee Berhad for Koh Poh Seng	17,911,782	12.95
4.	AMMB Nominees (Tempatan) Sdn Bhd - Amtrustee Berhad for RHB Bank Berhad	6,297,000	4.55
5.	Yap Swee Thiam	4,209,620	3.04
6.	AMMB Nominees (Tempatan) Sdn Bhd - AmTrustee Berhad for Malayan Banking Berhad	3,256,000	2.35
7.	AMMB Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Pengurusan Danaharta Nasional Berhad	3,224,000	2.33
8.	AMMB Nominees (Asing) Sdn Bhd - AmTrustee Berhad for OCBC Bank (Malaysia) Berhad	3,038,000	2.20
9.	Alliance Group Nominees (Tempatan) Sdn Bhd - Koh Poh Seng	2,928,500	2.12
10.	Public Nominees (Tempatan) Sdn Bhd - Koh Poh Seng	1,300,000	0.94

## SHAREHOLDINGS STRUCTURE (Cont'd)

AS AT 30 APRIL 2003 (PURSUANT TO PARAGRAPH 22, PART A, APPENDIX 9C LISTING REQUIREMENTS)

No.	Name of Shareholders	No. of Share	Percentage Holding
11.	Inventure Graphics Sdn Bhd	1,143,000	0.83
12.	Lim Yen Yen	1,104,576	0.80
13.	Chan Kim Kiok	1,052,200	0.76
14.	AMMB Nominees (Tempatan) Sdn Bhd - AmTrustee Berhad for Utama Merchant Bank Berhad	997,000	0.72
15.	TA Nominees (Tempatan) Sdn Bhd - Lee Tiam Ket	961,000	0.69
16.	Foo Ah Kow @ Foo Lee Onn	769,000	0.56
17.	Goh Huck Sun	734,000	0.53
18.	Chung Shan Kwang	614,000	0.44
19.	AMMB Nominees (Asing) Sdn Bhd - AmTrustee Berhad for HSBC Bank Malaysia Berhad	545,000	0.39
20.	AMMB Nominees (Tempatan) Sdn Bhd - AmTrustee Berhad for Hong Leong Bank Berhad	468,000	0.34
21.	A.A Assets Nominees (Tempatan) Sdn Bhd - Fulcrum Capital Sdn Bhd for Pyramid Tulin Sdn Bhd	450,000	0.33
22.	Chai Kim Hua	334,086	0.24
23.	Ng Yoke Ken	320,000	0.23
24.	HLG Nominee (Tempatan) Sdn Bhd - Tan Choon Piew	270,000	0.20
25.	RHB Capital Nominees (Tempatan) Sdn Bhd - RHB Bank Berhad	263,000	0.19
26.	Mayban Nominees (Tempatan) Sdn Bhd - Oon Ah Bah	260,000	0.19
27.	Harith bin Harun	260,000	0.19
28.	Lau Yau Tong	229,000	0.17
29.	Cheong Fook Chee	227,000	0.16
30.	Leasing Corporation Sdn Bhd	225,000	0.16
		98,208,282	70.99

### DIRECTORS' SHAREHOLDINGS AND INTEREST IN SHARES AS AT 30 APRIL 2003

No.	Name of Directors	No. of Share	Percentage Holding
1.	Koh Poh Seng	67,009,300*	48.43
2.	Lau Boon Seong	Nil	Nil
3.	Lau Fook Meng	Nil	Nil
4.	Wong Keet Loy	Nil	Nil
5.	Goh Jooi Lai	Nil	Nil
6.	See Wee Chern @ See Chan Wee Chern	Nil	Nil

Save as disclosed, none of the other Directors in office have any interests in the shares of related corporations and subsidiary companies of the Company as at 30 April 2003.

\* - Held directly and through nominee companies.



**KPS CONSORTIUM BERHAD** 143816-V  
(Formerly known as Hai Ming Holdings Berhad)  
Incorporated in Malaysia

**PROXY FORM**

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 Seventeenth 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 Saturday, 28 June 2003 at 10.00 am, 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 authorize the proxy to vote at his/her discretion.)

	<b>RESOLUTION</b>	<b>FOR</b>	<b>AGAINST</b>
1.	Adoption of Report and Accounts		
2.	Re-election of Director - Mr Goh Jooi Lai		
3.	Re-election of Director - Mr Lau Boon Seong		
4.	Re-appointment of Auditors and to authorise the Directors to fix their remuneration		
5.	As Special Business Authority to issue shares under Section 132D of the Companies Act, 1965		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2003

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.

