



KPS Consortium Bhd

(143816-V)

contents 2003

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(143816-V)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eighteenth 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 Wednesday, 30 June 2004 at 11.00 am for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2003 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To re-elect the Director, Mr Koh Poh Seng retiring in accordance with the Article 80 of the Company's Articles of Association and being eligible, offers himself for re-election. **Resolution 2**
3. To re-elect the Director, Mr Lim Siong Huat retiring in accordance with Article 87 of the Company's Articles of Association and being eligible, offers himself for re-election. **Resolution 3**
4. To re-appoint Messrs Shamsir Jasani Grant Thornton as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 4**

AS SPECIAL BUSINESS

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

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

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

Selangor Darul Ehsan

Dated this: 8 June 2004

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

NOTES:-

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

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

The proposed Resolution 5 is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion and for such purposes as they consider would be in the interest of the Company without convening a general meeting. This authority, unless revoked or varied at a general meeting, will expire at the next annual general meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

1. NAMES OF INDIVIDUALS WHO ARE STANDING FOR RE-ELECTION:

- a) Mr Koh Poh Seng
- b) Mr Lim Siong Huat

(The abovenamed Directors are retiring pursuant to Article 80 and 87 of the Company's Articles of Association)

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS:

Five (5) Board of Directors' Meetings were held during the financial year ended 31 December 2003 and the details of attendance by each of the Directors are noted in the Corporate Governance Statement in this 2003 Annual Report.

3. THE PLACE, DATE AND HOUR OF THE GENERAL MEETING:

The annual general meeting will be held as follows:

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

Date : 30 June 2004

Time : 11 am

4. DETAILS OF DIRECTOR STANDING FOR RE-ELECTION:

- a) Mr Koh Poh Seng
- b) Mr Lim Siong Huat

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman / Group Managing Director

Koh Poh Seng

Directors

Lau Fook Meng

Executive Director

Lau Boon Seong

Non-Independent and Non-Executive Director

Lim Siong Huat

Independent and Non-Executive Director

COMPANY SECRETARIES

Lim Seck Wah (Ms)

M. Chandrasegaran a/l S.Murugasu

STOCK EXCHANGE LISTING

Malaysia Securities Exchange Berhad, Second Board

AUDIT COMMITTEE

Member

Lau Fook Meng

Lim Siong Huat

NOMINATION COMMITTEE

Member

Lim Siong Huat

REMUNERATION COMMITTEE

Member

Koh Poh Seng

Lim Siong Huat

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Lot 765, Jalan Haji Sirat Off Jalan Meru,
42100 Klang, Selangor

Tel : (603) 32915566

Fax : (603) 32914489

REGISTRAR

Insurban Corporate Services Sdn Bhd

149-B, Jalan Aminuddin Baki

Taman Tun Dr Ismail

60000 Kuala Lumpur

Tel : (603) 77295529

Fax : (603) 77285948

E-mail : leou@pc.jaring.my

AUDITORS

Shamsir Jasani Grant Thornton

(Member of Grant Thornton International)

Chartered Accountants

Level 11-1, Faber Imperial Court

Jalan Sultan Ismail

50250 Kuala Lumpur

Tel : (603) 26924022

Fax : (603) 26915229

E-mail : sjgt@gt.com.my

PRINCIPAL BANKERS

United Overseas Bank (M) Berhad

HSBC Bank (Malaysia) Berhad

AmBank Berhad

OCBC Bank Berhad

Malayan Banking Berhad

SOLICITORS

Cheang & Ariff

39 Court

39 Jalan Yap Kwan Seng

50450 Kuala Lumpur

Tel : (603) 21610803

Fax : (603) 21614475/21621533/21630622

E-mail : yms@cheangariff.com

WEBSITE

<http://www.haiming.com>

E-MAIL ADDRESS

enquiry@haiming.com

PROFILE OF THE BOARD OF DIRECTORS

The Board of Directors of KPS Consortium Berhad (formerly known as Hai Ming Holdings Berhad) ("KPSCB " or the "Company") comprises of a Chairman/Group Managing Director, one (1) Executive Director, one (1) Non-Independent Non-Executive Director and one (1) Independent Non-Executive Director.

The Board meets quarterly and additional Board Meetings are held as and when required. The Board met five (5) times during the financial year ended 31 December 2003.

Particulars of the Directors are as follows:

KOH POH SENG

Koh Poh Seng, aged 48, is the founder and Managing Director of KPS Plywood Sdn Bhd ("KSB") and also the Chairman/Managing Director of KPS Consortium Berhad ("KPSCB"). He had completed his Secondary Education. He has more than twenty years of experience in trading of plywood and wood related products. In 1990, KSB was set up by Mr Koh to undertake the business of trading in plywood. The trading of cement and steel bars was undertaken by KSB commencing from 1998 to 1999 respectively.

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

LAU BOON SEONG

Lau Boon Seong, aged 36, was appointed an Independent Non-Executive Director of KPSCB on 1 October 2001 and was re-designated as an Executive Director of KPSCB on 18 September 2002. Later, on 18 July 2003 again he was re-designated as Non-Independent Non-Executive Director of KPSCB. After completing his Sijil Pelajaran Malaysia in 1987, he joined as a partner in a family owned business dealing in consumable foodstuff and resigned in 1990. He was appointed a director in Megaply Industries (M) Sdn Bhd, a manufacturing company dealing in secondary processing of plywood, medium density fibreboard, particle board and furniture parts from 1991 to 1997. In 1998, Mr Lau was appointed a director in Asiaprima Resources Sdn Bhd, a trading company dealing in building materials and has been a director since then.

LAU FOOK MENG

Lau Fook Meng, aged 52, was appointed Executive Director of KPSCB on 19 September 2002. He is a chartered accountant who has obtained his Fellowship from the Institute of Chartered Accountant of England & Wales. Upon graduation, he joined Asiatic Development Bhd in 1981 as an Accountant until 1983. In 1984, he joined Unico Holdings Bhd as the Group Accountant and left in 1992. Since 1993 till 2002, he is the General Manager of Nichmurni Sdn Bhd.

LIM SIONG HUAT

Lim Siong Huat, aged 45 was appointed as an Independent Non-Executive Director of KPSCB on 18 July 2003. He had passed the Malaysian Certificate of Education. He has more than 25 years in trading of plywood (wholesale). He is also a director of WS Marketing Sdn Bhd.

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

CORPORATE GOVERNANCE STATEMENT

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

1.0 Directors

1.1 Composition of the Board of Directors

The Board presently has four (4) members and is headed by the Chairman/Group Managing Director, Mr Koh Poh Seng. The profile of each Director is presented separately in the Annual Report.

1.2 Board Balance

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

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

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

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

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

1.3 Responsibilities of the Board of Directors

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

1.4 Chairman and Group Managing Director

The Group Managing Director too undertakes the role of the Chairman. In spite that the roles are combined, there is a strong independent element on the Board as there are adequate number of independent and non-independent directors.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

1.5 Board Structures and Procedures

Five (5) Board of Directors' Meetings were held during the financial year ended 31 December 2003 and the details of attendance by each of the Directors are as follows:-

Name of Directors	No. of meetings attended / No. of meetings held during directors' tenure in office	% of Attendance
Mr Koh Poh Seng	5/5	100
Mr Lau Boon Seong	5/5	100
Mr Lau Fook Meng	5/5	100
Mr Lim Siong Huat (<i>Appointed on 18 July 2003</i>)	3/3	100

The first two Board of Directors' Meetings were held at Conference Room, Lot 765 Jalan Haji Sirat Off Jalan Meru, 42100 Klang, and the next three were convened at No.3, Jalan BK 1/10, Bandar Kinrara Industrial Centre, Puchong, Selangor.

The date and time of the meetings held were as follows:

Date	Time
24 February 2003	11.00 am
28 May 2003	11.30 am
21 August 2003	11.30 am
23 October 2003	11.00 am
28 November 2003	11.30 am

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

1.6 Directors' Training

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

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

1.7 Appointments to the Board

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

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

The member of the Nomination Committee is as follows:

- a. Mr Lim Siong Huat

1.8 Retirement and Re-election

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

1.9 Supply of Information

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

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

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

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

1.10 Relationship of the Board to Management

- **Quality of Information**

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

- **Access to information**

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

- **Use of Board Committees**

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

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

All the above Committees have written terms of reference and operating procedures.

1.11 The relationship between the Board and the shareholders

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

2.0 Directors' Remuneration

2.1 The Level and Make-Up of Remuneration

The remuneration of the Directors of the Company and its subsidiaries for the financial year ended 31 December 2003 is set out below:

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

	Executive Directors (RM) ^{*a}	Non-Executive Directors (RM)	Total (RM)
Fees	–	–	–
Salary & other emoluments	318,040	–	318,040
Total	318,040	–	318,040

^{*a} The remuneration of the Executive Directors was paid by a subsidiary Company.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

Range of Remuneration	Executive Directors	Non-Executive Directors	Total
Below RM50,000	–	–	–
RM50,001 to RM100,000	1	–	1
RM100,001 to RM150,000	–	–	–
RM150,001 to RM200,000	1	–	1

There is no contract of service between any Directors and the Company or its subsidiary Companies.

2.2 Procedure

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

- a. Mr Koh Poh Seng
- b. Mr Lim Siong Huat

3.0 Shareholders

3.1 Dialogue between the Company and Investors

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

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

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

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

- a. the Annual Report;
- b. various disclosures and announcements made to the MSEB including the quarterly results and annual results; and

CORPORATE GOVERNANCE STATEMENT (Cont'd)

- c. the Company's website www.haiming.com through which shareholders and the public in general can gain access to the latest corporate and product information of the Group.

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

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

3.2 Annual General Meeting ("AGM")

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

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

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

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

4.0 Accountability And Audit

4.1 Financial Reporting

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

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

4.2 Internal Control

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

CORPORATE GOVERNANCE STATEMENT (Cont'd)

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

4.3 Audit Committee

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

The terms of reference of the Audit Committee have recently been revised to conform with the Listing Requirements of the MSEC. The terms of reference and activities of the Audit Committee during the financial year ended 31 December 2003 are provided separately in this Annual Report.

4.4 Relationship with Auditors

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

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

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

- a) The Board does not have a formal schedule of matters specifically reserved to it for decision. However, it has been the practice for the Board to deliberate on matters that involve overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure, consideration of significant financial matters and the review of the financial and operating performance of the Group.
- b) The Board has not developed position descriptions for the Board and the Group Chief Executive Officer. This is mainly due to the current set-up of the Board and the various Board Committees that are in place to facilitate the smooth functioning of the Group. Nevertheless, in order to enhance the existing corporate governance practice of the Company, the Board will consider adopting a Board Charter which delineates the role and function of the Board as well as the differing roles of Executive Directors and Non-Executive Directors.
- c) The Board, through various management committees, has been able to identify business risks and ensure the implementation of appropriate measures to manage these risks. Nevertheless, the Board is of the view that a more structured risk management process would need to be established to better identify, monitor and manage the business risks affecting the Group.
- d) Senior management staff are co-opted to assist the Audit Committee in the discharge of its duties and responsibilities. The Board and the Audit Committee feel that although the current arrangement is not the best practice advocated, it provides sufficient assurance in obtaining regular review and / or appraisal of the effectiveness of the system of internal controls within the Group.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

- e) Currently, the composition of the Company's Audit Committee does not meet the MSEB Listing Requirements. Nevertheless, the Board has undertaken to seek the right candidate after the coming 18th AGM has been convened.

6.0 Directors' Responsibility Statement On Annual Audited Accounts

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

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

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

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

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

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2003, the Group has used the appropriate accounting policies and applied them consistently and prudently. The Directors are of the opinion that all relevant approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

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

OTHER INFORMATION REQUIRED PURSUANT TO PART A, APPENDIX 9C OF THE MSEC LISTING REQUIREMENTS

In conformance with the Malaysia Securities Exchange Berhad Listing Requirements, the following information is provided:

- **Utilisation of Proceeds**
The Company from any corporate proposal during the financial year raised no proceeds.
- **Share buybacks**
During the financial year, there were no share buybacks by the Company.
- **Option, Warrants and Convertible Securities**
The Company has not issued any options, warrants or convertible securities during the financial year.
- **American Depository Receipt ("ADR") / Global Depository Receipt ("GDR")**
During the financial year, the Company did not sponsor any ADR or GDR programme.
- **Sanctions and / or Penalties**
There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management staff by the relevant regulatory bodies during the financial year.
- **Non-Audit Fee**
The total amount of non-audit fee payable to the external auditors by the Company and its subsidiaries for the financial year ended 31 December 2003 amounted to RM37,800. These fees were incurred in respect of advisory work on tax matters undertaken by the Group.
- **Variance from Profit Forecast or Unaudited Results Previously Made**
There were no variances exceeding 10% from the unaudited results previously released by the Company.
- **Profit Guarantee**
During the financial year, there were no profit guarantees given by the Company. The relevant regulatory bodies had impose certain profit guarantee on the major shareholders for the previous financial year and the current financial year pursuant to the debt restructuring exercise.

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

The actual profit after tax for the years ended 31 December 2002 and 31 December 2003 achieved by the newly acquired subsidiary companies was RM8.8 million and RM13.7 million. This is RM2.1 million or 10.3% in excess of the profit warranted by the Vendors. However, the profit achieved for year 2003 includes unaudited management financial statement of Yap Swee Thiam & Sons Industries Sdn Bhd. The final profit achieved by the Vendors can only be determined on receiving audited financial statements of Yap Swee Thiam & Sons Industries Sdn Bhd.
- **Material Contracts**
Save for the profit guarantee agreement, (as described above) entered into between the Company and the Vendors (whereby Mr Koh Poh Seng who is the Chairman/Company's Group Managing Director and major shareholder is deemed a connected party), there were no other material contracts (not being contracts entered into in the ordinary course of business) subsisting as at or entered into since the end of the previous financial year, by the Company or its subsidiaries, which involved the interests of the Directors and major shareholders.
- **Revaluation of landed properties**
The Group does not have a revaluation policy for its landed properties.

AUDIT COMMITTEE

MEMBERS

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

- Mr Lim Siong Huat
Independent Non-Executive Director
- Mr Lau Fook Meng
Member / Non-Independent Executive Director

Terms of Reference

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

Composition

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

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

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

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

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

Authority

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

Meetings

The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, any Executive Director, or the external auditors.

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

AUDIT COMMITTEE (Cont'd)

Responsibilities and Duties of the Committee

The duties and responsibilities of the Committee shall include:-

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

Audit Committee Report

During the financial year ended 31 December 2003, the Audit Committee comprising the following members held a total of four (4) meetings. The details of attendance of the Committee members are as follows:

Name of Committee Member	No. of Meetings attended / held During member's tenure
Mr Lim Siong Huat	2/2 (100%)
Mr Lau Fook Meng	4/4 (100%)

AUDIT COMMITTEE (Cont'd)

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year ended 31 December 2003 in the discharge of its functions and duties:

- a) Reviewed the external auditors' scope of work and audit plans for the period. Prior to the audit, representatives from the external auditors, presented their audit strategy and plan.
- b) Reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response.
- c) Consideration and recommendation to the Board for approval of the audit fees payable to the external auditors.
- d) Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval.
- e) Reviewed the audited Financial Statements of the Group and the Company prior to submission to the Board for their consideration and approval. The review was to ensure that the audited Financial Statements were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable accounting standards approved by the Malaysian Accounting Standard Board ("MASB").
- f) Reviewed the Company's compliance in particular the quarterly and year end financial statements with the listing Requirements of the MSEC, MASB and other legal and regulatory requirements.
- g) Reviewed any related party transactions entered into by the Group.
- h) Reviewed the extent of the Group's compliance with the provisions set out under the Malaysian Code on Corporate Governance for the purpose of preparing the Corporate Governance Statement pursuant to the MSEC Listing Requirements.

Internal Audit Functions

Senior management staff are co-opted to assist the Audit Committee in the discharge of its duties and responsibilities. The Board and the Audit Committee feel that although the current arrangement is not the best practice advocated, it provides sufficient assurance in obtaining regular review and / or appraisal of the effectiveness of the system of internal controls within the Group.

Non-compliance with the MSEC Listing Requirements

Currently, the composition of the Company's Audit Committee does not meet the MSEC Listing Requirements since the resignation of the Audit Committee Chairman. The Board has undertaken to seek the right candidate after the coming 18th AGM has been convened.

STATEMENT OF INTERNAL CONTROL

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

1. Internal Control

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

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

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

2. Internal Audit Functions

Senior management staff are currently appointed to assist the Audit Committee in the discharge of its duties and responsibilities. The Board and the Audit Committee feel that although the current arrangement is not the best practice advocated, it provides sufficient assurance in obtaining regular review and / or appraisal of the effectiveness of the system of internal controls within the Group.

3. Other Risks and Control Processes

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

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

CHAIRMAN/GROUP MANAGING DIRECTOR'S STATEMENT

On behalf of the Board of Directors, I present the Annual Report and Audited Accounts of the Group and of the Company for the financial year ended 31 December 2003.

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

Overview of Group Results

Operating Results

For the financial year ended 31 Dec 2003, Group turnover increased to RM290.7 million (8-months to Dec 2002: RM76.3 million). We recorded a pre-tax profit of RM13.6 million as compared to a pre-tax profit of RM5.3 million in previous period. This turnaround in results and improvement of turnover were mainly as a result of the incorporation of the Group's new acquisitions made during the last financial year. We have generated a net cash surplus from operating activities of RM7.1 million, RM0.88 million from investing activities and deficit of RM0.4 million from financing activities.

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

Review of Operations

Division	Turnover		Profit/ (Loss) Before Tax	
	12-mth Dec 2003 (RM'm)	8-mth Dec 2002 (RM'm)	12-mth Dec 2003 (RM'm)	8-mth Dec 2002 (RM'm)
Paper Milling	13.2	7.0	1.9	1.9
Paper Converting	18.4	5.4	(0.6)	2.1
Plywood	195.8	45.0	14.0	2.8
Timber Manufacturing	47.8	7.7	4.6	1.2
Others –				
Trading of paper products & general household products	15.5	11.2	0.1	1.3
Interest Income	–	–	0.6	0.2
Investment & Management	–	–	(2.8)	(16.7)
Eliminations	–	–	–	15.7
Total turnover	290.7	76.3		
Profit/(Loss) from Operations			17.8	8.5
Finance Cost			(4.2)	(3.2)
Profit/(Loss) Before Taxation			13.6	5.3

CHAIRMAN/GROUP MANAGING DIRECTOR'S STATEMENT (Cont'd)

Paper Milling

The Group's tissue mill registered a higher turnover RM13.2 million compared with previous period of RM7 million. This division registered higher operating profit before tax and finance cost of RM1.9 million as compared to profit of RM1.9 million in 2002. 2002 profits include RM0.99 million interest wrote-back. This reflected that our efficiency of the mill had improved.

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

Paper Converting and Trading of woodfree paper

I am glad to report that this division recorded higher turnover of RM18.4 million as compared to RM5.4 million previously. Operating loss before tax and finance cost amounted to RM0.65 million as compared to operating loss of RM0.82 million in the previous year 2002 which together with interest waived generated a profit of RM2.1 million.

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

Plywood and Timber Manufacturing

The Plywood Division recorded turnover of RM195.8 million and operating profit before tax and finance cost of RM14.5 million. Timber manufacturing recorded turnover of RM47.8 million and operating profit before tax and finance cost of RM4.2 million.

Others – trading of paper products and general household products

I am pleased to announce that with effect from October 2002 the Group has secured the distribution rights for BIC stationery, shavers, lighters and Sheaffer products. Sales are expected had be in the region of RM400,000 – RM600,000 per month. Turnover from this division reached RM15.5 million as compared to RM11.2 million for the previous year 2002. Operating profit before tax and finance cost amounted to RM0.14 million as compared to RM1.3 million in 2002 which also include interest waived of RM0.48 million.

Human Resources

During the financial period, we continue to make good progress with relocating our manpower resources to enable us to manage our operations. I am pleased to report that we now have a higher number of employees, totaling 464 as compared to 423 previously.

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

Going Forward

The Group hopes to expand its other trading activities through the expansion of distributorships in other Agency products when opportunity arises and to expand its network for existing operations.

CHAIRMAN/GROUP MANAGING DIRECTOR'S STATEMENT (Cont'd)

Dividend

The Board is unable to propose any dividend.

Acknowledgement

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

The Board would like to thank Mr See Wee Chern and Mr Wong Keet Loy who had resigned on 13 February 2004 and 18 July 2003 respectively and Mr Goh Jooi Lai who retired at the last AGM and had declined to seek re-election to the Board for their past contribution to the Group. We wish them every success in their future endeavours.

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

Finally and above all, on behalf of the Board, I wish to offer our heartfelt thanks to all our staff for their dedication and loyalty over the past year and their steadfastness and resilience in facing the new challenges.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are disclosed in Note 12 to the Financial Statements.

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

FINANCIAL RESULTS

	Group RM	Company RM
Net profit for the period	11,857,064	270,335
Interest expenses - ICULS	(663,300)	(663,300)
	<u>11,193,764</u>	<u>(392,965)</u>
Accumulated loss brought forward	(32,007,007)	(40,793,804)
Accumulated loss carried forward	<u>(20,813,243)</u>	<u>(41,186,769)</u>

DIVIDENDS

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

Date of issue	Purpose of issue	Class of share	Number	Terms of issue
14.11.2003	Settlement of debt	Ordinary	672,611	Conversion of Irredeemable Convertible Unsecured Loan Stocks

There were no debentures issued during the financial year.

DIRECTORS' REPORT (Cont'd)

IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS AND REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

The terms of the conversion of the ICULS and RCSLS are disclosed in Note 6 to the financial statements.

As at year end, the number of ICULS and RCSLS in issue are 13,820,000 and 19,332,000 (2002: 14,876,000 and 19,953,000) respectively.

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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and adequate allowance 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 allowance 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 operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the current financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 29 to the Financial Statements.

DIRECTORS OF THE COMPANY

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

Koh Poh Seng	<i>(Group Managing Director)</i>
Lau Fook Meng	<i>(Executive Director)</i>
Lim Siong Huat	<i>(Appointed as Independent Non- Executive Director on 18.7.2003)</i>
Lau Boon Seong	<i>(Re-designated as Non-Independent Non- Executive Director on 18.7.2003)</i>
See Wee Chern @ See Chan Wee Chern	<i>(Resigned as Independent Non-Executive Director on 13.2.2004)</i>
Wong Keet Loy	<i>(Resigned as Executive Director on 18.7.2003)</i>
Goh Jooi Lai	<i>(Retired as Independent Non-Executive Director on 28.7.2003)</i>
Wong Mun Wai	<i>(Resigned as Executive Director on 1.5.2003)</i>

Mr. Koh Poh Seng and Mr. Lim Siong Huat who will retire by rotation in accordance with Article 80 and article 87 of the Company's Articles of Association at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

	Ordinary shares of RM1.00 each			
	At 1.1.2003	Bought	Sold	At 31.12.2003
Direct interest				
Koh Poh Seng	66,729,300	12,418,200	22,756,700	56,390,800

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

No other Directors at the end of the financial year held any interest in the shares of the Company 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 period, no Director has received or become entitled to receive any benefit (other than as disclosed in Note 28 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

AUDIT COMMITTEE

The Audit Committee comprises the following members:-

Lau Fook Meng - *Executive Director*
Lim Siong Huat - *Independent Non-Executive Director (appointed on 18.7.2003)*
See Wee Chern @ - *Independent Non-Executive Director (resigned on 13.2.2004)*
See Chan Wee Chern
Goh Jooi Lai - *Independent Non-Executive Director (retired on 28.7.2003)*
Wong Mun Wai - *Executive Director (resigned on 1.5.2003)*

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

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

AUDITORS

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

On behalf of the Board

KOH POH SENG)
)
)
) DIRECTORS
)
)
)
LAU FOOK MENG)

Klang
1 April 2004

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 29 to 65 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2003, results of operations and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board

KOH POH SENG

LAU FOOK MENG

Klang
1 April 2004

STATUTORY DECLARATION

I, **Lau Fook Meng**, being the Director primarily responsible for the financial management of **KPS Consortium Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 29 to 65 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
1 April 2004)
)

LAU FOOK MENG

Before me:

T. Thandonee Rajagopal
Commissioner for Oaths

REPORT OF THE AUDITORS TO THE MEMBERS OF KPS CONSORTIUM BERHAD

We have audited the financial statements set out on pages 29 to 65. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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

As mentioned in Note 3(b) to the Financial Statements, the financial statements for a subsidiary company, Yap Swee Thiam & Sons Industries Sdn. Bhd., has been consolidated based on unaudited management financial statements made up to 31 December 2003. The total contribution of the total assets, total liabilities, revenue and profit after taxation of this subsidiary company to the Group were RM56,102,116, RM32,159,919, RM47,885,027 and RM3,596,833 respectively.

Subject to the adjustment that may be necessary for the financial statements of the Group had the financial statements of the said subsidiary company been subjected to audit, in our opinion:-

- (a) the financial statements which have been prepared under the historical cost convention, as modified by the revaluation of certain assets, are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :-
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2003, results of the operations and cash flows of the Group and of the Company for the financial year ended on that date;
- and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiary company of which we have not acted as auditors, as indicated in Note 12 to the Financial Statements.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes, except for the subsidiary company as mentioned in the preceding paragraph.

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

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

DATO' N.K. JASANI
(NO: 708/03/06 (J/PH))
CHARTERED ACCOUNTANT
PARTNER

Kuala Lumpur
1 April 2004

BALANCE SHEETS

AS AT 31 DECEMBER 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
SHARE CAPITAL	5	139,024,611	138,352,000	139,024,611	138,352,000
IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCK ("ICULS")	6	13,820,000	14,876,000	13,820,000	14,876,000
SHARE PREMIUM		383,389	–	383,389	–
EXCHANGE FLUCTUATION RESERVE	7	65,627	47,443	–	–
ACCUMULATED LOSS		(20,813,243)	(32,007,007)	(41,186,769)	(40,793,804)
		132,480,384	121,268,436	112,041,231	112,434,196
MINORITY INTEREST		43,906	16,566	–	–
NON-CURRENT LIABILITIES					
Redeemable Convertible Secured Loan					
Stock ("RCSLS")	6	19,332,000	19,953,000	19,332,000	19,953,000
Term loan	8	3,049,618	1,738,143	–	–
Finance creditors	9	125,252	122,757	–	–
Deferred taxation	10	663,055	1,507,055	–	–
		155,694,215	144,605,957	131,373,231	132,387,196
REPRESENTED BY :-					
NON-CURRENT ASSETS					
Property, plant and equipment	11	62,660,967	66,421,328	–	–
Investment in subsidiary companies	12	–	1	110,613,987	110,613,988
Other investment		12,024	–	–	–
Goodwill	13	39,652,977	42,286,733	–	–
Deposits with licensed banks	14	24,281,368	24,038,383	–	–
		126,607,336	132,746,445	110,613,987	110,613,988
CURRENT ASSETS					
Inventories	15	34,841,806	29,952,057	–	–
Trade receivables	16	74,049,664	66,365,153	–	–
Other receivables	17	6,931,385	6,851,037	80,789	37,917
Amount due from subsidiary companies	18	–	–	29,367,096	29,952,539
Tax recoverable		384	384	–	–
Deposits with licensed banks	14	500,000	448,000	–	–
Cash and bank balances		11,045,551	3,251,328	137,529	7,364
Total current assets		127,368,790	106,867,959	29,585,414	29,997,820

BALANCE SHEETS (Cont'd)

AS AT 31 DECEMBER 2003

		Group		Company	
	Note	2003 RM	2002 RM	2003 RM	2002 RM
LESS: CURRENT LIABILITIES					
Trade payables		11,351,007	11,131,206	-	-
Other payables	19	4,455,938	6,656,308	366,336	510,568
Amount due to subsidiary companies	18	-	-	5,747,969	5,002,179
Amount due to a Director	20	2,712,065	2,711,865	2,711,865	2,711,865
Term loans	8	1,940,013	1,534,369	-	-
Bank borrowings	8	69,993,620	62,547,033	-	-
Tax payable		7,829,268	10,427,666	-	-
Total current liabilities		98,281,911	95,008,447	8,826,170	8,224,612
NET CURRENT ASSETS		29,086,879	11,859,512	20,759,244	21,773,208
		155,694,215	144,605,957	131,373,231	132,387,196

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

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Note	Group		Company	
		1.1.2003 to 31.12.2003 RM	1.5.2002 to 31.12.2002 RM	1.1.2003 to 31.12.2003 RM	1.5.2002 to 31.12.2002 RM
Revenue					
- existing	21	290,764,132	20,873,818	-	-
- new acquisition	22	-	55,437,952	-	-
		<u>290,764,132</u>	<u>76,311,770</u>	<u>-</u>	<u>-</u>
Cost of sales - existing		(254,908,745)	(18,158,240)	-	-
- new acquisition	22	-	(47,734,905)	-	-
		<u>(254,908,745)</u>	<u>(65,893,145)</u>	<u>-</u>	<u>-</u>
Gross profit		35,855,387	10,418,625	-	-
Other operating income		13,977,931	743,065	1,361,391	30
Interest waived		-	4,676,453	-	-
Distribution costs		(5,128,239)	(1,528,068)	-	-
Administration expenses		(15,180,989)	(5,706,119)	(183,200)	(445,650)
Other operating expenses		(11,688,473)	(110,424)	-	(16,652,709)
Profit/(Loss) from operations		<u>17,835,617</u>	<u>8,493,532</u>	<u>1,178,191</u>	<u>(17,098,329)</u>
Finance costs		(4,150,413)	(3,166,993)	(907,856)	(774,917)
Profit/(Loss) before taxation	23	<u>13,685,204</u>	<u>5,326,539</u>	<u>270,335</u>	<u>(17,873,246)</u>
Taxation	24	(1,800,798)	(1,274,379)	-	(79)
Profit/(Loss) after taxation		<u>11,884,406</u>	<u>4,052,160</u>	<u>270,335</u>	<u>(17,873,325)</u>
Minority interest		(27,342)	7,699	-	-
Net profit/(loss) for the year/period		<u>11,857,064</u>	<u>4,059,859</u>	<u>270,335</u>	<u>(17,873,325)</u>
Earnings per share (sen)	25				
- Basic		<u>8.56</u>	<u>7.14</u>		
- Fully diluted		<u>7.29</u>	<u>5.19</u>		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

Group	Share capital RM	ICULS RM	Share premium RM	Exchange fluctuation reserve RM	Accumulated loss RM	Total RM
Balance at 1 May 2002	19,800,000	-	-	(527)	(36,066,866)	(16,267,393)
Issued of share capital	118,552,000	-	-	-	-	118,552,000
Issued pursuant to the restructuring scheme	-	14,876,000	-	-	-	14,876,000
Currency translation differences	-	-	-	47,970	-	47,970
Net profit for the period	-	-	-	-	4,059,859	4,059,859
Balance at 31 December 2002	138,352,000	14,876,000	-	47,443	(32,007,007)	121,268,436
Conversion of ICULS at RM1.57 per ICULS	672,611	(1,056,000)	383,389	-	-	-
Currency translation differences	-	-	-	18,184	-	18,184
Interest expense - ICULS	-	-	-	-	(663,300)	(663,300)
Net profit for the year	-	-	-	-	11,857,064	11,857,064
Balance at 31 December 2003	139,024,611	13,820,000	383,389	65,627	(20,813,243)	132,480,384
Company						
Balance at 1 May 2002	19,800,000	-	-	-	(22,920,479)	(3,120,479)
Issued of share capital	118,552,000	-	-	-	-	118,552,000
Issued pursuant to the restructuring scheme	-	14,876,000	-	-	-	14,876,000
Net loss for the period	-	-	-	-	(17,873,325)	(17,873,325)
Balance at 31 December 2002	138,352,000	14,876,000	-	-	(40,793,804)	112,434,196
Conversion of ICULS at RM1.57 per ICULS	672,611	(1,056,000)	383,389	-	-	-
Interest expense	-	-	-	-	(663,300)	(663,300)
Net profit for the year	-	-	-	-	270,335	270,335
Balance at 31 December 2003	139,024,611	13,820,000	383,389	-	(41,186,769)	112,041,231

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

CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Group		Company	
	1.1.2003 to 31.12.2003 RM	1.5.2002 to 31.12.2002 RM	1.1.2003 to 31.12.2003 RM	1.5.2002 to 31.12.2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	13,685,204	5,326,539	270,335	(17,873,246)
Adjustments for:				
Amortisation of goodwill	2,633,756	535,275	-	-
Bad debts written off	78,366	96,810	-	-
Depreciation	4,974,794	2,770,979	-	-
Property, plant and equipment written off	542,890	-	-	-
Gain on disposal of property, plant and equipment	(2,047,348)	(37,479)	-	-
Gain on disposal of investment	-	(23,102)	-	-
Interest expenses	3,526,095	3,193,249	907,408	774,358
Investment in subsidiary company written off	9,759,432	-	-	-
Provision for amount due from subsidiary companies				
- current	-	-	35,193,155	16,652,710
Provision for diminution in value no longer required	(9,759,431)	-	(491,724)	-
Allowance for doubtful debts				
- current	863,972	124,526	-	-
- no longer required	(140,512)	(142,183)	-	-
Allowance for slow moving inventories no longer required	(62,940)	(5,267)	-	-
Interest waived	-	(4,676,453)	-	-
Interest income	(650,649)	(205,185)	-	(30)
Operating profit/(loss) before working capital changes	23,403,629	6,957,709	35,879,174	(446,208)
Changes in working capital:-				
Bankers' acceptances and trust receipts	7,212,758	4,926,699	-	-
Inventories	(4,826,809)	(2,182,626)	-	-
Receivables	(8,493,584)	662,576	(42,872)	1,289,748
Payables	(2,421,999)	(2,203,793)	(144,232)	(306,922)
Subsidiary companies	-	-	(34,940,906)	(21,328,969)
Shareholders	200	2,711,865	-	2,019,013
Cash generated from/(used in) operations	14,874,195	10,872,430	751,164	(18,773,338)

CASH FLOW STATEMENTS (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

	Group		Company	
	1.1.2003 to 31.12.2003 RM	1.5.2002 to 31.12.2002 RM	1.1.2003 to 31.12.2003 RM	1.5.2002 to 31.12.2002 RM
Interest paid	(3,006,144)	(3,193,249)	-	-
Interest received	595,732	205,185	-	30
Tax paid	(5,320,763)	(2,284,239)	-	-
Tax refund	-	20,623	-	20,623
Net cash from/(used in) operating activities	7,143,020	5,620,750	751,164	(18,752,685)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	A (4,411,904)	(5,701,932)	-	-
Acquisition of subsidiaries, net of cash acquired	B -	22,908,348	-	(1)
Proceeds from disposal of investment	(12,024)	223,102	-	-
Proceeds from disposal of property, plant and equipment	5,311,929	206,889	-	-
Disposal of subsidiary	-	-	1	-
Net cash from/(used in) investing activities	888,001	17,636,407	1	(1)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash outflow arising from restructuring exercises	-	(7,638)	-	-
Drawdown of term loan	4,000,000	1,053,929	-	-
Placement of fixed deposits	(1,408,077)	(24,038,383)	-	-
Repayment of term loan	(2,282,881)	-	-	-
Repayment of finance creditors	(1,271,761)	(541,114)	-	-
Proceeds from issuance of shares	-	-	-	18,752,000
Settlement of bank overdraft through debt restructuring scheme	-	24,137,887	-	-
Uplift of fixed deposit	1,165,092	-	-	-
Redemption of ICULS	(621,000)	-	(621,000)	-
Net cash (used in)/from financing activities	(418,627)	604,681	(621,000)	18,752,000
CASH AND CASH EQUIVALENTS				
Net increase/(decrease)	7,612,394	23,861,838	130,165	(686)
Brought forward	1,496,471	(22,365,367)	7,364	8,050
Carried forward	C 9,108,865	1,496,471	137,529	7,364

CASH FLOW STATEMENTS (Cont'd)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

NOTES TO THE CASH FLOW STATEMENTS

A. PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM5,021,904 (2002: RM5,735,407) of which RM610,000 (2002: RM33,475) was acquired by means of hire purchase. Cash payments of RM4,411,904 (2002: RM5,701,932) were made by the Group to purchase the property, plant and equipment.

B. ACQUISITION OF SUBSIDIARY COMPANIES

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

	2002
	RM
Property, plant and equipment	26,676,875
Other investments	200,000
Investment in subsidiary companies	9,898,009
Inventories	23,364,365
Receivables	78,123,063
Provision for doubtful debts	(1,045,381)
Payables	(22,958,970)
Bank borrowing	(55,417,477)
Term loan	(2,218,584)
Taxation	(12,629,982)
Cash and bank balances	22,908,349
	<hr/>
Net asset acquired	66,900,267
Less: Minority interest	(24,265)
	<hr/>
	66,876,002
Goodwill on consolidation	42,822,008
	<hr/>
	109,698,010
Less : Cost of investment in KPS Plywood Sdn. Bhd.	(9,898,009)
	<hr/>
	99,800,001
Less : Consideration discharged by shares issued	(99,800,000)
	<hr/>
Company's cash flow on acquisition	1
Less : Cash and bank balances taken over	(22,908,349)
	<hr/>
Group's cash flow on acquisition, net of cash acquired	(22,908,348)
	<hr/> <hr/>

CASH FLOW STATEMENTS (Cont'd)
 FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

NOTES TO THE CASH FLOW STATEMENTS (Cont'd)

C. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Cash and bank balances	11,045,551	3,251,328	137,529	7,364
Deposits with licensed banks	500,000	448,000	-	-
Bank overdrafts	(2,436,686)	(2,202,857)	-	-
Cash and cash equivalents	9,108,865	1,496,471	137,529	7,364

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2003

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

2. FINANCIAL RISK MANAGEMENT POLICIES

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

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

(a) *Foreign currency risk*

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

(b) *Interest rate risk*

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

(c) *Credit risk*

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

(d) *Market risk*

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

(e) *Liquidity and cash flow risks*

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting convention

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

(b) Basis of consolidation

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies as mentioned in Note 12 to the Financial Statements, which have been prepared in accordance with the Group's accounting policies except for Yap Swee Thiam & Sons Industries Sdn. Bhd. which is based on unaudited management financial statements.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated on consolidation unless cost cannot be recovered.

The financial statements of the Company and its subsidiary companies are all drawn up to the same reporting date.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the subsidiary companies.

Subsidiary companies are consolidated using the acquisition method of accounting from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The differences between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation. It is retained in the consolidated balance sheet and will be amortised over 20 years. Goodwill will be written off immediately when the Directors are of the opinion that there is a permanent diminution in value.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill on acquisition and exchange differences.

(c) Subsidiary companies

A subsidiary company is a company in which the Group or the Company has a long term equity interest of more than 50 percent where there is management participation through Board of Directors' representation.

Investment in subsidiary companies, is stated at cost and/or valuation. Where an indication of impairment exist, the carrying amount of the subsidiary companies is assessed and written down immediately to their recoverable amount.

(d) Foreign currency translation

Transactions in foreign currencies are recorded in Malaysian Ringgit at rates of exchange ruling at the date of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Foreign currency translation (Cont'd)

Gains and losses from conversion of short term assets and liabilities, whether realised or unrealised, are included in income statement as they arise.

All other foreign exchange differences are taken to the income statement in the financial year in which they arise.

The principal closing rates of exchange of the foreign currencies applicable in the preparation of the financial statements were as follows:-

	2003 RM	2002 RM
US Dollar	3.80	3.80
Singapore Dollar	2.21	2.21

(e) Property, plant and equipment and depreciation

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at market value, based on valuations by external valuers, less subsequent amortisation. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses.

Revaluation are made based on valuation by an independent valuer on an open market value basis. Any revaluation increase is credited to equity as a revaluation surplus, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case, the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation decrease is first offset against an increase on unutilised valuation surplus in respect of the same asset and is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to unappropriated profit.

Depreciation is provided on the straight line method in order to write off each asset over its estimated useful life. No depreciation is provided on the freehold land.

The principal annual depreciation rates used are as follows:-

Buildings	2% - 5%
Furniture, fittings and others	10% - 33.3%
Leasehold land	Amortised over the lease terms of 30-60 years
Plant and machineries	6% - 10%
Motor vehicles	10% - 20%

Leasehold land and building is amortised over the term of the lease, 72 years.

Property, plant and equipment are written down to recoverable amount if, in the opinion of the Directors, it is less than their carrying value. Recoverable amount is the net selling price of the property, plant and equipment i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value after adequate specific allowance 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 of paper mills is determined using standard costing which approximates the actual cost.

(g) Deferred tax liabilities and assets

Deferred tax liabilities and assets are provided for under the liability method at the current tax rate in respect of all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base including unused tax losses and capital allowances.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each balance sheet date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

In prior financial years, deferred tax was provided for at the applicable current tax rates for all material differences except when there is reasonable evidence that such timing differences will not reverse in the foreseeable future. In addition, deferred tax benefits were recognised only when there was reasonable assurance of their realisation.

The change in accounting policy has been accounted for retrospectively. However, this has no effect on the financial statements presented, nor led to a restatement of prior year results.

(h) Assets acquired under hire purchase

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

Leased payments for operating leases, where substantially all the risk and benefits remain with the lessor, are charged as expenses in the period in which they incurred.

(i) Receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(j) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(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, 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.

(m) Financial instruments

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

(n) Impairment of assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year, in which the associated services are rendered by employee of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

The Company's contributions to defined contribution plan are charged to the income statement in the period to which they relate.

(p) Interest-bearing borrowings

Interest-bearing bank overdraft is recorded at the amount of proceeds received, net of transaction costs.

All borrowing cost are recognised as an expense in the income statement in the period in which they are incurred.

(q) Provisions

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

(r) Convertible loan stocks

As permitted under the transitional provision of MASB 24: Financial Instruments: Disclosure and Presentation, the convertible loan stock, which were issued before 1 January 2003 are classified in accordance to the predominant nature of the convertible loan stock of either equity or liability.

(s) Segmental information

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

(t) Intersegment transfers

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

4. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the subsidiary companies are mentioned in Note 12 to the Financial Statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 1 April 2004.

5. SHARE CAPITAL

	Group and Company	
	2003	2002
	RM	RM
Authorised:-		
Ordinary shares of RM1 each		
At beginning of year/period	200,000,000	25,000,000
Created during the year/period	–	175,000,000
At end of year/period	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid :-		
Ordinary shares of RM1 each		
At beginning of year/period	138,352,000	19,800,000
Issued during the year/period	672,611	118,552,000
At end of year/period	<u>139,024,611</u>	<u>138,352,000</u>

6. CONVERTIBLE LOAN STOCKS

	Group and Company	
	2003	2002
	RM	RM
<u>Equity Instrument</u>		
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")		
At beginning of year/period	14,876,000	–
Issued during the year/period	–	14,876,000
Conversion into ordinary shares at RM1.57 per ICULS	(1,056,000)	–
At end of year/period	<u>13,820,000</u>	<u>14,876,000</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

6. CONVERTIBLE LOAN STOCKS (Cont'd)

	Group and Company	
	2003	2002
	RM	RM
Liability Instrument		
Redeemable Convertible Unsecured Loan Stock ("RCSLS")		
At beginning of year/period	19,953,000	–
Issued during the year/period	–	19,953,000
Redemption	(621,000)	–
At end of year/period	<u>19,332,000</u>	<u>19,953,000</u>

(a) The terms of the conversion and redemption of the ICULS and RCSLS are as follows:-

(i) Conversion Price

The conversion price shall be set at RM1.57 for each shares, subject to adjustment in accordance with Trust Deed.

(ii) Conversion Rights

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

(iii) Conversion period

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

(iv) Redeemability

ICULS - It is not redeemable. All outstanding ICULS will be automatically converted by the Company into new ordinary shares of RM1 each in the Company on the last day of the conversion period.

RCSLS - The RCSLS will be redeemed in cash at the times and in the manner as follows :-

2nd anniversary of the Issued Date – 10% of the total RCSLS issued

3rd anniversary of the Issued Date – 20% of the total RCSLS issued

4th anniversary of the Issued Date – 30% of the total RCSLS issued

5th anniversary of the Issued Date – Balance of the outstanding RCSLS

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

6. CONVERTIBLE LOAN STOCKS (Cont'd)

(v) Security

RCSLS is secure by charge on factories, office or residential buildings, warehouse owned by certain subsidiary companies of the Company. A debentures was created which consists fixed and floating charges over the present and future assets of a subsidiary company.

- (b) The ICULS was reclassified as equity in accordance with the provisions of MASB 24: Financial Instruments: Disclosure and Presentation. Accordingly, the distribution to the holders of the ICULS is disclosed as a distribution of equity.

7. EXCHANGE FLUCTUATION RESERVE

This reserve is not available for distribution as dividends.

8. BORROWINGS

	Group	
	2003	2002
	RM	RM
Secured:-		
<u>Current</u>		
Bills payable / Bankers acceptance	67,556,934	60,344,176
Bank overdraft	2,436,686	2,202,857
	<hr/>	<hr/>
	69,993,620	62,547,033
Term loans	1,940,013	1,534,369
	<hr/>	<hr/>
	71,933,633	64,081,402
<u>Non-current</u>		
Term loans	3,049,618	1,738,143
	<hr/>	<hr/>

The term loans are secured in the following manner:-

- Charged and deeds of assignment over the land and properties of certain subsidiary companies
- Registered charge over third party's properties
- Jointly and severally guarantee by certain Directors and third a party; and
- Corporate guarantee by the Company

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

8. BORROWING (Cont'd)

The bank borrowings are secured in the following manner:-

- (a) Charged and deeds of assignment over the land and properties of certain subsidiary companies
- (b) Pledged of fixed deposits of subsidiary companies
- (c) Jointly and severally guarantee by certain Directors and third a party; and
- (d) Corporate guarantee by the Company

Interest is charged at rates ranging from 2.9% to 8.0% (2002: 7.40% to 9.55%) per annum.

Repayments of term loan are on monthly installments basis.

9. FINANCE CREDITORS

	Group	
	2003 RM	2002 RM
Minimum lease payment		
- within 1 year	447,842	872,010
- after 1 year but not later than 5 years	144,462	162,456
	<u>592,304</u>	<u>1,034,466</u>
Interest-in-suspense	(71,443)	(145,715)
	<u>520,861</u>	<u>888,751</u>
Total principal sum payable		
- within 1 year	395,609	765,994
- after 1 year but not later than 5 years	125,252	122,757
	<u>520,861</u>	<u>888,751</u>

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

10. DEFERRED TAXATION

	Group	
	2003 RM	2002 RM
At beginning of year/period	1,507,055	1,361,855
Transferred (to)/from income statement	(844,000)	145,200
At end of year/period	<u>663,055</u>	<u>1,507,055</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

10. DEFERRED TAXATION (Cont'd)

The deferred taxation arose principally due to the following :-

	2003 RM	2002 RM
Tax effects of timing differences in respect of the excess of tax capital allowances over book depreciation	607,055	1,591,055
Tax effects on timing differences arose on revaluation of properties	56,000	17,000
Tax effect of other timing differences	–	(101,000)
Deferred tax liabilities	<u>663,055</u>	<u>1,507,055</u>

The tax effects of timing differences which would give rise to net future tax benefit are generally recognised only where there is a reasonable expectation of realisation. As at 31 December 2003, the estimated deferred taxation benefits calculated at current tax rate, which have not been recognised in the financial statements, are as follows :-

	2003 RM	2002 RM
Tax effects of timing differences in respect of the excess of tax capital allowances over book depreciation	3,350,800	5,615,055
Tax effects of unabsorbed capital allowances	(6,586,831)	(4,384,160)
Tax effects of unutilised business losses	(5,323,516)	(6,611,300)
Tax effects of timing differences arose on revaluation of properties	419,000	89,000
Tax effects of other timing differences	–	(133,000)
Deferred tax assets	<u>(8,140,547)</u>	<u>(5,424,405)</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

11. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings RM	Plant and machineries RM	Motor vehicles RM	Furniture, fittings and others RM	Total 2003 RM	Total 2002 RM
Cost or valuation						
At beginning of year/period						
- cost	37,731,164	38,068,736	4,309,091	2,579,967	82,688,958	39,463,758
- valuation	13,767,235	–	–	–	13,767,235	13,767,235
	51,498,399	38,068,736	4,309,091	2,579,967	96,456,193	53,230,993
Additions	1,853,211	3,074,019	–	94,674	5,021,904	5,735,407
Acquisition of subsidiaries	–	–	–	–	–	38,488,644
Disposals	(1,849,030)	(2,389,555)	(55,842)	(3,125)	(4,297,552)	(822,603)
Written off	–	(1,406,250)	–	(12,230)	(1,418,480)	(176,248)
At end of year/period	51,502,580	37,346,950	4,253,249	2,659,286	95,762,065	96,456,193
Accumulated depreciation						
At beginning of year/ period	6,164,318	18,479,041	3,644,763	1,746,743	30,034,865	16,281,563
Charge for the year/period	1,149,976	3,472,981	159,896	191,941	4,974,794	2,770,979
Acquisition of subsidiaries	–	–	–	–	–	11,811,769
Disposals	(126,251)	(870,409)	(34,800)	(1,511)	(1,032,971)	(653,198)
Written off	–	(868,084)	–	(7,506)	(875,590)	(176,248)
At end of year/period	7,188,043	20,213,529	3,769,859	1,929,667	33,101,098	30,034,865
Net book value						
31 December 2003	44,314,537	17,133,421	483,390	729,619	62,660,967	–
31 December 2002	45,334,081	19,589,695	664,328	833,224	–	66,421,328
Depreciation charge for the period ended						
31 December 2002	548,357	2,002,475	127,367	92,780	–	2,770,979
Cost or valuation at 31 December 2003						
- cost	37,735,345	37,346,950	4,253,249	2,659,286	81,994,830	82,688,958
- valuation: 1993	13,767,235	–	–	–	13,767,235	13,767,235
	51,502,580	37,346,950	4,253,249	2,659,286	95,762,065	96,456,193

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Analysis of land:-

Group	Freehold Land RM	Long leasehold land RM	Short leasehold land RM	Total 2003 RM	Total 2002 RM
At beginning of year/period					
- cost	5,979,575	1,905,255	450,192	8,335,022	2,006,876
- valuation	2,328,709	–	1,549,000	3,877,709	3,877,709
	8,308,284	1,905,255	1,999,192	12,212,731	5,884,585
Addition	–	–	–	–	192
Acquisition of subsidiaries	–	–	–	–	6,327,954
Disposal	(761,040)	(348,379)	–	(1,109,419)	–
At end of year/period	7,547,244	1,556,876	1,999,192	11,103,312	12,212,731
Accumulated depreciation					
At beginning of year/ period	–	254,513	493,897	748,410	619,736
Charge for the year/period	–	29,496	135,658	165,154	108,709
Acquisition of subsidiaries	–	–	–	–	19,965
Disposal	–	(24,482)	–	(24,482)	–
At end of year/period	–	259,527	629,555	889,082	748,410
Net book value					
31 December 2003	7,547,244	1,297,349	1,369,637	10,214,230	–
31 December 2002	8,308,284	1,650,742	1,505,295	–	11,464,321
Depreciation charge for the period ended 31 December 2002	–	18,267	90,442	–	108,709
Cost or valuation at 31 December 2003					
- cost	5,218,535	1,556,876	450,192	7,225,603	8,335,022
- valuation: 1993	2,328,709	–	1,549,000	3,877,709	3,877,709
	7,547,244	1,556,876	1,999,192	11,103,312	12,212,731

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Analysis of buildings:-

Group	Freehold buildings RM	Long leasehold buildings RM	Short leasehold buildings RM	Total 2003 RM	Total 2002 RM
Cost or valuation					
At beginning of year/period					
- cost	11,940,702	12,035,375	5,420,065	29,396,142	11,162,007
- valuation	7,437,328	–	2,452,198	9,889,526	9,889,526
	19,378,030	12,035,375	7,872,263	39,285,668	21,051,533
Additions	27,840	1,825,371	–	1,853,211	3,697,375
Acquisition of subsidiaries	–	–	–	–	14,536,760
Disposal	(507,359)	(232,252)	–	(739,611)	–
At end of year/period	18,898,511	13,628,494	7,872,263	40,399,268	39,285,668
Accumulated depreciation					
At beginning of year/period	2,968,604	798,271	1,649,033	5,415,908	3,389,934
Charge for the year/period	541,289	288,768	154,765	984,822	439,648
Acquisition of subsidiaries	–	–	–	–	1,586,326
Disposal	(78,110)	(23,659)	–	(101,769)	–
At end of year/period	3,431,783	1,063,380	1,803,798	6,298,961	5,415,908
Net book value					
31 December 2003	15,466,728	12,565,114	6,068,465	34,100,307	–
31 December 2002	16,409,426	11,237,104	6,223,230	–	33,869,760
Depreciation charge for the period ended 31 December 2002	191,225	145,249	103,174	–	439,648
Cost or valuation at 31 December 2003					
- cost	11,461,183	13,628,494	5,420,065	30,509,742	29,396,142
- valuation: 1993	7,437,328	–	2,452,198	9,889,526	9,889,526
	18,898,511	13,628,494	7,872,263	40,399,268	39,285,668

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

11. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

	Group	
	2003	2002
	RM	RM
At cost	17,768,336	17,768,336
Less: Accumulated depreciation	(3,514,829)	(3,083,653)
Net book value	<u>14,253,507</u>	<u>14,684,683</u>

- (b) Land and buildings of the Group with net book value of RM19,050,710 (2002: RM16,253,411) have been pledged to banks for credit facilities granted to certain subsidiary companies and third party and term loans granted to certain subsidiary companies.
- (c) Land and buildings of the Group with net book value of RM7,658,556 (2002: RM7,728,405) have been pledged to a licensed bank as partial security of RM1,534,000 nominal value of 5 year 4.5% Redeemable Convertible Secured Loan Stocks issued by the Company.
- (d) Plant and machineries of the Group with net book value of RM339,870 (2002: RM431,429) have been pledged to licensed bank for banking facilities granted to a subsidiary company.
- (e) The net book value of property, plant and equipment which are under hire purchase or finance lease arrangement is as follows:-

	Group	
	2003	2002
	RM	RM
Plant and machineries	1,628,757	1,304,441
Motor vehicles	196,942	343,580
	<u>1,825,699</u>	<u>1,648,021</u>

12. INVESTMENT IN SUBSIDIARY COMPANIES

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

Name of company	Place of incorporation	Group effective interest		Principal activities
		2003	2002	
		%	%	
Hai Ming Capital Sdn. Bhd.	Malaysia	100	100	Investment holding
Hai Ming Development Sdn. Bhd.	Malaysia	100	100	Dormant
Hai Ming Enterprise Sdn. Bhd.	Malaysia	100	100	Trading in paper products

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

12. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

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

Name of company	Place of incorporation	Group effective interest		Principal activities
		2003 %	2002 %	
Hai Ming Industries Sdn. Bhd.	Malaysia	100	100	Converting of paper into related products
Hai Ming Management Sdn. Bhd.	Malaysia	100	100	Providing management services
Hai Ming Marketing Sdn. Bhd.	Malaysia	–	100	Trading in paper products
Hai Ming Paper Products Sdn. Bhd.	Malaysia	100	100	Dormant
Hai Ming Paper Mills Sdn. Bhd.	Malaysia	100	100	Manufacturing of tissue paper and tissue related products
Hai Ming Trading Co. Sdn. Bhd.	Malaysia	100	100	Trading in paper, paper products, stationery and general household products
KPS Food Industries Sdn. Bhd.	Malaysia	100	100	Dormant
Paragon Paper Mill Sdn. Bhd.	Malaysia	51	51	Manufacturing of tissue paper and tissue related products
Hai Ming Impex (S) Pte. Ltd. *	Singapore	100	100	Dormant
KPS Plywood Sdn. Bhd.	Malaysia	100	100	Trading of plywood and investment holding
Subsidiary company of Hai Ming Capital Sdn. Bhd. :-				
Hubei Huali Paper Mills Co. Ltd. *#	People's Republic of China	–	60	Manufacture and sale of paper
Subsidiary company of Paragon Paper Mill Sdn. Bhd. :-				
Paragon Marketing Sdn. Bhd.	Malaysia	51	51	Trading in tissue related products
Subsidiary companies of KPS Plywood Sdn. Bhd. :-				
Akateak Sdn. Bhd.	Malaysia	100	100	Distributor and retailer of wooden doors, plywood and related building materials
Yap Swee Thiam & Sons Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of timber doors, window frames and other timber related products

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

2. INVESTMENT IN SUBSIDIARY COMPANIES (Cont'd)

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

Name of company	Place of incorporation	Group effective interest		Principal activities
		2003 %	2002 %	
Vector Marketing Sdn. Bhd.	Malaysia	60	100	Trading in plywood and related products
Hai Ming Marketing Sdn. Bhd.	Malaysia	100	–	Trading in paper products

* Subsidiary company not audited by Shamsir Jasani Grant Thornton.

The investment in subsidiary company has been written off as the Company has no effective control over the assets and management of the subsidiary company.

(b) Investment in subsidiary company not consolidated:-

	Group	
	2003 RM	2002 RM
Unquoted shares, at cost	–	9,759,432
Less: Goodwill written off in previous year	–	(3,030,828)
Post acquisition loss	–	(1,649,969)
	–	5,078,635
Less: Provision for diminution in value	–	(5,078,634)
	–	1

(c) Investment in subsidiary companies:-

	Company	
	2003 RM	2002 RM
Unquoted shares :-		
At Directors' valuation	20,222,837	20,714,562
Less : Provision for diminution in value	(10,473,855)	(10,965,579)
	9,748,982	9,748,983
At cost	107,628,115	107,628,115
Less : Provision for diminution in value	(6,763,110)	(6,763,110)
	100,865,005	100,865,005
Total	110,613,987	110,613,988

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

13. GOODWILL

	Group	
	2003 RM	2002 RM
At beginning of year/period	42,286,733	–
Arising from acquisition of subsidiary companies	–	42,822,008
Amortisation during the year/period	(2,633,756)	(535,275)
At end of year/period	<u>39,652,977</u>	<u>42,286,733</u>

14. DEPOSITS WITH LICENSED BANKS

	Group	
	2003 RM	2002 RM
Pledged to licensed bank for banking facilities	24,281,368	23,534,810
Pledged to licensed bank as partial security of RM1,543,000 nominal value of 5 years 4.5% Redeemable Convertible Secured Loan Stocks issued by the Company	–	561,573
REPO	500,000	390,000
	<u>24,781,368</u>	<u>24,486,383</u>
Non-current	24,281,368	24,038,383
Current	500,000	448,000
	<u>24,781,368</u>	<u>24,486,383</u>

In previous financial period, fixed deposits of the Group of RM4,120,686 are registered in the name of a Director of the Company.

15. INVENTORIES

	Group	
	2003 RM	2002 RM
At cost:-		
Raw materials	14,814,976	12,910,181
Consumables	119,422	110,601
Work-in-progress	427,210	1,202,741
Finished goods	19,985,912	16,297,188
	<u>35,347,520</u>	<u>30,520,711</u>
Less : Provision for slow moving inventories	(505,714)	(568,654)
	<u>34,841,806</u>	<u>29,952,057</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

16. TRADE RECEIVABLES

	Group	
	2003 RM	2002 RM
Trade receivables	76,898,252	68,490,281
Less: Specific allowance for doubtful debts	(2,848,588)	(2,125,128)
	74,049,664	66,365,153

17. OTHER RECEIVABLES

The other receivables comprise the following items:-

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Non-trade receivables	2,535,037	–	–	–
Advance for timber concession rights	3,500,000	3,500,000	–	–
Management fee receivable	60,000	–	–	–
Deposits	622,083	698,431	–	–
Prepayments	337,886	2,006,542	80,667	37,917
Others	18,434	788,119	122	–
	7,073,440	6,993,092	80,789	37,917
Less: Provision for doubtful debts	(142,055)	(142,055)	–	–
	6,931,385	6,851,037	80,789	37,917

18. AMOUNT DUE FROM/TO SUBSIDIARY COMPANIES

	Company	
	2003 RM	2002 RM
Amount due from subsidiary companies	64,560,250	65,146,544
Less: Provision for doubtful debts	(35,193,154)	(35,194,005)
	29,367,096	29,952,539

The amount due from/to subsidiary companies is trade in nature, unsecured, interest free and no scheme of repayment has been arranged.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

19. OTHER PAYABLES

The other payables comprise the following items:-

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Accruals of expenses	1,410,433	1,239,021	–	–
Balance outstanding on acquisition of land	–	3,060,000	–	–
Deposits	492,213	112,547	–	–
Interest on loan stocks	298,575	322,049	298,575	322,049
Finance creditors due within 1 year	395,609	765,994	–	–
Non-trade payables	1,859,108	1,156,697	67,761	188,519
	<u>4,455,938</u>	<u>6,656,308</u>	<u>366,336</u>	<u>510,568</u>

20. AMOUNT DUE TO A DIRECTOR

Group and Company

In previous financial period, the amount due to a Director bears interest at the rate of 4.5% per annum. The amount is unsecured and has no scheme of repayment.

21. REVENUE

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

22. SUMMARY EFFECT OF ACQUISITION OF SUBSIDIARY COMPANIES

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

	2003 RM	2002 RM
Revenue	–	55,437,952
Cost of sales	–	(47,734,905)
		<u>7,703,047</u>
Distribution expenses	–	(1,021,052)
Administration expenses	–	(2,224,882)
Other operating expenses	–	(241,215)
		<u>4,215,898</u>
Loss from operation	–	4,215,898
Finance cost	–	(900,494)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

22. SUMMARY EFFECT OF ACQUISITION OF SUBSIDIARY COMPANIES (Cont'd)

	2003 RM	2002 RM
Profit before taxation	–	3,315,404
Taxation	–	(997,765)
	<hr/>	<hr/>
Net profit for the period	–	2,317,639
Minority interest's share of profit	–	7,699
	<hr/>	<hr/>
	–	2,325,338
	<hr/>	<hr/>

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

	2003 RM	2002 RM
Property, plant and equipment	–	30,893,375
Inventories	–	23,339,101
Receivables	–	70,724,248
Cash and bank balances	–	26,244,015
Payables	–	(14,415,776)
Term loans	–	(3,272,512)
Bank borrowing	–	(62,547,033)
Taxation	–	(11,625,721)
Minority interest	–	(8,410,456)
	<hr/>	<hr/>
Increase in Group's net assets	–	50,929,241
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

23. PROFIT/(LOSS) BEFORE TAXATION

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

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
After charging :-				
Amortisation of goodwill	2,633,756	535,275	-	-
Auditors' remuneration				
- statutory	102,100	95,700	11,000	10,000
- under provision in previous year	383	658	-	-
- other auditors	2,450	2,410	-	-
- others	43,300	89,600	-	-
Bad debts written off	78,366	96,810	-	-
Depreciation	4,974,794	2,770,979	-	-
Property, plant and equipment written off	542,890	-	-	-
Interest expenses				
- bank overdrafts	721,278	873,430	-	-
- bankers' acceptances/ trust receipts	1,393,831	748,576	-	-
- hire purchase	157,317	99,335	-	-
- ICULS	663,300	137,552	663,300	137,552
- RCSLS	892,373	184,497	892,373	184,497
- revolving credits	-	162,017	-	-
- term loans	359,235	554,681	-	-
- others	2,060	378,302	-	-
- subsidiary companies	-	-	15,035	397,450
- advances from a Director	-	54,859	-	54,859
Allowance for amount due from subsidiary companies	-	-	-	16,652,710
Allowance for doubtful debts				
- specific	863,972	124,526	-	-
Rental expenses				
- equipment	20,073	9,620	-	-
- warehouse	144,641	58,155	-	-
Investment in subsidiary company written off	9,759,432	-	-	-
And crediting:-				
Allowance for amount due from subsidiary company no longer required	-	-	851	-
Bad debts recovered	-	6,055	-	-
Gain on disposal of property, plant and equipment	2,047,348	37,479	-	-
Gain on disposal of investment	-	23,102	-	-
Provision for diminution in value no longer required	9,759,431	-	491,724	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

23. PROFIT/(LOSS) BEFORE TAXATION (Cont'd)

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
And crediting (cont'd):-				
Interest income				
- fixed deposits	641,858	152,625	-	-
- repo	6,832	61	410	30
- subsidiary companies	-	-	1,360,131	-
- others	1,959	52,499	-	-
Interest waived	-	4,676,453	-	-
Allowance for doubtful debts no longer required				
- specific	140,512	123,436	-	-
- general	-	18,747	-	-
Allowance for slow moving inventories no longer required	62,940	5,267	-	-
Rental income	485,343	291,119	-	-

24. TAXATION

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
In Malaysia :-				
Current year provision	4,475,537	1,169,541	-	-
Overprovision in prior years	(1,830,739)	(40,362)	-	79
Deferred taxation	(844,000)	145,200	-	-
Total	1,800,798	1,274,379	-	79

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

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

The 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 RM23,146,731 (2002: RM21.6 million), RM18,985,076 (2002: RM23.3 million) and RM1,546,000 (2002: RM1.6 million) respectively.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

24. TAXATION (Cont'd)

A reconciliation of income tax expenses applicable to profit before taxation at the statutory tax rate to income tax expenses at the effective tax rate of the Company is as follows:-

	Group	
	2003	2002
	%	%
Taxation at Malaysia statutory		
Tax rate of 28%	28	28
Expenses not deductible for tax purpose	3	–
Income not subject to tax	(2)	–
Tax effect on double deduction	(1)	–
Reinvestment allowance utilised	(1)	–
	<hr/>	<hr/>
	27	28
	<hr/>	<hr/>

25. EARNINGS PER SHARE

Group

(a) Basic

The basic earnings per share is calculated based on profit after taxation and minority interest of RM11,857,064 (2002: RM4,059,589) and the weighted average number of shares in issue during the financial year of 138,440,453 (2002: 56,847,500).

(b) Fully Diluted

The fully diluted earnings per share has been calculated based on the Group's profit after taxation and minority interests of RM12,513,628 (2002: RM4,745,333) by assuming and interest saving from full conversion of ICULS and RCSLS and the adjusted weighted average number of ordinary shares in issue of 171,592,453 (2002: 91,676,000).

26. EMPLOYEES INFORMATION

	Group	
	1.1.2003	1.5.2002
	to	to
	31.12.2003	31.12.2002
	RM	RM
Staff costs	<hr/>	<hr/>
	10,704,701	8,811,173

The number of employees of the Group at the end of the financial year was 464 (2002: 423) persons.

The Company has no employee as at end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

27. CONTINGENT LIABILITIES

UNSECURED:-

These represent guarantees provided by the Company for banking and other credit facilities extended to subsidiary companies amounting to RM8,307,429 (2002: RM4,102,400).

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Interest payable to a Director	–	54,859	–	54,859
Interest expenses payable to subsidiary companies	–	–	15,035	397,450
Interest received from subsidiary companies	–	–	1,360,131	–
Directors' emoluments				
- Executive Director	318,040	413,802	–	–
Sales to a Company in which certain Directors have interest	7,372,196	–	–	–
Purchase from a Company in which certain Directors have interest	4,218,043	–	–	–

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

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 22 October 2003, the Company had disposed 350,000 ordinary shares of Hai Ming Marketing Sdn. Bhd. to its subsidiary company, KPS Plywood Sdn. Bhd. which representing 100% equity participation at a consideration of RM1.
- (b) On 26 December 2003, the Company's subsidiary company, KPS Plywood Sdn. Bhd. invested 300 ordinary shares in Juta Sure Sdn. Bhd. representing 30% equity participation. However, the investment has not been taken into account during the year as it is pending on finalising of terms and conditions of the transaction.
- (c) On 31 December 2003, the Company's subsidiary company, KPS Plywood Sdn. Bhd., disposed 3 properties to the director, Mr. Koh Poh Seng with total consideration amounted to RM3,100,000.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

30. FINANCIAL INSTRUMENTS

(a) Interest rate risk

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

Group	Less than 1 year RM	1 to 5 years RM	More than 5 years RM	Total RM	Effective interest rate during the period
<u>2003</u>					
<u>Financial assets</u>					
Deposit, cash and bank balances	11,545,551	24,281,368	–	35,826,919	2.15% - 3.97%
<u>Financial liabilities</u>					
Borrowings	69,993,620	–	–	69,993,620	2.9% - 8.0%
Term loan	1,940,013	3,049,618	–	4,989,631	6.5% - 7.90%
ICULS	–	13,820,000	–	13,820,000	4.5%
RCSLS	–	19,332,000	–	19,332,000	4.5%
Finance creditor	395,609	125,252	–	520,861	3.8% - 7.90%
<u>Company</u>					
<u>2003</u>					
<u>Financial assets</u>					
Cash and bank balances	137,529	–	–	137,529	–
<u>Financial liabilities</u>					
ICULS	–	13,820,000	–	13,820,000	4.5%
RCSLS	–	19,332,000	–	19,332,000	4.5%
<u>Group</u>					
<u>2002</u>					
<u>Financial assets</u>					
Deposit, cash and bank balances	3,699,328	24,038,383	–	27,737,711	–
<u>Financial liabilities</u>					
Borrowings	62,547,033	–	–	62,547,033	2.92%-6.4%
Term loan	1,534,369	1,738,143	–	3,272,512	6.5%
ICULS	–	14,876,000	–	14,876,000	4.5%
RCSLS	–	19,953,000	–	19,953,000	4.5%
Finance creditor	765,994	122,757	–	888,751	3.8% - 7.90%
<u>Company</u>					
<u>2002</u>					
<u>Financial assets</u>					
Cash and bank balances	7,364	–	–	7,364	–
<u>Financial liabilities</u>					
ICULS	–	14,876,000	–	14,876,000	4.5%
RCSLS	–	19,953,000	–	19,953,000	4.5%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

30. FINANCIAL INSTRUMENTS (Cont'd)

(b) Credit risk

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

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

(c) Fair values

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

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
2003				
Unquoted shares in subsidiary companies	–	–	110,613,987	*
2002				
Unquoted shares in subsidiary companies	1	*	110,613,988	*

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

31. SEGMENTAL REPORTING – GROUP

(a) Primary segmental reporting – Business Segment

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

31. SEGMENTAL REPORTING – GROUP (Cont'd)

(a) Primary segmental reporting – Business Segment (Cont'd)

2003	Paper milling RM	Paper converting RM	Plywood RM	Timber manufacturing RM	Investment and management RM	Others RM	Eliminations RM	Consolidated RM
Revenue								
External revenue	13,213,389	18,388,439	195,786,817	47,885,028	–	15,490,459	–	290,764,132
Intersegment revenue	2,364,029	1,613,681	20,116,597	559,912	369,500	400,334	(25,424,053)	–
Total revenue	15,577,418	20,002,120	215,903,414	48,444,940	369,500	15,890,793	(25,424,053)	290,764,132
Results								
Segment results	1,879,212	(659,226)	14,023,103	4,611,898	(178,937)	142,674	–	19,818,724
Interest income	1,556	17,464	475,863	148,934	410	6,422	–	650,649
Unallocated corporate expenses	–	–	–	–	–	–	(2,633,756)	(2,633,756)
Profit/(loss) from operations	1,880,768	(641,762)	14,498,966	4,760,832	(178,527)	149,096	(2,633,756)	17,835,617
Finance cost								(4,150,413)
Profit before taxation								13,685,204
Taxation								(1,800,798)
Profit after taxation								11,884,406
Minority interest								(27,342)
Net profit for the year								11,857,064
Other information								
Segment assets	25,756,549	19,676,444	104,598,656	55,967,126	290,924	8,033,066		214,322,765
Tax recoverable	–	–	–	–	384	–		384
Unallocated corporate asset	–	–	–	–	–	–		39,652,977
Consolidated total assets	25,756,549	19,676,444	104,598,656	55,967,126	291,308	8,033,066		253,976,126
Segment liabilities	1,380,438	2,446,649	59,597,292	26,211,729	22,480,601	842,804		112,959,513
Tax payable	–	4,500	3,126,095	4,649,501	–	49,172		7,829,268
Deferred taxation	–	–	109,200	440,855	–	113,000		663,055
Consolidated total liabilities	1,380,438	2,451,149	62,832,587	31,302,085	22,480,601	1,004,976		121,451,836
Capital expenditure on property, plant and equipment	1,255,478	45,088	102,020	3,611,833	–	7,485		5,021,904
Depreciation	1,483,184	655,244	663,103	2,064,665	4,068	104,530		4,974,794
Property, plant and equipment written off	–	538,901	3,989	–	–	–		542,890

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

– 31 DECEMBER 2003

31. SEGMENTAL REPORTING – GROUP (Cont'd)

(a) Primary segmental reporting – Business Segment (Cont'd)

2002	Paper milling RM	Paper converting RM	Plywood RM	Timber manufacturing RM	Investment and management RM	Others RM	Eliminations RM	Consolidated RM
Revenue								
External revenue	7,031,812	5,421,067	45,013,282	7,697,649	–	11,147,960		76,311,770
Intersegment revenue	1,677,420	419,213	2,223,516	136,763	80,000	308,297	(4,845,209)	–
Total revenue	8,709,232	5,840,280	47,236,798	7,834,412	80,000	11,456,257	(4,845,209)	76,311,770
Results								
Segment results	898,080	(817,467)	2,806,796	1,174,475	(17,385,565)	703,239	16,767,418	4,146,976
Interest waived	996,829	2,580,569	–	–	614,506	484,549	–	4,676,453
Interest income	1,294	386,833	144,096	41,171	30	123,219	(491,266)	205,377
Unallocated corporate expenses	–	–	–	–	–	–	(535,274)	(535,274)
Profit/(loss) from operations	1,896,203	2,149,935	2,950,892	1,215,646	(16,771,029)	1,311,007	15,740,878	8,493,532
Finance cost								(3,166,993)
Profit before taxation								5,326,539
Taxation								(1,274,379)
Profit after taxation								4,052,160
Minority interest								7,699
Net profit for the period								4,059,859
Other information								
Segment assets	25,210,368	17,116,254	99,083,833	48,374,309	101,220	7,441,303		197,327,287
Tax recoverable	–	–	–	–	384	–		384
Unallocated corporate assets	–	–	–	–	–	–		42,286,733
Consolidated total assets	25,210,368	17,116,254	99,083,833	48,374,309	101,604	7,441,303		239,614,404
Segment liabilities	1,314,200	548,240	58,446,324	21,913,860	38,120,171	927,886		121,270,681
Tax payable	–	–	4,936,599	5,311,067	–	180,000		10,427,666
Deferred taxation	–	–	109,200	1,268,855	–	129,000		1,507,055
Consolidated total liabilities	1,314,200	548,240	63,492,123	28,493,782	38,120,171	1,236,886		133,205,402
Capital expenditure on property, plant and equipment	100,779	8,181	1,149,162	4,460,905	–	16,380		5,735,407
Depreciation	957,931	514,778	633,353	591,136	2,711	71,070		2,770,979
Property, plant and equipment written off	–	–	–	–	–	–		–

(b) Secondary segmental reporting – Geographical segment

No geographical segments have been prepared as the Group's operations are mainly based in Malaysia.

KPS CONSORTIUM BERHAD & GROUP OF COMPANIES

LIST OF PROPERTIES AS AT 31 DECEMBER 2003

Location	Description	Tenure	Land Area (meter sq)	Approximate Age of Building (year)	Net Book Value (RM'000)	Year of Acquisition or Revaluation*
1. Lot 67, SEDCO Industrial Estate, Phase 2 Kota Kinabalu, Sabah	Office/residential building, factory and warehouse	60-year lease to 31/12/2034	5,632	18	1,372	1993*
2. Lot 292 & 294, Block 36, Muara Tuang Land District, Sarawak	Factory, office building and warehouse	58-year lease to 30/01/2030	22,784	25 & 7	6,066	1993* & 1992
3. Lot 765, Mukim of Kapar, District of Klang, Selangor	Factory and office building	Freehold	17,705	11	8,343	1993*
4. Lot PT129942, Kawasan Perusahaan Kanthan, Chemor, Perak	Factory and office building	60-year lease to 14/03/2055	53,174	5	6,236	1992
5. Lot 2191, Industrial Land Mentakab, Temerloh, Pahang	Vacant Land	Freehold	105,645 sq ft	N/A	231	1997
6. Lot 3144C Agriculture Land, Batu 6 1/2, Puchong, Selangor	Vacant Land	Freehold	15,700 sq ft	N/A	233	1995
7. Lot 33893 Bandar Puchong Utama, Puchong, Selangor	4-storey shop/ office	Freehold	1,760 sq ft	4	753	1996
8. Lot 33894 Bandar Puchong Utama, Puchong, Selangor	4-storey shop/ office	Freehold	1,760 sq ft	4	752	1996

KPS CONSORTIUM BERHAD & GROUP OF COMPANIES (Cont'd)

LIST OF PROPERTIES AS AT 31 DECEMBER 2003

Location	Description	Tenure	Land Area (meter sq)	Approximate Age of Building (year)	Net Book Value (RM'000)	Year of Acquisition or Revaluation*
9. Lot 14374 Bandar Kinrara Industrial Centre, Selangor	3-storey office block & 2-storey open warehouse	Freehold	186,590 sq ft	7	8,873	1995
10. Lot 4 Section 91A, Block B, Tmn Miharja UE3	Office suite	99-year lease (Strata title not ready)	7,396 sq ft	7	2,406	1997
11. Unit E2-103, Block E Apartment Merak, Bukit Idaman, Mukim Batu, Selangor	Ground floor flat	99-year to 17.10.2089	600 sq ft	12	29	1990
12. Lot 68.2C, 1-2C, Jln PS6, Prima Selayang, Mukim Batu, Selangor	Shop/office apartment	99-year (Strata title not ready)	975 sq ft	5	59	1994
13. Unit No. B2F-19, Mukim Petaling, B-2-1 Megan Phoenix, Jalan 2/142A, Off Jalan Cheras	Office Premise	Freehold	1,606 sq ft	6	317	2002
14. PM 443, Lot 189 , Bandar Selayang, Daerah Gombak , Selangor	Factory building & warehouse	99-year lease to 05/09/2074	110,685 sq ft	1	5,132	2002
15. Lot 46082, Jalan Sg Tua, Batu 9, Batu Caves, Selangor	Office, factory building & warehouse	Freehold	74,721 sq ft	5	3,539	1999

SHAREHOLDINGS STRUCTURE

AS AT 12TH MAY 2004

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

Authorised Share Capital	:	200,000,000
Issued and Fully Paid-Up Share Capital	:	139,024,611
Class of Shares	:	Ordinary Shares of RM1.00 each fully paid
Voting Rights	:	One vote per ordinary share
No. of shareholders	:	5,866

Distribution of Shareholdings as at 12 May 2004

Size of Holdings	No. of Shareholders	Total Holdings	% of Paid-up Capital
Less than 100	5	120	0.00
100-1000	1,239	1,226,683	0.88
1001-10,000	3,479	16,844,715	12.12
10,001-100,000	1,027	32,319,875	23.25
100,001 and below 5% of share capital	112	39,062,283	28.10
Above 5% of share capital	4	49,570,935	35.66
	5,866	139,024,611	100.00

Substantial Shareholders as at 12 May 2004

Shareholders	No. of Shares Held		Percentage Holding
	Direct	Indirect	
AMMB Nominees (Tempatan)dn Sdn Bhd - AmTrustee Berhad for Koh Poh Seng	17,911,782	-	12.88
Koh Poh Seng	14,866,886	-	10.69
AMMB Nominees (Tempatan) Sdn Bhd - AmTrustee Berhad for Koh Poh Seng	8,488,400	-	6.11
Koh Poh Seng	8,303,867	-	5.97

List of Thirty (30) Largest Shareholders as at 12 May 2004

No.	Name of Shareholders	No. of Shares	Percentage Holding
1	AMMB Nominees (Tempatan) Sdn Bhd - AmTrustee Berhad for Koh Poh Seng	17,911,782	12.88
2	Koh Poh Seng	14,866,886	10.69
3	AMMB Nominees (Tempatan) Sdn Bhd - AmTrustee Berhad for Koh Poh Seng	8,488,400	6.11
4	Koh Poh Seng	8,303,867	5.97

SHAREHOLDINGS STRUCTURE (Cont'd)

AS AT 12TH MAY 2004

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

List of Thirty (30) Largest Shareholders as at 12 May 2004 (Cont'd)

No.	Name of Shareholders	No. of Shares	Percentage Holding
5	Alliance Group Nominees (Tempatan) Sdn Bhd - Koh Poh Seng	4,528,733	3.26
6	AMMB Nominees (Tempatan) Sdn Bhd - AmTrustee Berhad for RHB Bank Berhad	2,877,000	2.07
7	Yap Swee Thiam	1,893,310	1.36
8	AMMB Nominees (Tempatan) Sdn Bhd - AmTrustee Berhad for Malayan Banking Berhad	1,447,000	1.04
9	AMMB Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Pengurusan Danaharta Nasional Berhad	1,433,000	1.03
10	AMMB Nominees (Asing) Sdn Bhd - AmTrustee Berhad for OCBC Bank (Malaysia) Berhad	1,350,000	0.97
11	Public Nominees (Tempatan) Sdn Bhd - Koh Poh Seng	1,250,000	0.90
12	TA Nominees (Tempatan) Sdn Bhd - Lee Tiam Ket	907,200	0.65
13	Kuala Lumpur City Nominees (Tempatan) Sdn Bhd - Hee Yuen Sang	854,000	0.61
14	Pacific Strike Sdn Bhd	826,600	0.59
15	Chan Kim Kiok	783,100	0.56
16	Foo Ah Kow @ Foo Lee Onn	769,000	0.55
17	Lim Yen Yen	764,576	0.55
18	HSBC Bank (M) Berhad	672,611	0.48
19	Yap Swee Thiam	635,310	0.46
20	Chung Shan Kwang	614,000	0.44
21	Gan Ah Huat	560,000	0.40
22	TA Nominees (Tempatan) Sdn Bhd - Oh Kim Hoe	500,000	0.36
23	A.A Assets Nominees (Tempatan) Sdn Bhd - Fulcrum Capital Sdn Bhd for Pyramid Tulin Sdn Bhd	450,000	0.32

SHAREHOLDINGS STRUCTURE (Cont'd)

AS AT 12TH MAY 2004

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

List of Thirty (30) Largest Shareholders as at 12 May 2004 (Cont'd)

No.	Name of Shareholders	No. of Shares	Percentage Holding
24	AMMB Nominees (Tempatan) Sdn Bhd - AmTrustee Berhad for Utama Merchant Bank Berhad	443,000	0.32
25	Lee Yit Kwai	350,000	0.25
26	Affin Nominees (Tempatan) Sdn Bhd - Ong Lian Man	330,000	0.24
27	Amsec Nominees (Tempatan) Sdn Bhd - Hee Yuen Sang	320,000	0.23
28	Tan Poay Jong	305,000	0.22
29	Lim Kian Wat	285,000	0.21
30	Mayban Securities Nominees (Tempatan) Sdn Bhd - Woon Teik	280,000	0.20
		74,999,375	53.95

Directors' Shareholdings and Interest in Shares as at 12 May 2004

No.	Name of Directors	No. of Shares	Percentage Holding
1	Koh Poh Seng	55,403,900*	39.85
2	Lau Boon Seong	Nil	Nil
3	Lau Fook Meng	Nil	Nil
4	Lim Siong Huat	Nil	Nil

Save as disclosed, none of the other Directors in office have any interests in the shares of related corporations and subsidiary companies of the Company as at 12 May 2004.

* - Held directly and through nominee companies.



KPS CONSORTIUM BERHAD (143816-V)

(Formerly known as Hai Ming Holdings Berhad)

Incorporated in Malaysia

PROXY FORM

(Before completing this form please refer to the notes below)

No. of shares held

I/ We _____ NRIC No./ Passport No./ Company No _____
 (Full name in block letters) CDS A/C No _____

of _____
 (Full address)

Being a member/ members of **KPS CONSORTIUM BERHAD** hereby appoint the following person (s):-

Name of proxy, NRIC No. & Address	No. of shares to be represented by proxy
1. _____	_____
2. _____	_____

or failing him/her, the Chairman of the Meeting as *my/our proxy/proxies to attend and vote for *me/us and on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held at Klang Executive Club, Persiaran Bukit Raja 2, Bandar Baru, Klang, 41150 Klang, Selangor Darul Ehsan on Wednesday, 30th June 2004 at 11.00 a.m and at every adjournment thereof to vote as indicated below:-

	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		

(Please indicate with an "x" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his/ her discretion).

In case of a vote taken by a show of hands, the First-named Proxy shall vote on *my/ our behalf.

As witness my hand this _____ day of _____ 2004.

 Signature/Common Seal

- **Strike out whichever is not desired.**

Notes:-

Notes:

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

PLEASE FOLD HERE

AFFIX STAMP

KPS CONSORTIUM BERHAD (143816-V)
Lot 765, Jalan Haji Sirat Off Jalan Meru
42100 Klang, Selangor Darul Ehsan
Malaysia

PLEASE FOLD HERE