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## Corporate Information

<b>DIRECTORS</b>	Izhar bin Sulaiman (Executive Chairman) Wong Mun Wai (Executive Director) Chuah Hock Soon Kamariah binti Abdul
<b>SECRETARIES</b>	Lim Seck Wah M. Chandrasegaran A/L S. Murugasu
<b>AUDITORS</b>	Shamsir Jasani Grant Thornton (Member Firm of Grant Thornton International) Public Accountants Level 11-1, Faber Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur
<b>REGISTERED OFFICE</b>	Lot 765, Jalan Haji Sirat Off Jalan Meru, 42100 Klang Selangor Darul Ehsan Tel : 03-32915566 Fax : 03-32914489
<b>REGISTRAR</b>	Insurban Corporate Services Sdn. Bhd. 149-B, Jalan Aminuddin Baki Taman Tun Dr. Ismail, 60000 Kuala Lumpur Tel : 03-77295529 Fax : 03-77285948
<b>BANKERS</b>	Arab-Malaysian Bank Berhad Malayan Banking Berhad
<b>SOLICITORS</b>	Cheang & Ariff
<b>STOCK EXCHANGE LISTING</b>	The Kuala Lumpur Stock Exchange – Second Board
<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 Directors

**En. Izhar Bin Sulaiman**, age 50, was appointed a Director of Hai Ming on 11 February 1999 and became the Executive Chairman on 4 March 1999. He had previously sat on the Board of various public listed companies prior to joining Hai Ming. He is a prominent entrepreneur with interests in high-end fashion retailing, water treatment operation, power plant operation and property development. He is currently a Director of KFC Holdings (M) Bhd, Ayamas Food Corporation Bhd and Omega Holdings Bhd, all of which are listed on the Main Board of the Kuala Lumpur Stock Exchange (KLSE).

En Izhar attended four (4) out of the four (4) Board Meetings held in the financial year. He has no family relationship with any Director and/ or major shareholder of Hai Ming Holdings Berhad. To-date, there has not been any occurrence where En Izhar's interest conflict with that of Hai Ming Holdings Berhad. In the past ten (10) years, he has not been convicted of any criminal offence other than traffic offence.

**Mr. Wong Mun Wai**, age 44, joined Hai Ming in June 1997 as the Chief Operating Officer. He was appointed an Executive Director of Hai Ming on 20 September 2000. Mr. Wong is a Fellow member of the Association of Chartered Certified Accountants (UK) and has over twenty years of experience both in the accounting profession and in commerce. After twelve years in the public accounting profession, and prior to joining Hai Ming Mr Wong joined a company listed on the Main Board of the KLSE as a finance manager in 1993. His responsibilities included corporate finance, accounts, legal matters, secretarial and operational functions. The last position Mr Wong held was Senior Finance Manager cum Company Secretary.

Mr Wong is also a director of several subsidiary companies of Hai Ming Holdings Berhad. He is a member of the Audit Committee in Hai Ming Holdings Berhad. He has attended two (2) out of the four (4) Board Meetings held (all since appointment) in the financial year. He has no family relationship with any Director and/ or major shareholder of Hai Ming Holdings Berhad. To-date, there has not been any occurrence where Mr Wong's interest conflict with that of Hai Ming Holdings Berhad. In the past ten (10) years, he has not been convicted of any criminal offence other than traffic offence.

## Profile Of Directors (cont'd)

**Mr Chuah Hock Soon**, age 36, was appointed an Independent Non-Executive Director of Hai Ming on 11 February 1999. Mr Chuah graduated with a Bachelor of Arts (majoring in Business & Economics) from Ohio, USA and worked as a financial consultant and a registered representative for NASDAQ and NYSE. Upon his return to Malaysia in 1991, he worked as a senior research manager and financial analyst for Swiss Bank Corp. Prior to joining Hai Ming, he was the General Manager cum Head of Research of MBF Northern Securities Sdn Bhd since 1995.

Mr Chuah is also a director of several subsidiary companies of Hai Ming Holdings Berhad. He is the Chairman of the Audit Committee in Hai Ming Holdings Berhad. He has attended four (4) out of the four (4) Board Meetings held in the financial year. He has no family relationship with any Director and/ or major shareholder of Hai Ming Holdings Berhad. To-date, there has not been any occurrence where Mr Chuah's interest conflict with that of Hai Ming Holdings Berhad. In the past ten (10) years, he has not been convicted of any criminal offence other than traffic offence.

**Puan Kamariah Binti Abdul**, age 52, was appointed an Independent Non-Executive Director of Hai Ming on 20 September 2000. She was formerly with the Royal Malaysian Police prior to joining Hai Ming.

Puan Kamariah is a member of the Audit Committee in Hai Ming Holdings Berhad. She has attended two (2) out of the four (4) Board Meetings held (all since appointment) in the financial year. She has no family relationship with any Director and/ or major shareholder of Hai Ming Holdings Berhad. To-date, there has not been any occurrence where Puan Kamariah's interest conflict with that of Hai Ming Holdings Berhad. In the past ten (10) years, she has not been convicted of any criminal offence other than traffic offence.

All the above directors are Malaysian and are not related to each other.

# Audit Committee

The Audit Committee comprises the following Directors:-

**CHUAH HOCK SOON**

(Chairman, Independent Non-Executive Director)

**KAMARIAH BINTI ABDUL**

(Independent Non-Executive Director)

**WONG MUN WAI**

(Executive Director)

## TERMS OF REFERENCE

### Policy

The Audit Committee is established to ensure that the internal and external audit functions are properly conducted and that audit recommendations are being carried out effectively.

### Objective

The primary objective of the Audit Committee is to assist the Board in the effective discharge of its fiduciary responsibilities for proper corporate governance, financial reporting to shareholders and the public and for effective internal controls.

The Audit Committee will endeavour to adopt certain practices aimed at maintaining appropriate standards of responsibility, integrity and accountability to all the Company's shareholders.

### Membership

The Committee shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than 3 members with a majority of independent directors. At least one member must be a member of the Malaysian Institute of Accountants or if he is not a member of the Malaysian Institute of Accountants, he must fulfil the specific requirements set out in the KLSE Listing Requirements.

The Chairman of the Committee shall be an Independent Non-Executive Director appointed by the Board.

### Functions Of The Audit Committee

The functions of the Audit Committee shall be:-

- a) to review:-
  - i) with the auditor, the audit plan
  - ii) with the auditor, his evaluation of the system of internal controls
  - iii) With the auditor, his audit report
  - iv) the assistance given by the company's officers to the auditor;
  - v) the scope and results of the internal audit procedures;



## Audit Committee (cont'd)

- vi) the balance sheet and profit and loss accounts of the company and the consolidated balance sheet and profit and loss account, submitted to it by the company and thereafter to submit them to the directors of the company;
  - vii) any related party transaction that may arise within the company or the group; and
- b) to nominate a person or persons as auditors together with such other functions as may be agreed to by the Audit Committee and the Board of Directors.

### Authority

The Committee is authorised by the Board to:

- a) investigate any activity within the scope of the Committee's duties;
- b) obtain any information it requires for any Committee's duties;
- c) obtain outside legal or independent professional advice and
- d) make recommendations for improvements of the operating performance and management control arising from the recommendations of internal and external audits.

### Meeting and Minutes

The Committee shall meet as frequently as the Chairman shall decide in order to discharge its duties but not less than three (3) times a year. In addition the Chairman is required to call for a meeting of the Committee if required to do so by any committee member, any Executive Director or the external auditors.

Two (2) members of the Committee shall constitute a quorum.

The Secretary of the Committee shall be the Company Secretary.

### Reporting Procedures

The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

## Audit Committee (cont'd)

### Audit Committee Report

The Audit Committee met 4 times during the financial year ended 30 April 2001

Name of Members	Total number of meetings held	Meetings attended by members
<b>Independent and Non-Executive Directors</b>		
Chuah Hock Soon	4	4
Kamariah Binti Abdul (appointed on 20 September 2000)	4	2
Abdullah Bin Omar (resigned on 28 August 2000)	4	1
<b>Non-independent and Executive Director</b>		
Wong Mun Wai (appointed on 20 September 2000)	4	2
Izhar Bin Sulaiman (resigned on 20 September 2000)	4	2

During the financial year, the activities of the Audit Committee included:

1. Reviewing the audited accounted accounts for financial year ended 30 April 2000 and unaudited quarterly financial results announcements of the Group and making recommendations to the Board.
2. Discussing and reviewing the external auditors' report and updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board.
3. Reviewing any related party transactions involving the business undertaken by the Group.

## Chairman's Statement

On behalf of the Board of Directors, I present the Annual Report and audited accounts of the Group and of the Company for the financial year ended 30 April 2001.

### **OPERATING RESULTS**

Group turnover for this financial year dropped to RM25.5 million (Year 2000 RM31.3 million). However, Group pre-tax loss has been reduced to RM7.1 million (Year 2000 RM9.2 million). The drop in turnover is mainly due to lower turnover in the paper trading division as a result of falling paper prices and a lack of working capital. The reduction in pre-tax loss is mainly due to higher contribution from the tissue division.

The Group has been operating with limited working capital since the Group's bankers withdrawn their facilities in 1999.

At Company level there has been no turnover in the form of dividend income from subsidiaries due to the poor performance of these subsidiaries over the past few years.

### **REVIEW OF OPERATIONS**

The lack of working capital continued to plague the Group. In order to maximize the return on the limited working capital, the Group has concentrated on its manufacturing division which has higher value added.

In this regard, the Board is glad to report that Paragon Paper Mill Sdn Bhd's (PPM) operation has been successfully turned around. From a loss of over RM4.5 million in previous years, PPM is expected to generate a net profit in the next financial year.



## Chairman's Statement (cont'd)

With the turnaround, the Group can be expected to return to profitability once its debts problem are resolved and adequate working capital is available.

### *Dividend*

The Board is not recommending any payment of dividend due to the performance of the Group.

### *Corporate Highlights*

The year under review continued to be a period of trying time for the Group. With another proposed restructuring scheme fallen by the way due to the continued downturn of the KLSE, the Board has appointed Public Merchant Bankers Bhd as advisers to explore possible settlement proposals with the lenders and potential White Knights.

The Board will keep you informed on any new development on any settlement agreement with the lenders.

## Chairman's Statement (cont'd)

### *Prospects*

The Group is in dire need of working capital. Without which, it will continue to suffer losses due to the high interest cost on its huge debts.

The recent rise in the KLSE may be the beginning of a major rally. Hopefully with a more buoyant stock market our debt restructuring plan can be more readily accomplished.

### *Acknowledgement*

On behalf of the Board, I wish to express my sincere appreciation to the Management and staff for their loyalty, dedication and hard work during these trying times.


I would also like to thank the authorities, shareholders, business associates and customers for their continued support and confidence in the Group.

Finally, I would like to extend my sincere appreciation to my fellow Board members for their valuable contributions throughout the year.

**Izhar Bin Sulaiman**  
Executive Chairman

23 August 2001

# Financial Statements



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# Directors' Report

The Directors of Hai Ming Holdings Bhd. hereby submit their report and audited financial statements of the Group and of the Company for the financial year ended 30 April 2001.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are as mentioned in Note 11 to the Financial Statements.

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

## FINANCIAL RESULTS

	Group RM	Company RM
Net loss for the year	6,707,028	3,920,220
Accumulated loss at beginning of year	<u>23,841,647</u>	<u>18,077,675</u>
Accumulated loss at end of year	<u>30,548,675</u>	<u>21,997,895</u>

## DIVIDENDS

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

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the Financial Statements.

## ISSUE OF SHARES AND DEBENTURES

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

## 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 year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

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

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

### OTHER STATUTORY INFORMATION

The Directors state that:-

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



## Directors' Report (cont'd)

### OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the Directors :-

- (a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Note 20 to the Financial Statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

### SIGNIFICANT EVENT SUBSEQUENT TO BALANCE SHEET DATE

Significant event subsequent to balance sheet date is disclosed in Note 28 to the Financial Statements.

### DIRECTORS OF THE COMPANY

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

Izhar bin Sulaiman	(Executive Chairman)
Chuah Hock Soon	
Wong Mun Wai	(Executive Director) (appointed on 20.9. 2000)
Kamariah binti Abdul	(appointed on 20.9.2000)
Abdullah bin Omar	(resigned on 28.8.2000)

In accordance with Article 80 of the Company's Articles of Association, Encik Izhar bin Sulaiman retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

According to the Register of Directors' Shareholdings, the Directors holding office at the end of the financial year and their interests in the ordinary share capital of the Company are as follow:-

Company	Number of ordinary shares of RM1 each			
	At 1.5.2000	Bought	Sold	At 30.4.2001
Izhar bin Sulaiman - deemed interest	3,000,000	-	3,000,000	-

No other Directors holding office at the financial year end held or dealt with any shares of the Company and its related corporations during the financial year.

# Directors' Report (cont'd)

## DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in Note 26 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## AUDITORS

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

On behalf of the Board

	)	
IZHAR BIN SULAIMAN	)	
Executive Chairman	)	
	)	
	)	
	)	DIRECTORS
	)	
	)	
	)	
	)	
WONG MUN WAI	)	
Executive Director	)	

Klang  
23 August 2001

## Statement By Directors

In the opinion of the Directors, the financial statements set out on pages 19 to 44 are drawn up in accordance with the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 April 2001 and of the results, changes in equity and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board

IZHAR BIN SULAIMAN  
EXECUTIVE CHAIRMAN

WONG MUN WAI  
EXECUTIVE DIRECTOR

Klang  
23 August 2001

## Statutory Declaration

I, Wong Keet Loy, being the Officer primarily responsible for the financial management of Hai Ming Holdings Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 19 to 44 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 on )  
23 August 2001 )  
)

WONG KEET LOY

Before me:

**A.T. LIM JO SEN**, A.M.N.  
(NO. W057)

Commissioner for Oaths

# Report Of The Auditors

## To the Members of HAI MING HOLDINGS BHD

We have audited the financial statements set out on pages 19 to 44 of Hai Ming Holdings Bhd., comprising the balance sheets of the Group and of the Company and the notes to the financial statements as at 30 April 2001 and of the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year ended on that date.

The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In the previous financial year, the financial statements of an overseas subsidiary company, Hubei Huali Paper Mills Co. Ltd. (HHPM), has been deconsolidated and fully provided for due to the lack of effective control of HHPM operations as the Group does not exercise sufficient control over the management team.

During the financial year, a Court Order was issued pursuant to creditors petition for winding up to freeze the assets and operations of the abovementioned subsidiary company. The Company is unable to exercise management control over the preparation of the financial statements of this subsidiary company due to the Court Order. No audited financial statements of 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 the applicable approved accounting standards in Malaysia so as to give a true and fair view of :-
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company ; and
  - (ii) the state of affairs of the Group and of the Company as at 30 April 2001 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the financial year ended on that date;

## Report Of The Auditors (cont'd)

and

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

We have considered the financial statements and the auditors' reports thereon of the subsidiary companies of which we have not acted as auditors, as indicated in Note 11 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 these purposes.

The auditors' reports on the Financial Statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Companies Act, 1965.

Without qualifying our opinion, we draw attention to Notes 2 and 28 of the Financial Statements, and report that :-

Without qualifying our opinion, we wish to highlight that the Group has a capital deficiency of RM10,754,380 and its total current liabilities exceeded its total current assets by RM49,152,586. Hence, the validity of the continuation as a going concern is dependent upon future profitable operations and/or obtaining additional finance from the shareholders and/or from other sources. In view of the fact that the preparation of the financial statements is on a going concern basis, we consider that these disclosures should be brought to your attention. Our opinion is not qualified in this respect.

SHAMSIR JASANI GRANT THORNTON  
(NO: AF-737)  
PUBLIC ACCOUNTANTS

DATO' N.K. JASANI  
PUBLIC ACCOUNTANT  
(NO: 708/03/02(J/PH) )  
PARTNER

Kuala Lumpur  
23 August 2001



# Balance Sheets

As at 30 APRIL 2001

	Note	Group		Company	
		2001 RM	2000 RM	2001 RM	2000 RM
SHARE CAPITAL	5	19,800,000	19,800,000	19,800,000	19,800,000
EXCHANGE FLUCTUATION RESERVE	6	(5,705)	61,809	-	-
ACCUMULATED LOSS		(30,548,675)	(23,841,647)	(21,997,895)	(18,077,675)
		(10,754,380)	(3,979,838)	(2,197,895)	1,722,325
DEFERRED AND LONG TERM LIABILITIES					
Finance creditors	7	285,067	700,803	-	-
Term loans	8	-	345,000	-	-
Deferred taxation	9	369,000	541,000	-	-
		(10,100,313)	(2,393,035)	(2,197,895)	1,722,325
REPRESENTED BY :					
FIXED ASSETS	10	39,052,272	41,776,172	-	-
INVESTMENT IN SUBSIDIARY COMPANIES	11	1	1	10,813,988	13,392,354
INTANGIBLE ASSETS	12	-	9,301	-	-
CURRENT ASSETS					
Inventories	13	3,797,179	4,751,529	-	-
Trade debtors	14	3,345,607	3,121,636	-	-
Other debtors, deposits and prepayments	15	3,083,503	2,613,420	179,648	-
Amount due from subsidiary companies	16	-	-	2,288,924	2,355,954
Tax recoverable		-	-	20,701	20,701
Deposits with licensed banks	17	719,573	558,000	-	-
Cash and bank balances		796,794	1,110,474	5,466	591
Total current assets		11,742,656	12,155,059	2,494,739	2,377,246
LESS: CURRENT LIABILITIES					
Trade creditors		1,392,104	2,189,263	-	-
Other creditors and accruals		7,880,214	5,382,869	180,733	141,840
Amount due to subsidiary companies	16	-	-	15,325,889	13,905,435
Term loans	8	14,167,775	13,772,377	-	-
Bank borrowings	18	37,443,149	34,786,841	-	-
Tax payable		12,000	202,218	-	-
Total current liabilities		60,895,242	56,333,568	15,506,622	14,047,275
NET CURRENT LIABILITIES		(49,152,586)	(44,178,509)	(13,011,883)	(11,670,029)
		(10,100,313)	(2,393,035)	(2,197,895)	1,722,325

The above balance sheets are to be read in conjunction with the Notes to the Financial Statements on pages 25 to 44.

# Income Statements

For The Financial Year Ended 30 APRIL 2001

	Note	Group		Company	
		2001 RM	2000 RM	2001 RM	2000 RM
Revenue	19	25,507,120	31,317,465	-	-
Cost of sales		(23,177,541)	(30,616,255)	-	-
Gross profit		2,329,579	701,210	-	-
Other operating income		563,300	1,146,326	86,164	135,388
Distribution costs		(1,500,129)	(1,892,570)	-	-
Administration expenses		(2,939,031)	(3,374,069)	(60,294)	(142,307)
Other operating expenses		(405,956)	(203,118)	-	-
Loss from operations		(1,952,237)	(3,622,221)	25,870	(6,919)
Finance costs		(5,107,694)	(4,788,359)	(817,894)	(822,855)
Exceptional items	20	-	(775,657)	(3,128,196)	(2,696,203)
Loss before taxation	21	(7,059,931)	(9,186,237)	(3,920,220)	(3,525,977)
Taxation	22	352,903	384,536	-	(17)
Net loss for the year		(6,707,028)	(8,801,701)	(3,920,220)	(3,525,994)
Loss per share	23	33.9 sen	44.5 sen		

The above income statements are to be read in conjunction with the Notes to the Financial Statements on pages 25 to 44.

# Statements Of Changes In Equity

For The Financial Year Ended 30 APRIL 2001

	Share capital RM	Exchange fluctuation reserve RM	Accumulated loss RM	Total RM
<b>Group</b>				
Balance at 1 May 1999	19,800,000	5,128,181	(15,039,946)	9,888,235
Reversal of a subsidiary company not consolidated	-	(5,137,494)	-	(5,137,494)
Currency translation differences	-	71,122	-	71,122
Net loss for the year	-	-	(8,801,701)	(8,801,701)
Balance at 30 April 2000	19,800,000	61,809	(23,841,647)	(3,979,838)
Currency translation differences	-	(67,514)	-	(67,514)
Net loss for the year	-	-	(6,707,028)	(6,707,028)
Balance at 30 April 2001	19,800,000	(5,705)	(30,548,675)	(10,754,380)
<b>Company</b>				
Balance at 1 May 1999	19,800,000	-	(14,551,681)	5,248,319
Net loss for the year	-	-	(3,525,994)	(3,525,994)
Balance at 30 April 2000	19,800,000	-	(18,077,675)	1,722,325
Net loss for the year	-	-	(3,920,220)	(3,920,220)
Balance at 30 April 2001	19,800,000	-	(21,997,895)	(2,197,895)

The above statements of changes in equity are to be read in conjunction with the Notes to the Financial Statements on pages 25 to 44.

# Cash Flow Statements

For The Financial Year Ended 30 APRIL 2001

Note	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before taxation	(7,059,931)	(9,186,237)	(3,920,220)	(3,525,977)
<b>Adjustments for:</b>				
Bad debts written off	34,602	270,135	-	-
Depreciation	2,514,135	3,118,079	-	-
Expenditure carried forward written off	9,301	9,568	-	-
Fixed assets written off	335,784	4,056	-	-
Loss/(Gain) on disposal of fixed assets	1,252	(343,840)	-	-
Inventories written off	1,607	71,850	-	-
Interest expenses	4,995,911	4,675,702	817,848	822,820
Provision for amount due from subsidiary companies				
- current	-	-	549,830	1,191,858
- no longer required	-	-	-	(746,945)
Provision for doubtful debts				
- current	266,622	446,499	-	-
- no longer required	(535,481)	(2,539,010)	-	-
Provision for slow moving inventories				
- current	24,898	-	-	-
- no longer required	(5,232)	(1,142,562)	-	-
Provision for foreseeable loss	-	775,657	-	-
Provision for diminution in investments	-	-	2,578,366	2,251,290
Interest income	(73,484)	(25,781)	(86,164)	(135,388)
Operating profit/(loss) before working capital changes	509,984	(3,865,884)	(60,340)	(142,342)
Changes in working capital:-				
Inventories	933,077	4,501,157	-	-
Debtors	(524,977)	10,740,964	(179,648)	-
Creditors	(568,336)	(10,770,421)	38,893	50,111
Subsidiary companies	-	-	937,654	924,889
Trade finance	341,000	(698,018)	-	-
Cash generated from/(used in) operation	690,748	(92,202)	736,559	832,658
Expenditure carried forward incurred	-	4,748	-	-
Interest paid	(2,215,820)	(4,675,702)	(817,848)	(822,820)
Interest received	73,484	25,781	86,164	135,388
Tax refunded	-	3,722	-	-
Tax paid	(10,241)	(335,798)	-	(144,689)
Net cash (used in)/from operating activities	(1,461,829)	(5,069,451)	4,875	537

# Cash Flow Statements (cont'd)

For The Financial Year Ended 30 APRIL 2001

	Note	Group		Company	
		2001 RM	2000 RM	2001 RM	2000 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from disposal of fixed assets		7,793	867,400	-	-
Purchase of fixed assets		(135,064)	(1,255,557)	-	-
Capital work-in-progress incurred		-	(923,013)	-	-
Net cash used in investing activities		(127,271)	(1,311,170)	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of term loans		-	(1,418,612)	-	-
Repayment of revolving credits		-	(4,035,747)	-	-
Repayment of other borrowings		-	(1,767,880)	-	-
Repayment of finance creditors		(497,554)	(1,515,730)	-	-
Net cash used in financing activities		(497,554)	(8,737,969)	-	-
Net (decrease)/increase in cash and cash equivalents		(2,086,654)	(15,118,590)	4,875	537
Cash and cash equivalents brought forward		(20,052,699)	(8,601,507)	591	54
Cash and cash equivalents of subsidiary company de-consolidated	A	-	3,667,664	-	-
Cash and cash equivalents carried forward	B	(22,139,353)	(20,052,433)	5,466	591



# Cash Flow Statements (cont'd)

For The Financial Year Ended 30 APRIL 2001

## NOTES TO THE CASH FLOW STATEMENTS

### A. DE-CONSOLIDATION OF SUBSIDIARY COMPANY

The carrying value of assets and liabilities of the subsidiary company when it ceased to be consolidated in the previous financial year were as follows:-

	<b>2000</b>
	<b>RM</b>
Cash and bank balances	1,249,794
Short-term borrowings	(165,204)
Revolving credit	(4,752,254)
Cash and cash equivalents	(3,667,664)
Fixed assets	12,051,564
Expenditure carried forward	14,517
Inventories	5,838,592
Debtors	9,690,133
Creditors	(14,564,242)
Taxation	(64,135)
Minority interest	(3,385,614)
Translation differences	(5,137,494)
Share of net assets at the point of de-consolidation	775,657

### B. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2001	2000	2001	2000
	RM	RM	RM	RM
Cash and bank balances	796,794	1,110,474	5,466	591
Deposits with licensed banks	719,573	558,000	-	-
Bank overdrafts	(23,655,720)	(21,720,907)	-	-
Cash and cash equivalents as previously reported	(22,139,353)	(20,052,433)	5,466	591
Effect of exchange rate changes	-	(266)	-	-
Cash and cash equivalents as restated	(22,139,353)	(20,052,699)	5,466	591

The above cash flow statements are to be read in conjunction with the Notes to the Financial Statements on pages 25 to 44.

# Notes To The Financial Statements

30 APRIL 2001

## 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 the applicable approved accounting standards in Malaysia.

## 2. FUNDAMENTAL ACCOUNTING CONCEPT

As at 30 April 2001, the Group and the Company have capital deficiencies of RM10,754,380 and RM2,197,895 respectively and its total current liabilities exceeded its total current assets by RM49,152,586 and RM13,011,883 respectively.

The Directors are of the opinion that the Group and the Company do not have sufficient financial resources to meet their short term borrowings when they become due. Cash generated from operations alone will not be able to pay the short term borrowings when they fall due without the sale of assets, restructuring the bank facilities and/or raising further capital.

As and when required, efforts may have to be taken by the Directors for the Group to divest sufficient assets, raise long term loans and restructure its existing borrowings to long term.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Accounting convention

The financial statements of the Group and of the Company are prepared under the historical cost convention, modified by the revaluation of certain fixed assets and investments.

### (b) Basis of consolidation

The consolidated financial statements incorporated the audited financial statements of the Company and its subsidiary companies made up to 30 April 2001, except for a subsidiary company, Hubei Huali Paper Mills Co. Ltd., which is not consolidated for reasons as stated in Note 11 to the Financial Statements. The subsidiary companies are consolidated on acquisition method.

Under the acquisition method of accounting, the results of the subsidiary companies acquired are included from the date of acquisition. At the date of acquisition, the fair value of the subsidiary companies' net assets are determined and reflected in the Group

# Notes To The Financial Statements (cont'd)

30 APRIL 2001

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

### (b) Basis of consolidation (cont'd)

financial statements. The excess of the consideration paid for the shares in the subsidiary companies over the fair value of the underlying net assets of the subsidiary companies acquired represents goodwill arising on consolidation. Goodwill arising on consolidation have been written off in the previous financial year.

All significant inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

### (c) Subsidiary companies

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 statements.

### (d) Foreign currency translation

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

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 statements are translated into Ringgit Malaysia at the average exchange rates for the financial year. Exchange differences arising from such translations are transferred to exchange fluctuation reserve.

The closing rates used in translation were as follows :-

	<u>2001</u>	<u>2000</u>
Singapore Dollar	2.09	2.19
US Dollar	3.79	3.79
Chinese Renminbi	0.46	0.46

### (e) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation. Freehold land is not depreciated. Depreciation on fixed assets is calculated to write off the cost or valuation of the fixed assets on a straight line basis over the estimated useful lives of the assets concerned.

# Notes To The Financial Statements (cont'd)

30 APRIL 2001

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (e) Fixed assets and depreciation (cont'd)

The principal annual rates used are as follows:-

Leasehold land	Amortised over the lease terms of 25-785 years
Buildings	2% - 4%
Plant and machineries	6% - 10%
Furniture, fittings and equipments	10% - 33.3%
Motor vehicles	12.5% - 20%
Office renovation	10% - 20%

### (f) Inventories

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

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

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

### (g) Expenditure carried forward

All expenses incurred in connection with the formation of subsidiary companies have been deferred and charged to preliminary expenses while all other expenses incurred before commencement of business operation have been deferred and charged to pre-operating expenses. Preliminary and pre-operating expenses are written off in the year of commencement of operations.

The expenditure carried forward has been written off during the financial year in order to comply with MASB 1, Presentation of Financial Statements.

### (h) Deferred taxation

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

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

### (i) 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 fixed assets depreciation policy. Outstanding obligation due under the finance lease or hire

# Notes To The Financial Statements (cont'd)

30 APRIL 2001

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

### (i) Finance lease/Hire purchase (cont'd)

purchase agreements 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.

### (j) Debtors

Known bad debts are written off and specific provision is made for debts which are considered to be doubtful of collection. In addition, general provisions are made to cover possible losses which are not specifically identified.

### (k) 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.

### (l) Cash and cash equivalents

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

## 4. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are mentioned in Note 11 to the Financial Statements.

## 5. SHARE CAPITAL

	Group and Company	
	2001	2000
	RM	RM
Authorised :		
Ordinary shares of RM1 each		
At beginning of year	25,000,000	20,000,000
Created during the year	-	5,000,000
At end of year	25,000,000	25,000,000
Issued and fully paid :		
Ordinary shares of RM1 each	19,800,000	19,800,000

# Notes To The Financial Statements (cont'd)

30 APRIL 2001

## 6. EXCHANGE FLUCTUATION RESERVE

This reserve is not available for distribution as dividends.

## 7. FINANCE CREDITORS

	Group	
	2001 RM	2000 RM
Finance creditors	1,401,812	2,081,254
Interest-in-suspense	(193,796)	(375,684)
	<u>1,208,016</u>	<u>1,705,570</u>
Total principal sum payable		
- within 1 year	922,949	1,004,767
- after 1 year but not later than 5 years	285,067	700,803
	<u>1,208,016</u>	<u>1,705,570</u>

The amount payable within 12 months has been included in other creditors and accruals.

## 8. TERM LOANS

	Group	
	2001 RM	2000 RM
Secured	5,417,467	5,417,467
Unsecured	8,750,308	8,699,910
	<u>14,167,775</u>	<u>14,117,377</u>
Due within one year	14,167,775	13,772,377
Due after one year	-	345,000
	<u>14,167,775</u>	<u>14,117,377</u>

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

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

The subsidiary companies have defaulted in the repayment of these term loans and they are currently payable on demand. However, the Company had registered with the Corporate Debt Restructuring Committee ("CDRC") to restructure the said term loans. A few proposals had been submitted to CDRC for the considerations of the bank lenders. However, all these were subsequently withdrawn due to the many issues and reservations raised by the lenders. At the date of this report, the Company has submitted a fresh proposal for the consideration of the bank lenders.

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

Interest is charged at rates ranging from 8.11% to 8.97% (2000: 8.25% to 9.40%) per annum.

## Notes To The Financial Statements (cont'd)

30 APRIL 2001

## 9. DEFERRED TAXATION

	Group	
	2001 RM	2000 RM
At beginning of year	541,000	978,000
Transfer to income statements	(172,000)	(437,000)
At end of year	369,000	541,000

## 10. FIXED ASSETS

Group	Land and buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings and others RM	Total 2001 RM	Total 2000 RM
<b>Cost or valuation</b>						
At beginning of year						
- cost	13,157,883	23,945,137	1,231,924	2,058,531	40,393,475	52,997,807
- valuation	13,767,235	-	-	-	13,767,235	13,767,235
	26,925,118	23,945,137	1,231,924	2,058,531	54,160,710	66,765,042
Additions	-	52,948	-	82,116	135,064	1,255,557
Transfer from capital work-in-progress	-	-	-	-	-	6,781,288
Disposals	-	(45,000)	-	(10,090)	(55,090)	(1,586,860)
Written off	-	(645,384)	-	(445,887)	(1,091,271)	(49,484)
Reversal of subsidiary company not consolidated	-	-	-	-	-	(19,004,833)
At end of year	26,925,118	23,307,701	1,231,924	1,684,670	53,149,413	54,160,710
<b>Accumulated depreciation</b>						
At beginning of year	2,849,618	7,165,386	1,055,292	1,314,242	12,384,538	17,328,456
Charge for the year	580,195	1,675,534	128,084	130,322	2,514,135	3,118,079
Disposals	-	(41,249)	-	(4,796)	(46,045)	(1,063,300)
Written off	-	(381,853)	-	(373,634)	(755,487)	(45,428)
Reversal of subsidiary company not consolidated	-	-	-	-	-	(6,953,269)
At end of year	3,429,813	8,417,818	1,183,376	1,066,134	14,097,141	12,384,538
<b>Net book value</b>						
30 April 2001	23,495,305	14,889,883	48,548	618,536	39,052,272	-
30 April 2000	24,075,500	16,779,751	176,632	744,289	-	41,776,172
Depreciation charge for the year ended 30 April 2000	686,766	1,892,806	377,161	161,346	-	3,118,079



## Notes To The Financial Statements (cont'd)

30 APRIL 2001

## 10. FIXED ASSETS (CONT'D)

Group	Land and buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings and others RM	Total 2001 RM	Total 2000 RM
Cost or valuation at 30 April 2001						
- cost	13,157,883	23,307,701	1,231,924	1,684,670		40,393,475
- valuation	13,767,235	-	-	-		13,767,235
	26,925,118	23,307,701	1,231,924	1,684,670		54,160,710

Analysis of land:-

Group	Freehold land RM	Long leasehold land RM	Short leasehold land RM	Total 2001 RM	Total 2000 RM
<b>Cost or valuation</b>					
At beginning of year					
- cost	-	1,556,876	450,000	2,006,876	2,335,797
- 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	6,213,506
Additions	-	-	-	-	14,854
Reversal of subsidiary company not consolidated	-	-	-	-	(343,775)
At end of year	2,328,709	1,556,876	1,999,000	5,884,585	5,884,585
<b>Accumulated depreciation</b>					
At beginning of year	-	164,385	288,559	452,944	428,595
Charge for the year	-	25,948	57,448	83,396	83,236
Reversal of subsidiary company not consolidated	-	-	-	-	(58,887)
At end of year	-	190,333	346,007	536,340	452,944
<b>Net book value</b>					
30 April 2001	2,328,709	1,366,543	1,652,993	5,348,245	-
30 April 2000	2,328,709	1,392,491	1,710,441	-	5,431,641
Depreciation charge for the year ended 30 April 2000	-	25,783	57,453	-	83,236
Cost or valuation at 30 April 2001					
- cost	-	1,556,876	450,000	2,006,876	2,006,876
- valuation: 1993	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

## Notes To The Financial Statements (cont'd)

30 APRIL 2001

## 10. FIXED ASSETS (CONT'D)

Analysis of buildings:-

Group	Freehold buildings	Long leasehold buildings	Short leasehold buildings	Total 2001	Total 2000
Cost or valuation	RM	RM	RM	RM	RM
At beginning of year					
- cost	100,622	5,630,320	5,420,065	11,151,007	14,451,258
- valuation	7,437,328	-	2,452,198	9,889,526	9,889,526
	7,537,950	5,630,320	7,872,263	21,040,533	24,340,784
Additions	-	-	-	-	696,739
Transfer from capital work-in-progress	-	-	-	-	2,980,000
Reversal of subsidiary company not consolidated	-	-	-	-	(6,976,990)
At end of year	7,537,950	5,630,320	7,872,263	21,040,533	21,040,533
<b>Accumulated depreciation</b>					
At beginning of year	1,038,921	278,296	1,079,457	2,396,674	4,162,975
Charge for the year	150,759	112,606	233,434	496,799	603,530
Reversal of subsidiary company not consolidated	-	-	-	-	(2,369,831)
At end of year	1,189,680	390,902	1,312,891	2,893,473	2,396,674
<b>Net book value</b>					
30 April 2001	6,348,270	5,239,418	6,559,372	18,147,060	-
30 April 2000	6,499,029	5,352,024	6,792,806	-	18,643,859
<b>Depreciation charge</b> for the year ended 30 April 2000	150,759	96,320	356,451	-	603,530
Cost or valuation at 30 April 2001					
- cost	100,622	5,630,320	5,420,065	11,151,007	11,151,007
- valuation: 1993	7,437,328	-	2,452,198	9,889,526	9,889,526
	7,537,950	5,630,320	7,872,263	21,040,533	21,040,533

## Notes To The Financial Statements (cont'd)

30 APRIL 2001

## 10. FIXED ASSETS (CONT'D)

- (a) Certain land and buildings of the Group were revalued in year 1992 and year 1993 by the Directors based on the valuation done by independent professional valuers on an open market value basis.

However, there is no subsequent revaluation being conducted as the Directors are of the opinion that the above revalued land and buildings would not materially differ from its current market value.

In the opinion of the Directors, unreasonable expenses would be incurred in obtaining the original costs of the assets valued in that financial year.

- (b) Certain land and buildings of the Group with net book value of RM8,212,365 (2000:RM8,503,247) are charged to licensed banks for banking facilities and term loans granted to certain subsidiary companies.
- (c) The net book value of fixed assets which are under hire purchase are as follows:-

	Group	
	2001 RM	2000 RM
Hire purchase:-		
Plant and machineries	828,388	1,139,437
Motor vehicles	35,164	162,353
	863,552	1,301,790

## 11. INVESTMENT IN SUBSIDIARY COMPANIES

- (a) The subsidiary companies are:-

Name of company	Place of incorporation	Effective interest		Principal activities
		2001 %	2000 %	
Hai Ming Capital Sdn. Bhd.	Malaysia	100	100	Investment holding
Hai Ming Development Sdn. Bhd.	Malaysia	100	100	Dormant
Hai Ming Enterprise Sdn. Bhd.	Malaysia	100	100	Trading in paper products
Hai Ming Industries Sdn. Bhd.	Malaysia	100	100	Converting of paper into paper related products

## Notes To The Financial Statements (cont'd)

30 APRIL 2001

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

(a) The subsidiary companies are (cont'd)

Name of company	Place of incorporation	Effective interest		Principal activities
		2001 %	2000 %	
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 Company Sdn. Bhd.	Malaysia	100	100	Trading in paper, paper products, stationery and general household products
Hai Ming Ventures Sdn. Bhd.	Malaysia	100	100	Dormant
Paragon Paper Mill Sdn. Bhd.	Malaysia	51	51	Manufacturing tissue paper and tissue related products
Hai Ming Impex (S) Pte. Ltd. *	Singapore	100	100	Dormant
<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

## Notes To The Financial Statements (cont'd)

30 APRIL 2001

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

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

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

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

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

(b) Investment in subsidiary company not consolidated:-

	Group	
	2001 RM	2000 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	
	2001 RM	2000 RM
Unquoted shares :-		
At Directors' valuation	10,214,562	10,214,562
At cost	18,328,115	18,328,115
	28,542,677	28,542,677
Less: Provision for diminution in value	(17,728,689)	(15,150,323)
	10,813,988	13,392,354

## Notes To The Financial Statements (cont'd)

30 APRIL 2001

## 12. INTANGIBLE ASSETS

	Group	
	2001 RM	2000 RM
Preliminary expenses	2,790	12,358
Pre-operating expenses	6,511	6,511
	9,301	18,869
Less: Written off during the year	(9,301)	(9,568)
	-	9,301

Included in pre-operating expenses of the Group for financial year 2000 was audit fee of RM300.

## 13. INVENTORIES

	Group	
	2001 RM	2000 RM
Raw materials	1,193,586	1,800,825
Consumables	21,832	17,060
Work-in-progress	122,348	149,402
Finished goods	3,129,079	3,434,242
	4,466,845	5,401,529
Less : Provision for slow moving inventories	(669,666)	(650,000)
	3,797,179	4,751,529

## 14. TRADE DEBTORS

	Group	
	2001 RM	2000 RM
Trade debtors	5,657,918	5,720,384
Less: Provision for doubtful debts		
- specific	(2,162,274)	(2,317,188)
- general	(150,037)	(281,560)
	3,345,607	3,121,636

## Notes To The Financial Statements (cont'd)

30 APRIL 2001

## 15. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Other debtors, deposits and prepayments	3,110,142	2,640,059	179,648	-
Less: Provision for doubtful debts - specific	(26,639)	(26,639)	-	-
	3,083,503	2,613,420	179,648	-

## 16. AMOUNT DUE FROM/TO SUBSIDIARY COMPANIES

	Company	
	2001 RM	2000 RM
Amount due from subsidiary companies	20,852,686	20,369,886
Less: Provision for doubtful debts	(18,563,762)	(18,013,932)
	2,288,924	2,355,954

The amount due from/to subsidiary companies bear interest at the rate of 6% (2000: 6% to 8.5%) per annum on the balances exceeding RM50,000 which are not considered to be doubtful of collection. The amount is unsecured and has no scheme of repayment.

## 17. DEPOSITS WITH LICENSED BANKS

Included in the above are RM619,573 (2000: RM558,000) which are deposits pledged to licensed banks for banking facilities.



## Notes To The Financial Statements (cont'd)

30 APRIL 2001

## 18. BANK BORROWINGS

	Group	
	2001 RM	2000 RM
Secured:		
Bank overdrafts	13,691,372	12,262,993
Bills payable/Banker's acceptances	3,177,000	2,836,000
Revolving credit	1,650,000	1,650,000
Trust receipts	4,165,371	3,833,500
	<u>22,683,743</u>	<u>20,582,493</u>
Unsecured :-		
Bank overdrafts	9,964,348	9,457,914
Bills payable/Banker's acceptances	1,000,000	1,000,000
Revolving credit	3,200,000	3,200,000
Trust receipts	595,058	546,434
	<u>14,759,406</u>	<u>14,204,348</u>
Total	<u>37,443,149</u>	<u>34,786,841</u>

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

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

The subsidiary companies have defaulted in the repayment of its bank borrowings and these borrowings are currently payable on demand. However, the Company had registered with the Corporate Debt Restructuring Committee ("CDRC") to restructure the said bank borrowings. A few proposals had been submitted to CDRC for the considerations of the bank lenders. However, all these were subsequently withdrawn due to the many issues and reservations raised by the lenders. At the date of this report, the Company has submitted a fresh proposal for the consideration of the bank lenders.

All borrowings of the subsidiary companies are guaranteed by the Company.

Interest is charged at rates ranging from 3.55% to 10.50% (2000: 4.5% to 11.70%) per annum.

## 19. 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)

30 APRIL 2001

## 20. EXCEPTIONAL ITEMS

Exceptional items comprise the following:-

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Provision for diminution in value of investment in subsidiary companies	-	-	2,578,366	2,251,290
Provision for amount due from subsidiary companies				
- current	-	-	549,830	1,191,858
- no longer required	-	-	-	(746,945)
Provision for foreseeable losses upon disposal of a subsidiary company	-	775,657	-	-
	-	775,657	3,128,196	2,696,203

## 21. LOSS BEFORE TAXATION

Loss before taxation is determined:-

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
After charging :-				
Auditors' remuneration				
- statutory	51,900	57,500	10,000	12,000
- special	-	12,000	-	-
- underprovision in previous year	2,500	13,335	-	-
- other auditors	1,672	1,780	-	-
- others	68,140	17,400	51,500	1,500
Bad debts written off	34,602	270,135	-	-
Depreciation	2,514,135	3,118,079	-	-
Fixed assets written off	335,784	4,056	-	-
Expenditure carried forward written off	9,301	9,568	-	-

## Notes To The Financial Statements (cont'd)

30 APRIL 2001

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

Loss before taxation is determined (cont'd):-

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
After charging :-				
Interest expenses				
- bank overdrafts	2,213,311	1,561,146	-	-
- bankers' acceptances/ trust receipts	665,692	617,563	-	-
- hire purchase	311,724	410,180	-	-
- revolving credits	378,571	524,444	-	-
- term loan	1,425,463	1,212,092	-	-
- others	1,150	350,277	-	-
- subsidiary companies	-	-	817,848	822,820
Loss on disposal of fixed assets	1,252	-	-	-
Provision for doubtful debts				
- specific	266,622	446,499	-	-
Provision for slow moving inventories	24,898	-	-	-
Rental expenses				
- warehouse	-	2,700	-	-
Realised loss on foreign exchange	641	3,531	-	-
Inventories written off	1,607	71,850	-	-
And crediting:-				
Bad debts recovered	4,180	18,131	-	-
Gain on disposal of fixed assets	-	343,840	-	-
Interest income				
- fixed deposits	63,509	2,128	-	-
- others	9,975	23,653	-	-
- subsidiary companies	-	-	86,164	135,388
Rental income	174,420	124,200	-	-
Provision for doubtful debts no longer required				
- specific	403,958	2,125,570	-	-
- general	131,523	413,440	-	-
Provision for slow moving inventories no longer required	5,232	1,142,562	-	-

## Notes To The Financial Statements (cont'd)

30 APRIL 2001

## 22. TAXATION

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
In Malaysia :				
Current taxation	-	49,000	-	-
(Over)/Under provision in prior years	(166,620)	3,464	-	17
Deferred taxation	(172,000)	(437,000)	-	-
	(338,620)	(384,536)	-	17
Outside Malaysia :				
Overprovision in prior years	(14,283)	-	-	-
Total	(352,903)	(384,536)	-	17

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

The Group's unabsorbed business losses, unutilised capital allowances and reinvestment allowances which can be carried forward to offset against future taxable profit amounted to approximately RM22.2 million (2000: RM19.7 million), RM20.1 million (2000: RM17.8 million) and RM0.4 million (2000: RM0.4 million) respectively.

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

## 23. LOSS PER SHARE

Loss per share is calculated based on loss after taxation and minority interest of RM6,707,028 (2000: RM8,801,701) and the number of shares in issue during the financial year of 19,800,000 (2000: 19,800,000).

## 24. EMPLOYEE INFORMATION

	Group	
	2001 RM	2000 RM
Staff costs	3,491,543	4,101,473

The number of employees of the Group and of the Company at the end of the financial year was 217 and 2 (2000: 227 and 2) persons respectively.

## Notes To The Financial Statements (cont'd)

30 APRIL 2001

## 25. CONTINGENT LIABILITIES

These represent guarantees provided by the Company for banking and other credit facilities extended to the subsidiary companies amounting to RM57,798,000 (2000:RM57,657,000).

## 26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The significant transactions and balances of the Group and of the Company with the related parties were as follows:-

Year 2001	Company		Balances RM
	Transactions RM	Repayments RM	
Advances to subsidiary companies			
- Hai Ming Paper Products Sdn. Bhd.	817	-	817
- Paragon Paper Mill Sdn. Bhd.	536,899	-	536,899
- Hai Ming Management Sdn. Bhd.	817	-	817
- Hai Ming Development Sdn. Bhd.	91,353	-	91,353
- Hai Ming Capital Sdn. Bhd.	12,114	-	12,114
- Hai Ming Ventures Sdn. Bhd.	1,106	-	1,106
- Hai Ming Industries Sdn. Bhd.	141,298	-	141,298
- Hai Ming Enterprise Sdn. Bhd.	24,652	-	24,652
- Hai Ming Marketing Sdn. Bhd.	605,568	-	605,568
- Hai Ming Impex (S) Pte. Ltd	1,058	-	1,058
Interest payable to/(receivable from) subsidiary companies			
- Hai Ming Marketing Sdn. Bhd.	21,348	-	21,348
- Hai Ming Enterprise Sdn. Bhd.	49,302	-	49,302
- Hai Ming Industries Sdn. Bhd.	746,365	-	746,365
- Hai Ming Trading Company Sdn. Bhd. (Kuching)	(41,135)	3,654	(37,481)
- Hai Ming Trading Company Sdn. Bhd. (Kota Kinabalu)	(44,195)	-	(44,195)
			<b>Group 2001 RM</b>
Directors' remuneration			
- Executive Director			134,400

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

# Notes To The Financial Statements (cont'd)

30 APRIL 2001

## 27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 26 February 2001, the Group announced to the Kuala Lumpur Stock Exchange (KLSE) that the Group is an affected listed issuer as defined under the KLSE Practice Note 4/2001 (PN 4/2001) as the Group's adjusted shareholders' equity as defined by PN 4/2001 is in negative position. Under PN 4/2001, the Group has to implement a plan to regularise its financial condition within six months from 15 February 2001.

In view that the Company is currently negotiating with its bank lenders on a restructuring plan to regularise its financial condition, the Company had seek the KLSE indulgence to extend the deadline by another three months to 25 November 2001.

- (b) On 23 April 2001, the subsidiary company, Hubei Huali Paper Mills Co. Ltd. (HHPM) was issued with a creditors petition for winding up by the Court in China. As a result of the above, the assets of HHPM were frozen with immediate effect by the Court Order.

## 28. SIGNIFICANT EVENT SUBSEQUENT TO BALANCE SHEET DATE

The Company is registered with the Corporate Debt Restructuring Committee ("CDRC") to restructure the Group's borrowings.

The debt restructuring proposal submitted to CDRC in March 2000 was withdrawn due to the many issues and reservation raised by the lenders. In view of that, the Company has submitted another proposal in May 2001 which was subsequently revised in July 2001 for the consideration of the Group's lenders. At the date of this report, there is no firm agreement being concluded with the lenders.

## 29. SEGMENTAL REPORTING – GROUP

Analysis by activities:-

	Revenue RM	Loss before taxation RM	Assets employed RM
<b>2001</b>			
Manufacturing	13,333,315	4,523,933	42,018,516
Trading	12,173,805	1,146,528	6,477,548
Investment, management and others	-	1,389,470	2,298,865
	<b>25,507,120</b>	<b>7,059,931</b>	<b>50,794,929</b>
<b>2000</b>			
Manufacturing	14,596,976	5,171,992	46,083,147
Trading	16,720,489	1,397,453	5,675,820
Investment, management and others	-	2,616,792	2,181,566
	<b>31,317,465</b>	<b>9,186,237</b>	<b>53,940,533</b>

## Notes To The Financial Statements (cont'd)

30 APRIL 2001

## 29. SEGMENTAL REPORTING - GROUP (CONT'D)

Analysis by geographical location :-

	Revenue RM	Loss/(Profit) before taxation RM	Assets employed RM
<b>2001</b>			
Malaysia	25,507,120	7,068,649	50,794,267
Overseas	-	(8,718)	662
	25,507,120	7,059,931	50,794,929
<b>2000</b>			
Malaysia	31,317,465	9,170,198	53,935,460
Overseas	-	16,039	5,073
	31,317,465	9,186,237	53,940,533

## 30. COMPARATIVE INFORMATION

Certain comparative figures in the financial statements have been reclassified to conform with current year presentation. The following comparative figures in the cash flow statements have been reclassified:-

	As reclassified RM	As previously reported RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Adjustments for:-</b>		
Bad debts written off	270,135	-
Inventories written off	71,850	-
Provision for doubtful debts		
- current	446,499	-
- no longer required	(2,539,010)	-
Provision for slow moving inventories		
- no longer required	(1,142,562)	-
Changes in working capital:-		
Inventories	4,501,157	3,430,445
Debtors	10,740,964	8,918,588

The above reclassification is necessary as the above transactions are non-cash in nature.

## 31. PRESENTATION OF THE FINANCIAL STATEMENTS

Presentation of the financial statements has been changed to conform with the adoption of MASB 1, Presentation of Financial Statements.



# List Of Properties

30 APRIL 2001

Location	Description	Expiry Date	Land Area (meter sq)	Age of Building (years)	Net Book Value (RM'000)
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	15	1,482
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	22 & 4	6,730
3. Lot 765, Mukim of Kapar, District of Klang, Selangor	Factory and office building	Freehold	17,705	8	8,677
4. Lot PT PRO6, Kawasan Perusahaan Kanthan, Chemor, Perak.	Factory and office building	Not issued with a valid and individual title yet. Title when eventually issued would convey a 60 year lease.	51,476	2	6,606

# Shareholdings Structure

30 AUGUST 2001

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

Authorised Share Capital	:	RM25,000,000
Issued and Fully Paid-Up Share Capital	:	RM19,800,000
Class of Shares	:	Ordinary Shares of RM1.00 each fully paid
Voting Rights	:	One vote per ordinary share
No. of shareholders	:	3,052

## Distribution of Shareholdings as at 30 August 2001

Size of Holdings	No. of Shareholders	Total Holdings	% of Paid-up Capital
1 – 999	4	1,684	0.01
1,000 – 10,000	2,868	6,881,316	34.75
10,001 – 100,000	159	4,176,000	21.09
100,001 – 989,999	19	5,092,000	25.72
990,000 and above	2	3,649,000	18.43
	<b>3,052</b>	<b>19,800,000</b>	<b>100.00</b>

## Substantial Shareholders as at 30 August 2001

Shareholders	No. of Shares Held		Percentage Holding
	Direct	Indirect	
Mandarin Asian Prosperity Fund	2,500,000 ( a )	-	12.63
Duclos Sdn Bhd	1,149,000	-	5.80
Dato' Syed Ibrahim Bin Syed Mohamed	-	1,149,000( b )	5.80
Datin Mariam Prudence Bt Yusof	-	1,149,000 ( c )	5.80

### Notes:

(a) Held through nominee company.

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

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

# Shareholdings Structure (cont'd)

30 AUGUST 2001

List of Thirty (30) Largest Shareholders as at 30 August 2001

No.	Name of Shareholders	No. of Shares	Percentage Holding
1	Affin-UOB Nominees (Asing) Sdn Bhd - Mandarin Asian Prosperity Fund	2,500,000	12.63
2	Duclos Sdn Bhd	1,149,000	5.80
3	Amsec Nominees (Tempatan) Sdn Bhd - Chai Soon Hing	773,000	3.91
4	Mayban Nominees (Tempatan) Sdn Bhd - Ng Wai Hong	635,000	3.21
5	Satria Nominees (Tempatan) Sdn Bhd - Lim Choon Yong	480,000	2.42
6	Distinct Master Sdn Bhd	450,000	2.27
7	Satria Nominees (Tempatan) Sdn Bhd - Tan Hua Kae Vincent	386,000	1.95
8	Amsec Nominees (Tempatan) Sdn Bhd - Chew Siow Geok	257,000	1.30
9	Hong Leong Finance Berhad - Wee Song Ching	250,000	1.26
10	Koo Yuen Sim	213,000	1.08
11	TA Nominees (Tempatan) Sdn Bhd -Tang Yang Hing	205,000	1.04
12	Chung Shan Kwang	200,000	1.01
13	Lee Chap Char	194,000	0.98
14	Chan Shu Mee	185,000	0.93
15	Amsec Nominees (Tempatan) Sdn Bhd - Ong Teik Kooi	160,000	0.81
16	Wong Lai Fun	146,000	0.74
17	Lau Hock Kwai	139,000	0.70
18	Yee Poi Chen	135,000	0.68

# Shareholdings Structure

30 AUGUST 2001

List of Thirty (30) Largest Shareholders as at 30 August 2001 (cont'd)

No.	Name of Shareholders	No. of Shares	Percentage Holding
19	Sabin bin Samitah @ Sapilin	105,000	0.53
20	Kok Wai Ching	105,000	0.53
21	PRB Nominees (Tempatan) Sdn Bhd - Rubber Industry Smallholders Development Authority	103,000	0.52
22	Leasing Corporation Sdn Bhd	100,000	0.51
23	Botly Nominees (Tempatan) Sdn Bhd - Beh Boon Seong	99,000	0.50
24	Cheong Yoke Choy	91,000	0.46
25	OSK Nominees (Tempatan) Sdn Bhd - Tan Kwang Kui	90,000	0.45
26	Chang Swee Ming	88,000	0.44
27	Thong & Kay Hian Nominees (Asing) Sdn Bhd - Tan Hian Theng	86,000	0.43
28	Amsec Nominees (Tempatan) Sdn Bhd - Goh Tian Chuan	69,000	0.35
29	Heng Fook Seng	61,000	0.31
30	Teh Beng Boon	60,000	0.30
		<b>9,514,000</b>	<b>48.05</b>

Directors' Shareholdings and Interest in Shares as at 30 August 2001

No.	Name of Directors	No. of Shares	Percentage Holding
1	Izhar bin Sulaiman	Nil	Nil
2	Wong Mun Wai	Nil	Nil
3	Chuah Hock Soon	Nil	Nil
4	Kamariah binti Abdul	Nil	Nil

None of the Directors in office as at 30 August 2001 held any interest in shares in any related corporations and subsidiary companies of Hai Ming Holdings Berhad.

# Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fifteenth 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 30 October 2001 at 9.30 a.m. for the following purposes :-

1. To receive and adopt the Audited Accounts for the financial year ended 30 April 2001 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To re-elect Encik Izhar bin Sulaiman, who retires pursuant to Article 80 of the Company's Articles of Association and being eligible, offers himself for re-election. **(Resolution 2)**
3. To re-appoint Messrs Shamsir Jasani Grant Thornton as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 3)**

## As Special Business

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

4. **ORDINARY RESOLUTION – AUTHORITY TO ISSUE SHARES**  

THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approval from other relevant governmental/regulatory authorities for the issue, listing and quotation of the shares, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company. **(Resolution 4)**
5. **SPECIAL RESOLUTION – PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION**  

"THAT the alteration, modifications, variations, deletions or additions to the Company's Articles of Association as set out in Appendix A of the Annual Report be and are hereby approved to comply with the Revamped Listing Requirements of the Kuala Lumpur Stock Exchange." **(Resolution 5)**
6. To transact any other business which may properly be transacted at an Annual General Meeting for which due notice shall have been given.

By order of the Board

**LIM SECK WAH (MAICSA 0799845)**  
**M. CHANDRASEGARAN A/L S. MURUGASU (MAICSA 0781031)**  
 Company Secretaries

Selangor Darul Ehsan

Dated this 8 October 2001

## Notice Of Annual General Meeting (cont'd)

### Notes:

1. Every member is entitled to appoint a proxy (or in the case of a corporation to appoint a representative) to attend and vote in his place. A proxy need not be a member of the Company.
2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. Where a member appoints two (2) or more proxies to attend at the same meeting, the appointment 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 Special Business
  - (a) **Ordinary Resolution pursuant to Section 132D of the Companies Act, 1965**

The proposed Resolution 4 is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.
  - (b) **Special Resolution on the proposed amendments to the Company's Articles of Association**

The proposed Resolution 5 on the amendments to the Company's Articles of Association is to comply with the latest revamped listing requirements of the Kuala Lumpur Stock Exchange.

# Statement Accompanying Notice Of Annual General Meeting Of The Company

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

## 1. Name of individual who is standing for re-election

- Encik Izhar Bin Sulaiman

The above named Director is retiring by rotation pursuant to Article 80 of the Company's Articles of Association.

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

Four (4) board meetings were held during the financial year from 1 May 2000 till 30 April 2001. Details of attendance of Directors at the Board Meetings were as follows:

Name	Attendance
Izhar Bin Sulaiman	4 meetings
Wong Mun Wai (appointed on 20 September 2000)	2 meetings
Chuah Hock Soon	4 meetings
Kamariah Binti Abdul (appointed on 20 September 2000)	2 meetings

## 3. Date, Time and Place of the Board Meetings

Place	Date	Time
Conference Room, Lot 765, Jalan Haji Sirat, Klang	30 June 2000	9.30 am
Conference Room, Lot 765, Jalan Haji Sirat, Klang	30 August 2000	9.30 am
Conference Room, Lot 765, Jalan Haji Sirat, Klang	15 December 2000	9.30 am
Conference Room, Lot 765, Jalan Haji Sirat, Klang	30 March 2001	9.30 am

## 4. Details of Director standing for re-election

**Name:** Encik Izhar Bin Sulaiman

**Age:** 50

**Nationality:** Malaysian

**Qualification:** Advance Diploma in Marketing

**Position in the Company:** Executive Chairman

**Working experience and occupation:**

En. Izhar Bin Sulaiman was appointed a Director of Hai Ming on 11 February 1999 and became the Executive Chairman on 4 March 1999. He had previously sat on the Board of various public listed companies prior to joining Hai Ming. He is a prominent entrepreneur with interests in high-end fashion retailing, water treatment operation, power plant operation and property development.



## Statement Accompanying Notice Of Annual General Meeting Of The Company (cont'd)

**Other directorships of public companies:**

- KFC Holdings (M) Bhd
- Ayamas Food Corporation Bhd and
- Omega Holdings Bhd

**Securities holdings in the Company and its subsidiary companies:**

None as at 30 April 2001

**Family relationship with any Director and/ or major shareholder of the Company:**

None

**Any conflict of interest that he has with the Company:**

None

**List of convictions for offences within the past 10 years other than traffic offences:**

None

## Statement Of Directors' Responsibilities In Respect Of Audited Financial Statements

*(Statement of Directors' Responsibilities in Respect of the Audited Financial Statements Pursuant to Paragraph 15.27(a) of the Listing Requirements of Kuala Lumpur Stock Exchange.)*

We, the Directors of Hai Ming Holdings Berhad, do hereby acknowledge that the preparation of the financial statements set out on pages 19 to 44 is the responsibility of the Directors of the Company.

The Directors had ensured that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements.

The Directors had also ensured that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records, which will 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 financial statements comply with the Companies Act, 1965. The Directors had also ensured that proper internal controls had been implemented.

Signed in accordance with a resolution of the Directors.

**Izhar Bin Sulaiman**  
Executive Chairman

**Wong Mun Wai**  
Executive Director

Klang  
23 August 2001

## Corporate Governance

(pursuant to paragraph 7, Part A, Appendix 9C of the Listing Requirements)

The responsibility for establishing strong ethics of good corporate governance that are transparent and disclosure-based rests with the Board of Directors. The recent revamp in the Kuala Lumpur Stock Exchange (KLSE) Listing Requirements, in particular provisions and requirements of the Malaysian Code of Corporate Governance, set out the principles of corporate governance along with recommended best practices to be applied in the running of a listed company. Among others, it aims to foster independence of the directors of public listed companies, promote transparent business procedures to further improve investor relations and enhance accountability and integrity.

In supporting the efforts taken by the KLSE, to this end the Board has taken or is taking, as appropriate, the necessary steps to comply with the new requirements to maintain the highest standards of corporate responsibility and accountability and provide greater disclosure and transparency in the business of the Company.

Certain principles of corporate governance, taking into account the size of the Company have already been put in place and practiced since the Company went public in 1994. The Board already comprises a balance of independent and non-executive directors. An Audit Committee comprising a majority of independent directors and chaired by an independent director has been set up since March 1994.

The Company communicates with its shareholders regularly. Apart from the Company's Annual General Meeting, the Company communicates with its shareholders by way of annual report and quarterly announcements on financial performance. Other public announcements are being made through the KLSE from time to time on significant matters affecting the Company. In addition, the Company has also set up a website ([www.haiming.com](http://www.haiming.com)) since 1997 containing information which can be easily accessed by the public.

## Additional Compliance Information

### 1. **DIRECTORS' REMUNERATION** (pursuant to paragraph 10, Part A, Appendix 9C of the Listing Requirements)

The details of the remuneration for Directors of the Company comprising remuneration received/receivable from the Company and subsidiary companies during the financial year ended 30 April 2001 are as follows:

Aggregate remuneration categorized into appropriate components:

	Fees RM'000	Other Emoluments RM'000	Total RM'000
Non-Executive Directors	-	-	-
Executive Directors	-	134	134

The number of Directors of the Company whose total remuneration fall within the following bands:

Range of remuneration	Number of Directors	
	Non-Executive	Executive
Below RM50,000	-	-
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	1

### 2. **TOTAL NUMBER OF BOARD MEETINGS** (pursuant to paragraph 11, Part A, Appendix 9C of the Listing Requirements)

There were a total of 4 meetings held during the financial year ended 30 April 2001.

### 3. **STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL** (pursuant to paragraph 12, Part A, Appendix 9C of the Listing Requirements)

There were no corporate proposals to raise funds during the financial year ended 30 April 2001.

### 4. **SHARE BUYBACKS** (pursuant to paragraph 13, Part A, Appendix 9C of the Listing Requirements)

The Company has not purchased any of its own shares during the financial year ended 30 April 2001. As such, there is no treasury share maintained by the Company.

### 5. **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES EXERCISED** (pursuant to paragraph 14, Part A, Appendix 9C of the Listing Requirements)

The Company has not issued any options, warrants or convertible securities in respect of the financial year ended 30 April 2001.

## Additional Compliance Information (cont'd)

6. **AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")** (pursuant to paragraph 15, Part A, Appendix 9C of the Listing Requirements)

The Company has not sponsored any ADR or GDR programme in the financial year ended 30 April 2001.

7. **PENALTIES IMPOSED ON HAI MING HOLDINGS BERHAD AND ITS SUBSIDIARIES FROM 1 MAY 2000 TO 30 APRIL 2001** (pursuant to paragraph 16, Part A, Appendix 9C of the Listing Requirements)

There were no penalties imposed on the Company and its subsidiary companies by the relevant regulatory bodies.

8. **NON-AUDIT FEES** (pursuant to paragraph 17, Part A, Appendix 9C of the Listing Requirements)

The amount of non-audit fees paid/payable to external auditors by the Company and the Group for the financial year ended 30 April 2001 was RM51,500 and RM68,140 respectively.

9. **VARIANCE BY 10% OR MORE FROM PROFIT ESTIMATES, FORECAST OR PROJECTION OR UNAUDITED RESULTS PREVIOUSLY MADE** (pursuant to paragraph 18, Part A, Appendix 9C of the Listing Requirements)

There were no variances exceeding 10% from the unaudited results previously released by the Company for the financial year ended 30 April 2001.

10. **SHORTFALL IN PROFIT AND PROFIT GUARANTEE** (pursuant to paragraph 19, Part A, Appendix 9C of the Listing Requirements)

No profit guarantee to the Company was imposed on the major shareholders by the regulatory authorities for the financial year ended 30 April 2001.

11. **MATERIAL CONTRACTS** (pursuant to paragraph 20 & 21, Part A, Appendix 9C of the Listing Requirements)

There are no material contracts including contracts relating to a loan entered into by the Company and its subsidiary companies involving the Directors' and major shareholders' interests.

# Appendix A

## PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

<b>Article No.</b>	Article 1 Table "A" Excluded
<b>Existing Provision</b>	The regulations in Table "A" in the Fourth Schedule to the Companies Act 1965 shall not apply to the Company except so far as the same are repeated or contained in these Articles.
<b>Amended Provision</b>	The regulations contained in Table "A" in the Fourth Schedule to the Companies Act, 1965 shall not apply to the Company, except so far as the same are repeated or contained in these Articles. When there is inconsistency between the provision in the Articles and the Listing Requirements, the Listing Requirements shall prevail.
<b>Article No.</b>	Article 2 (Definition)
<b>Existing Provision</b>	"Central Depositories Act" means "The Securities Industry (Central Depositories) Act, 1991"
<b>Amended Provision</b>	"Central Depositories Act and the Rules" means "Securities Industry (Central Depositories) Act 1991/Securities Industry (Central Depositories) Ownership Regulations 1966".
<b>Article No.</b>	Article 2 (New Definitions)
<b>Existing Provision</b>	New Definitions to be inserted
<b>Amended Provision</b>	<p>"Listing Requirements" means "Listing Requirements of The Kuala Lumpur Stock Exchange".</p> <p>"Approved Market Place" means a stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No. 2) Order 1998.</p> <p>"Authorised Nominees" means a person who is authorised to act as nominee as specified under the Rules.</p> <p>"Securities Account" means an account established by the Central Depository for a depositor for the recording of deposit of securities and for dealing in such securities by the depositor.</p> <p>"Securities" means debenture, note, stock, and share in the Company or bond of the Company, and includes any right or option in respect thereof, any interest as defined in section 84 of the Companies Act, 1965 and any interest in a unit trust scheme.</p>
<b>Article No.</b>	Article 6B
<b>Existing Provision</b>	<p>Rights of Preference Shareholders</p> <p>Preference shareholders shall have the same rights as ordinary shareholders as regards to receiving notices, reports and balance sheets, and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of the undertaking, or where any resolution to be submitted to the meeting directly affects their rights and privileges, or when the dividend on the preference shares is in arrears for more than six (6) months.</p>
<b>Amended Provision</b>	<p>Rights of preference shareholders</p> <p>Preference shareholders shall have the same rights as ordinary shareholders as regards to receiving notices, reports and balance sheets, and attending general meetings of the Company. Preference shareholders shall also have the right to vote in each of the following circumstances:-</p>

## Appendix A (cont'd)

- a) when the dividend or part of the dividend on the share is in arrears for more than 6 months;
- b) on a proposal to reduce the company's share capital;
- c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
- d) on a proposal that affects rights attached to the share;
- e) on a proposal to wind up the Company; and
- f) during the winding up of the Company.

**Article No.** Article 6C

**Existing Provision** New provision to be inserted immediately after Article 6B

**Amended Provision** Rights of preference shareholders

The holder of preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.

**Article No.** Article 36A

**Existing Provision** New provision to be inserted immediately after Article 36

**Amended Provision** Transmission of securities from Foreign Register

- 1) Where:-
  - a) the securities of a company are listed on an Approved Market Place; and
  - b) such company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the rules of the Central Depository in respect of such securities, such companies shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the company in Malaysia (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in the ownership of such securities.
- 2) For the avoidance of doubt, no company which fulfils the requirements of subparagraphs (1)(a) and (b) above shall allow any transmission of securities from the Malaysian Register into the Foreign Register.

**Article No.** Article 57

**Existing Provision** Notice of meeting

- (i) Subject to the provisions of the Act relating to convening meetings to pass special resolutions, every notice convening meetings shall specify the place, the day and the hour of the meeting and shall be given to all members at least fourteen (14) days before the meeting. Any notice of a meeting called to consider special business shall specify the general nature of such business and shall also be accompanied by a statement regarding the effect of any proposed resolution

## Appendix A (cont'd)

in respect of such special business. At least fourteen (14) days notice of every such meeting shall be given by advertisement in the daily press and in writing to Stock Exchange upon which the Company is listed such that notices of all meetings shall be given to such Stock Exchange and advertised in the press at the same time as shareholders are notified.

**Amended Provision** Notices of meetings

The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all shareholders at least 14 days before the meeting or at least 21 days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least 14 days' notice or 21 days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting shall be given by advertisement in the daily press and in writing to each stock exchange upon which the company is listed.

**Article No.** Article 57 (ii)

**Existing Provision** Record of Depositors

**Amended Provision** The Company shall inform the Central Depository of the date of the general meeting and shall request the Central Depository in accordance with the Rules, to prepare a Record of Depositors before the general meeting (hereinafter referred to as the "General Meeting Record of Depositors"). The General Meeting Record of Depositors shall be the final record of all depositors who shall be deemed to be the registered holders of the shares of the Company eligible to be present and vote at such meetings.

**Amended Provision** Record of Depositors

The Company shall also request the Central Depository in accordance with the Rules of the Central Depository, to issue a Record of Depositors, as at a date not less than 3 market days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors").

**Article No.** Article 57 (iii)

**Existing Provision** New provision to be inserted immediately after Article 57 (ii)

**Amended Provision** Record of Depositors

Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a depositor will not be regarded as a member entitled to attend any meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.

**Article No.** Article 74(c)

**Existing Provision** New provision to be inserted immediately after Article 74(b)

**Amended Provision** Appointment of more than one proxy

Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.



## Appendix A (cont'd)

<b>Article No.</b>	Article 74(c)
<b>Existing Provision</b>	New provision to be inserted immediately after Article 74(b)
<b>Amended Provision</b>	Appointment of more than one proxy  Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
<b>Article No.</b>	Article 80
<b>Existing Provision</b>	Retirement of Directors  At the first annual general meeting of the Company all the Directors shall retire from office, and at the annual general meeting in every subsequent year one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors except a Managing Director shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.
<b>Amended Provision</b>	Retirement of Directors  At the first annual general meeting of the Company all the Directors inclusive of the Managing Director shall retire from office, and at the annual general meeting in every subsequent year one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third shall retire from office and be eligible for re-election. All Directors shall retire from office at the annual general meeting once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.
<b>Article No.</b>	Article 91(g)
<b>Existing Provision</b>	Vacation of office of director  The office of director shall become vacant ipso facto if the director:-  g) for more than six(6) months is absent, and his alternate director (if any) shall not during such period have attended his stead from meetings of the directors held during that period and the directors resolve that his office be vacated.
<b>Amended Provision</b>	Vacation of office of director  The office of director shall become vacant if the director:-  g) is absent for more than 50% of the total board of directors' meetings held during a financial year.

## Appendix A (cont'd)

**Article No.** Article 115

**Existing Provision** Managing Director

The Directors may from time to time appoint any one or more of their body to be Managing Director or Managing Directors for such period not exceeding five(5) years and upon such terms as they think fit, and may vest in such the powers hereby vested in the Directors generally as they may think fit, but subject thereto such Managing Director or Managing Directors shall be subject to the control of the Board.

**Amended Provision** Appointment of Managing Director

The Directors may from time to time appoint any one or more of their body to be Managing Director or Managing Directors for such period not exceeding three(3) years and upon such terms as they think fit, and may vest in such Managing Director or Managing Directors such powers hereby vested in the Directors generally as they may think fit, but subject thereto such Managing Director or Managing Directors shall be subject to the control of the Board.

**Article No.** Article 117

**Existing Provision** Special position of Managing Director

A Managing Director shall not, while he continues to hold that office, be subject to retirement by rotation, and he shall not be reckoned as a Director for the purpose of determining the rotation or retirement of Directors or in fixing the number of Directors to retire, but he shall, subject to provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and if he ceases to hold the office of Director from any cause shall ipso facto and immediately cease to be Managing Director.

**Amended Provision** Retirement of Managing Director

A Managing Director shall while he continues to hold such office, be subject to retirement by rotation, and shall be reckoned as a director for the purpose of determining the rotation or retirement of directors or in fixing the number of directors to retire and shall subject to provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other directors of the Company and if he ceases to hold the office of director from any cause shall and immediately cease to be a Managing Director.

**Article No.** Article 132

**Existing Provision** To whom copies of profit and loss accounts etc may be sent

The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the said Section. The interval between the close of a financial year of the Company and the issue of accounts relating to it shall not exceed six (6) months. A copy of each such documents shall not less than fourteen (14) days before the date of the meeting (or such shorter period as may be agreed in any year for the receipt of notice of the meeting pursuant to Article 57) be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such document as may be required by the stock exchange upon which the Company's shares may be listed shall at the same time

## Appendix A (cont'd)

be likewise sent to each stock exchange Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or to more than one of joint holders but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Company's registered office.

**Amended Provision** Presentation of Accounts

The directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and reports as are referred to in the section. The interval between the close of a financial year of the Company and the issue of accounts relating to it shall not exceed four (4) months. A copy of each such documents shall be sent to every member and to every holder of debentures of the company, not less than fourteen (14) days before the date of the meeting under the provisions of the Act or these Articles. The requisite number of copies of each such document as may be required by the Exchange shall at the same time be likewise sent to the Exchange; provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the office.

**Article No.** Article 158

**Existing Provision** New provision to be inserted immediately after Article 157

**Amended Provision** Effect of the Listing Requirements

- 1) Notwithstanding anything contained in these articles, if the Listing Requirements prohibits an act being done, the act shall not be done.
- 2) Nothing contained in these articles prevents an act from being done that the Listing Requirements require to be done.
- 3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- 4) If the Listing Requirements require these articles to contain a provision and they do not contain such a provision, these articles are deemed to contain that provision.
- 5) If the Listing Requirements require these articles not to contain a provision and they contain such a provision, these articles are deemed not to contain that provision.
- 6) If any provision of these articles is or becomes inconsistent with the Listing Requirements, these articles are deemed not to contain that provision to the extent of the inconsistency.
- 7) For the purpose of this article, unless the context otherwise requires, "Listing Requirements" means the Listing Requirements of Kuala Lumpur Stock Exchange including any amendment to the Listing Requirements that may be made from time to time.

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

I/We \_\_\_\_\_

(please use block letters)

of \_\_\_\_\_

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

or \_\_\_\_\_

or failing him \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy to vote for me/us on my/our behalf at the Fifteenth 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 Tuesday, 30 October, 2001 at 9.30am. or any adjournment thereof for the following purposes:-

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

RESOLUTION	FOR	AGAINST
1. Adoption of Report and Accounts		
2. Re-election of Director - En. Izhar Bin Sulaiman		
3. Re-appointment of Auditors and to authorise the the Directors to fix their remuneration		
As Special Business		
4. Authority to issue shares under Section 132D of the Companies Act, 1965		
5. Proposed Amendments to the Articles of Association		

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2001

NO. OF SHARE HELD

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

NOTES:

1. Every member is entitled to appoint a Proxy (or in the case of a corporation to appoint a representative) to attend and vote in his place. A Proxy need not to be a member of the Company.
2. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting. Where a member appoints two (2) or more proxies to attend at the same meeting, the appointment 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 at Lot 765, Jalan Haji Sirat, Off Jalan Meru, 42100 Klang, Selangor Darul Ehsan not less than 48 hours before the time set for holding the Meeting or adjourned meeting as the case maybe.

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AFFIX  
STAMP HERE

To:

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

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