	The Group		The Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
The net deferred tax liabilities are in respect of:				
Temporary differences arising from property, plant and equipment	1,757,000	1,609,000	-	-
Unabsorbed capital allowances and unutilised tax losses	(719,000)	(379,000)	-	-
Tax effect on revaluation of land and buildings	301,000	301,000	301,000	301,000
Others	-	28,000	-	-
	1,339,000	1,559,000	301,000	301,000

As mentioned in Note 3, the deductible temporary differences which would give rise to deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. As of December 31, 2003, the estimated amount of deferred tax assets calculated at current tax rate pertaining to the Company and certain subsidiary companies not recognised in the financial statements, is as follows:

	Deferred Tax Assets			
	The Group		The Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Tax effects of:				
Temporary differences arising from property, plant and equipment	249,825	175,310	208,000	198,000
Unabsorbed capital allowances and unutilised tax losses	21,632,058	29,572,012	14,041,000	13,277,000
Others	423,500	434,300	-	-
Net Deferred Tax Assets	22,305,383	30,181,622	14,249,000	13,475,000

The unabsorbed capital allowances and unutilised tax losses are subject to the agreement of the tax authorities.

27. SHARE CAPITAL

	RM
Authorised:	
Ordinary shares of RM1 each	25,000,000
Issued and fully paid:	
Ordinary shares of RM1 each	18,994,375

28. PRIOR YEAR ADJUSTMENTS

During the financial year, the Group and the Company have adopted MASB 25, Income Taxes in accounting for deferred taxation. Upon the adoption of MASB 25, the Group and the Company have recognised deferred tax liability arising on the revaluation of land and buildings and have discontinued the recognition of the tax effects of reinvestment allowances to set-off the deferred tax liability arising from temporary differences as of the balance sheet date. There is no effect on the current year results arising from this change in accounting policy.

This change in accounting policy has been accounted for retrospectively and the effects on prior years have been taken up as prior year adjustments in the financial statements. Accordingly, the following accounts in prior years have been restated to reflect the effects of the change in accounting policy.

The Group	As Previously Reported RM	Adjustments RM	As Restated RM
Financial year ended December 31, 2002			
Net loss for the year	8,025,089	(47,000)	7,978,089
Income tax expense	191,305	(47,000)	144,305
As of December 31, 2002			
Deferred tax liability	1,072,000	487,000	1,559,000
Accumulated loss at the end of the year	54,172,374	487,000	54,659,374
As of December 31, 2001			
Deferred tax liability	881,000	534,000	1,415,000
Accumulated loss at the end of the year	46,147,285	534,000	46,681,285

The Company	As Previously Reported RM	Adjustments RM	As Restated RM
As of December 31, 2002			
Deferred tax liability	-	301,000	301,000
Accumulated loss at the end of the year	46,497,300	301,000	46,798,300
As of December 31, 2001			
Deferred tax liability	-	301,000	301,000
Accumulated loss at the year of the year	41,290,858	301,000	41,591,858

29. **RESERVES**

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Non-distributable reserves:				
Share premium	896,380	896,380	896,380	896,380
Reserve on consolidation	13,806	13,806	-	-
	910,186	910,186	896,380	896,380

Share Premium

Share premium arose from the exercise of share options under ESOS by eligible directors and employees of Sin Heng Chan Group in prior years.

Reserve On Consolidation

Reserve on consolidation represents the excess of the fair values of net assets over the consideration paid for investment in two subsidiary companies.

30. CONTINGENT LIABILITIES - UNSECURED

(a) As of December 31, 2003, the subsidiary companies have credit facilities amounting to RM47.83 million (2002: RM47.83 million) obtained from certain local financial institutions which are guaranteed by the Company. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities utilised by its subsidiary companies, which will form part of the unsecured scheme creditors under the Proposal as mentioned in Note 33.

(b) As of December 31, 2003, there was a contingent disputed claim against the Group and the Company to the extent of RM13.6 million (2002: RM11.7 million) and RM8.1 million (2002: RM6.8 million) respectively in respect of interest claimed on disputed trade debts owing to a company which at all material time together with certain other parties have common directors and controlling shareholdings of the Company. In the opinion of management, the interest charges are without any merit whatsoever and accordingly no provision for the amount claimed is deemed necessary.

In 1998, the said company has instituted legal proceedings for disputed trade debts, services provided and/or interests as alleged, and the Company, expressly without prejudice to all its rights, title, entitlement, interest and estate, its relevant subsidiaries and a former subsidiary (pursuant to the arrangement for sale), has taken steps to defend and counter-claim against the said company and all other parties, and is seeking, inter alia, substantive exemplary damages which management is of the opinion are meritorious.

Both parties have agreed to an out-of-court settlement of RM4.5 million as full and final settlement of all the civil suits. This out-of-court settlement arrangement is subject to the successful outcome of the Proposal mentioned in Note 33.

31. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, market risk, credit risk, liquidity risk and cash flow risk. The Group has formulated a financial risk management framework whose principal objective is to minimise the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Foreign Currency Risk

Foreign exchange risk arises from currency exposure primarily in respect of trade purchase transactions denominated in foreign currencies.

The Group monitors its foreign exchange exposure closely.

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of the rate changes on bank borrowings, long-term loans and interest bearing fixed deposits. The interest rates of bank borrowings, long-term loans and interest bearing fixed deposits are disclosed in Note 20, 22 and 25.

Market Risk

The Group is exposed to fluctuations in the prices of the key raw materials used in its operations. The Group does not enter into any fixed-priced contracts to establish determinable prices for raw materials used but monitors the prices of key raw materials closely.

Liquidity Risk

As of December 31, 2003, the Group has a capital deficiency of RM41,229,182 as a result of losses incurred in the current and prior years, and current liabilities exceeding current assets by RM53,575,428. The ability of the Company to continue as a going-concern is dependent on the successful implementation of the Proposal as explained in Note 33 and the continuing financial support from financial institutions.

Cash Flow Risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Financial Assets

The Group's principal financial assets are fixed deposits, cash and bank balances, trade and other receivables and equity investments.

The accounting policies applicable to the major financial assets are as disclosed in Note 3.

Financial Liabilities

The Group's significant financial liabilities include trade and other payables, bank borrowings, long-term loans and finance lease payables and hire-purchase payables.

Fair Values

The carrying amounts and the estimated fair values of the Group's and the Company's financial instruments as of December 31, 2003 are as follows:

		The Group		The Company	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Note	RM	RM	RM	RM
Financial Assets					
Other investments					
- unquoted shares *	15	596,320	-	-	-
Financial Liabilities					
Finance lease payables	23	1,549,324	1,513,571	-	-
Hire-purchase payables	24	832,542	841,115	164,211	164,211
Long-term loans	25	5,220,000	5,220,000	-	-

* It is not practical to estimate the fair values of unquoted investments. As at year end, the Group's estimated share of the net tangible assets of the unquoted investments amounted to RM2,359,973.

Cash and Bank Balances, Trade and Other Receivables, Trade and Other Payables

The carrying amounts approximate their fair value because of the short-term maturity of these instruments.

Long-Term Loans

The carrying amount of long-term loans as at balance sheet date approximates the fair value based on the current borrowing rates to the Group for similar type of borrowing arrangements.

Hire-Purchase and Finance Lease Payables

The fair values of hire-purchase and finance lease payables are estimated using discounted cash flow analysis based on the effective borrowing rates for similar borrowing arrangements.

32. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Fixed deposits with licensed banks	622,937	913,078	-	792,175
Cash and bank balances	2,091,844	993,767	13,321	104,325
Bank overdrafts	(38,053,792)	(35,397,269)	(34,350,440)	(17,525,221)
Total	(35,339,011)	(33,490,424)	(34,337,119)	(16,628,721)
Less: Fixed deposits pledged to banks	(122,937)	(120,053)	-	-
	(35,461,948)	(33,610,477)	(34,337,119)	(16,628,721)

33. GOING-CONCERN ISSUES

On August 11, 1999, Danaharta appointed Special Administrators ("SA") to assume control of the assets and affairs of the Company.

The moratorium under Section 41 of the Pengurusan Danaharta Nasional Berhad Act, 1998 ("the Act"), which took effect from the appointment date of the Special Administrators has been extended to August 10, 2004. The extension is pursuant to Section 41(3) of the Act. During the period of the moratorium, no creditor may take action against the Company except in accordance with Section 41 of the Act.

Since the date of the last audit report, the Proposed Restructuring Scheme ("Proposal") has been revised to include, inter-alia:

a) a renounceable rights issue up to 37,988,750 new ordinary shares of RM1.00 each at par on the basis of two (2) right shares for every existing shares, with a minimum subscription level of 30,000,100 new ordinary shares;

b) the issuance of RM19,192,125 nominal value of Irredeemable Convertible Loan Stocks ("ICULS") together with 30,000,000 free detachable warrants ("warrants") to unsecured scheme creditors on the basis of approximately one hundred and fifty six (156) new warrants for every RM100 nominal value of ICULS;

c) the settlement of an amount totaling RM3,016,875 due to the unsecured scheme creditors as part settlement of the outstanding debt owing to them amounting to RM36,943,000 by a related party, Alor Setar Industry Holdings Sdn. Bhd. ("ASIH") on behalf of the Company. In consideration for the settlement by ASIH, 3,016,875 new ordinary shares shall be issued at RM1.00 each to ASIH; and

d) a provision of RM4,500,000 as full and final settlement to settle the disputed claims as highlighted in Note 30(b). However, this settlement is contingent upon the successful implementation of the Proposal.

The modified workout proposal prepared by the SA pursuant to this revised Proposal was approved by Danaharta on December 2, 2003.

Subsequent to the financial year-end, all the relevant authorities, namely the Securities Commission, Ministry of International Trade and Industry, Foreign Investment Committee have granted conditional approval to the Proposal. As of the date of this report, the Proposal has not been implemented.

The Group and the Company have capital deficiency of RM41,229,182 and RM40,827,589 as of December 31, 2003, as a result of operational losses incurred in the current and prior years and, current liabilities exceeding current assets by RM53,575,428 and RM52,075,528 respectively. These factors raise substantial doubt as to whether the Group and the Company will be able to continue as a going-concern. However, the financial statements of the Group and of the Company have been drawn up on the basis of accounting principles applicable to a going-concern. The ability of the Group and of the Company to continue as a going-concern is dependent on the successful implementation of the aforesaid Proposal. As the Proposal has not been implemented and its outcome is presently not determinable, the financial statements of the Group and of the Company do not include any adjustments relating to the amounts and classification of recorded assets and liabilities that might be necessary, should the Group and the Company be unable to continue as a going-concern.

34. SUBSEQUENT EVENTS

Subsequent to the financial year-end,

(i) the Company entered into a conditional sales and purchase agreement and supplemental agreement for the disposal of two (2) pieces of property together with two (2) storey shoplots erected thereon for a cash consideration of RM820,000; and

(ii) as approved by the shareholders at the Extraordinary General Meeting held on March 29, 2004, the Company increased its authorised share capital from RM25,000,000 to RM500,000,000.

Company No. 4690 - V

SIN HENG CHAN (MALAYA) BERHAD
(Special Administrators Appointed)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of **SIN HENG CHAN (MALAYA) BERHAD,** state that in their opinion, the accompanying balance sheets and statements of income, cash flows and changes in equity, are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as of December 31, 2003 and of the results of the businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

TUAN SYED OMAR BIN SYED ABDULLAH

DATO' CHOO KENG WENG

Kuala Lumpur
April 29, 2004

DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **FREDDIE YONG,** the Officer primarily responsible for the financial management of **SIN HENG CHAN (MALAYA) BERHAD,** do solemnly and sincerely declare that the accompanying balance sheets and statements of income, cash flows and changes in equity, are, in my opinion, 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.

FREDDIE YONG

Subscribed and solemnly declared by the abovenamed **FREDDIE YONG** at **KUALA LUMPUR** this 29th day of April, 2004.

Before me

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
NO. W202
BARATHAN A/L
SINNIAH @
CHINNIAH
AMN, PJK
MALAYSIA

Tingkat 10 Wisma UOA Damansara
50, Jalan Dungun,
Bukit Damansara,
[illegible] Kuala Lumpur