

Company No. 4690 - V

SIN HENG CHAN (MALAYA) BERHAD

(Special Administrators Appointed)

(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors of **SIN HENG CHAN (MALAYA) BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2002.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company.

The principal activities of the subsidiary companies are as disclosed in Note 13 to the Financial Statements.

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

SIGNIFICANT EVENT

On August 11, 1999, Pengurusan Danaharta Nasional Berhad ("Danaharta") appointed Special Administrators to the Company pursuant to Section 24 of the Pengurusan Danaharta Nasional Berhad (Amendment) Act, 2000 to assume control of the assets and manage the affairs of the Company.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Loss before tax	7,624,098	5,206,442
Income tax expense	<u>191,305</u>	<u>-</u>
Loss after tax	7,815,403	5,206,442
Minority interests	<u>209,686</u>	<u>-</u>
Net loss for the year	<u><u>8,025,089</u></u>	<u><u>5,206,442</u></u>

Company No. 4690 - V

In the opinion of the directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend has been paid, proposed or declared by the Company since the end of the previous financial year. The Company does not have distributable reserve for dividend payment in respect of the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any options to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER FINANCIAL INFORMATION

Before the income statements and the balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

As of December 31, 2002, the Group and the Company have capital deficiency of RM34,267,813 and RM26,606,545 as a result of operational losses incurred in the current and prior years and current liabilities exceeding current assets by RM48,588,191 and RM38,976,277 respectively. These factors, along with other matters as set forth in Note 32 to the Financial Statements, 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 Proposal as fully explained in Note 32 to the Financial Statements.

Other than as stated in the preceding paragraph, 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 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; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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 and 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.

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 substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the succeeding financial year.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Dato' Choo Keng Weng
Tuan Syed Omar bin Syed Abdullah
Ghazali bin Saiboo
Venkata Chellam s/o Subramaniam
Y.M. Tunku Mahmood bin Tunku Mohammed

In accordance with Article 97 of the Company's Articles of Association, Messrs. Ghazali bin Saiboo and Venkata Chellam s/o Subramaniam retire by rotation and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The shareholdings in the Company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134, of the Companies Act, 1965, are as follows:

	No. of shares of RM1 each			Balance at 31.12.2002
	Balance at 1.1.2002	Bought	Sold	
Shares in the Company				
Registered in name of director				
Dato' Choo Keng Weng	54,000	-	-	54,000
Deemed Interest <i>(by virtue of his 40% interest in Macronet Sdn. Bhd.)</i>				
Dato' Choo Keng Weng	2,203,200	-	-	2,203,200

By virtue of Dato' Choo Keng Weng having shareholdings in the Company, he is deemed to have beneficial interest in the shares of the other related companies.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in 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 except for any benefit which may be deemed to have arisen by virtue of rental of premises paid and payable amounting to RM556,886 to companies in which Dato' Choo Keng Weng has substantial financial interest and also legal fees paid and payable amounting to RM9,300 to a firm in which Mr. Venkata Chellam s/o Subramaniam is a partner.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITORS

The auditors, Messrs. Deloitte KassimChan have indicated their willingness to continue in office.

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

TUAN SYED OMAR BIN SYED ABDULLAH

VENKATA CHELLAM S/O SUBRAMANIAM

Kuala Lumpur
April 29, 2003

REPORT OF THE AUDITORS TO THE MEMBERS OF

SIN HENG CHAN (MALAYA) BERHAD

(Special Administrators Appointed)

(Incorporated in Malaysia)

We have audited the accompanying balance sheets as of December 31, 2002 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these 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 reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as of December 31, 2002 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies have been properly kept in accordance with the provisions of the Act.

(Forward)

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements, and we have received satisfactory information and explanations as required by us for these purposes.

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

Without qualifying our opinion, we draw attention to Note 32 to the Financial Statements. As of December 31, 2002, the Group and the Company have capital deficiency of RM34,267,813 and RM26,606,545 as a result of operational losses incurred in the current and prior years and current liabilities exceeding current assets by RM48,588,191 and RM38,976,277 respectively. These factors, along with other matters as set forth in Note 32 to the Financial Statements, 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 Proposal as fully explained in Note 32 to the Financial Statements. 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.

DELOITTE KASSIMCHAN
AF 0080
Chartered Accountants

HIEW KIM TIAM
1717/8/03 (J)
Partner

April 29, 2003

SIN HENG CHAN (MALAYA) BERHAD
 (Special Administrators Appointed)
 (Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Note	The Group		The Company	
		2002 RM	2001 RM	2002 RM	2001 RM
Revenue	4	53,430,313	58,602,727	505,832	21,306
Other operating income	6	1,211,672	1,894,667	193,266	786,094
Changes in inventories of finished goods and hatching eggs		(2,818,829)	(3,294,618)	-	-
Raw materials and consumables used		(36,206,485)	(37,256,882)	-	-
Directors' remuneration	7	(1,004,857)	(972,350)	(788,570)	(788,570)
Staff costs		(4,900,305)	(4,819,454)	(642,591)	(617,594)
Depreciation of property, plant and equipment	12	(2,490,997)	(2,956,460)	(244,690)	(362,976)
Impairment loss of property, plant and equipment	12	(807,807)	(1,186,811)	-	(408,917)
Other operating expenses	6	<u>(9,497,784)</u>	<u>(10,983,700)</u>	<u>(2,172,021)</u>	<u>(2,771,561)</u>
Loss from operations		(3,085,079)	(972,881)	(3,148,774)	(4,142,218)
Finance costs	8	(4,640,862)	(4,706,851)	(2,154,376)	(1,991,702)
Income from other investments	9	<u>101,843</u>	<u>64,026</u>	<u>96,708</u>	<u>43,959</u>
Loss before tax		(7,624,098)	(5,615,706)	(5,206,442)	(6,089,961)
Income tax expense	10	<u>(191,305)</u>	<u>(882,763)</u>	<u>-</u>	<u>-</u>
Loss after tax		(7,815,403)	(6,498,469)	(5,206,442)	(6,089,961)
Minority interest		<u>(209,686)</u>	<u>(446,716)</u>	<u>-</u>	<u>-</u>
Net loss for the year		<u><u>(8,025,089)</u></u>	<u><u>(6,945,185)</u></u>	<u><u>(5,206,442)</u></u>	<u><u>(6,089,961)</u></u>
Loss per ordinary share					
Basic	11	<u>42.3 sen</u>	<u>36.6 sen</u>		

The accompanying Notes form an integral part of the Financial Statements.

SIN HENG CHAN (MALAYA) BERHAD
(Special Administrators Appointed)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS
AS OF DECEMBER 31, 2002

	Note	The Group		The Company	
		2002 RM	2001 RM	2002 RM	2001 RM
Property, plant and equipment	12	23,365,473	22,588,203	1,697,656	1,931,836
Investment in subsidiary companies	13	-	-	10,075,756	10,075,756
Other investments	14	597,322	597,322	596,320	596,320
Current Assets					
Inventories	15	8,107,368	7,568,184	-	-
Trade receivables	16	8,144,919	8,630,860	-	-
Other receivables, deposits and prepaid expenses	16	3,575,737	3,400,886	3,208,302	3,094,317
Amount owing by subsidiary companies	17	-	-	5,576	6,865
Marketable securities	18	477,182	664,002	477,182	664,002
Fixed deposits, cash and bank balances	19	1,906,845	3,875,172	896,500	1,631,207
Total Current Assets		<u>22,212,051</u>	<u>24,139,104</u>	<u>4,587,560</u>	<u>5,396,391</u>
Current Liabilities					
Trade payables	20	6,861,550	5,210,236	-	-
Other payables and accrued expenses	20	14,634,086	13,970,740	9,047,819	8,463,055
Amount owing to subsidiary companies	17	-	-	9,565,797	7,379,392
Bank borrowings	21	47,950,269	44,225,730	24,950,221	23,544,487
Finance lease payables	22	502,076	240,437	-	-
Hire-purchase payables	23	809,385	831,857	-	13,472
Tax liabilities		42,876	33,125	-	-
Total Current Liabilities		<u>70,800,242</u>	<u>64,512,125</u>	<u>43,563,837</u>	<u>39,400,406</u>

(Forward)

	Note	The Group		The Company	
		2002 RM	2001 RM	2002 RM	2001 RM
Net Current Liabilities		(48,588,191)	(40,373,021)	(38,976,277)	(34,004,015)
Long-Term and Deferred Liabilities					
Finance lease payables					
- non-current portion	22	(1,515,288)	(823,041)	-	-
Hire-purchase payables					
- non-current portion	23	(108,905)	(194,650)	-	-
Long-term loans					
- non-current portion	24	(3,940,000)	(4,360,000)	-	-
Deferred tax liabilities	25	(1,072,000)	(881,000)	-	-
		<u>(6,636,193)</u>	<u>(6,258,691)</u>	<u>-</u>	<u>-</u>
Net Liabilities		<u><u>(31,261,589)</u></u>	<u><u>(23,446,187)</u></u>	<u><u>(26,606,545)</u></u>	<u><u>(21,400,103)</u></u>
Represented by:					
Issued capital	26	18,994,375	18,994,375	18,994,375	18,994,375
Reserves	27	910,186	910,186	896,380	896,380
Accumulated loss		<u>(54,172,374)</u>	<u>(46,147,285)</u>	<u>(46,497,300)</u>	<u>(41,290,858)</u>
Capital Deficiency		(34,267,813)	(26,242,724)	(26,606,545)	(21,400,103)
Minority Interests		<u>3,006,224</u>	<u>2,796,537</u>	<u>-</u>	<u>-</u>
		<u><u>(31,261,589)</u></u>	<u><u>(23,446,187)</u></u>	<u><u>(26,606,545)</u></u>	<u><u>(21,400,103)</u></u>

The accompanying Notes form an integral part of the Financial Statements.

SIN HENG CHAN (MALAYA) BERHAD
 (Special Administrators Appointed)
 (Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

**STATEMENTS OF CHANGES IN EQUITY
 FOR THE YEAR ENDED DECEMBER 31, 2002**

The Group	Issued Capital RM	Reserves			Total RM
		Share Premium RM	Non-Distributable Reserve Reserve On Consolidation RM	Accumulated Losses RM	
Balance as of					
January 1, 2001	18,994,375	896,380	13,806	(39,202,100)	(19,297,539)
Net loss for the year	-	-	-	(6,945,185)	(6,945,185)
Balance as of					
December 31, 2001	18,994,375	896,380	13,806	(46,147,285)	(26,242,724)
Net loss for the year	-	-	-	(8,025,089)	(8,025,089)
Balance as of					
December 31, 2002	<u>18,994,375</u>	<u>896,380</u>	<u>13,806</u>	<u>(54,172,374)</u>	<u>(34,267,813)</u>
The Company					
Balance as of					
January 1, 2001	18,994,375	896,380	-	(35,200,897)	(15,310,142)
Net loss for the year	-	-	-	(6,089,961)	(6,089,961)
Balance as of					
December 31, 2001	18,994,375	896,380	-	(41,290,858)	(21,400,103)
Net loss for the year	-	-	-	(5,206,442)	(5,206,442)
Balance as of					
December 31, 2002	<u>18,994,375</u>	<u>896,380</u>	<u>-</u>	<u>(46,497,300)</u>	<u>(26,606,545)</u>

The accompanying Notes form an integral part of the Financial Statements.

SIN HENG CHAN (MALAYA) BERHAD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Note	The Group		The Company	
		2002 RM	2001 RM	2002 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(7,624,098)	(5,615,706)	(5,206,442)	(6,089,961)
Adjustments for:					
Finance costs		4,640,862	4,706,851	2,154,376	1,991,702
Depreciation of property, plant and equipment		2,490,997	2,956,460	244,690	362,976
Impairment loss of property, plant and equipment		807,807	1,186,811	-	408,917
Loss on disposal of marketable securities		168,159	83,504	168,159	83,504
Allowance for doubtful recovery of amount owing by subsidiary company		-	-	114,299	94,111
Provision for retirement benefits		-	80,232	-	-
Unrealised loss on foreign exchange		23,391	64,531	-	-
Allowance for inventory obsolescence		-	40,387	-	-
Inventories written off		-	29,821	-	-
Bad debts written off		-	6,570	-	-
Dividend income		(505,832)	(21,306)	(505,832)	(21,306)
Allowance for doubtful debts no longer required		(101,647)	(47,543)	(50,589)	(64,200)
Interest income		(47,843)	(50,526)	(42,708)	(30,459)
Gain on disposal of property, plant and equipment - net of tax		(185,750)	(128,990)	-	-
Operating Profit/(Loss) Before Working Capital Changes		(333,954)	3,291,096	(3,124,047)	(3,264,716)

(Forward)

	The Group		The Company		
	Note	2002 RM	2001 RM	2002 RM	2001 RM
(Increase)/Decrease in:					
Inventories		(539,184)	1,088,132	-	-
Trade receivables		587,588	1,061,099	-	-
Other receivables, deposits and prepaid expenses		(31,847)	69,721	73,830	25,641
Increase/(Decrease) in:					
Trade payables		1,651,314	1,313,992	-	-
Other payables and accrued expenses		(268,171)	715,315	(156,470)	210,917
Amount owing by/(to) subsidiary companies		-	-	2,073,395	2,719,356
Cash From/(Used In)					
Operations		1,065,746	7,539,355	(1,133,292)	(308,802)
Finance costs paid		(3,711,958)	(3,859,142)	(1,413,142)	(1,309,103)
Retirements benefit paid		(20,776)	-	-	-
Income tax paid		(6,835)	(14,393)	-	-
Net Cash From/(Used In)					
Operating Activities		(2,673,823)	3,665,820	(2,546,434)	(1,617,905)
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES					
Dividends received		364,506	16,784	364,506	16,784
Proceeds from disposal of marketable securities		18,661	1,286,702	18,661	1,286,702
Proceeds from disposal of property, plant and equipment		425,500	129,000	-	-
Interest received		52,695	43,789	46,808	24,474
Purchase of property, plant and equipment		(1,797,915)	(1,013,251)	(10,510)	-
Net Cash From/(Used In)					
Investing Activities		(936,553)	463,024	419,465	1,327,960
(Forward)					

	Note	The Group		The Company	
		2002 RM	2001 RM	2002 RM	2001 RM
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES					
Repayment of long-term loans		(1,560,000)	(2,122,235)	-	-
Short-term borrowings receipts		24,659,000	26,733,000	-	-
Short-term borrowings paid		(24,344,000)	(30,574,000)	-	-
Repayment of finance lease payables		(354,273)	(194,178)	-	-
Repayment of hire-purchase payables		<u>(108,217)</u>	<u>(174,480)</u>	<u>(13,742)</u>	<u>(30,404)</u>
Net Cash Used In Financing Activities		<u>(1,707,490)</u>	<u>(6,331,893)</u>	<u>(13,472)</u>	<u>(30,404)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS					
		(5,317,866)	(2,203,049)	(2,140,441)	(320,349)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
		<u>(28,292,611)</u>	<u>(26,089,562)</u>	<u>(14,488,280)</u>	<u>(14,167,931)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	31	<u>(33,610,477)</u>	<u>(28,292,611)</u>	<u>(16,628,721)</u>	<u>(14,488,280)</u>

Note: During the financial year, the Group's additions to property, plant and equipment amounted to RM4,306,074 (2001: RM2,483,727) of which RM2,508,159 (2001: RM1,470,476) was financed through term loan and finance lease arrangements. The balance of RM1,797,915 (2001: RM1,013,251) was paid in cash.

The accompanying Notes form an integral part of the Financial Statements.

SIN HENG CHAN (MALAYA) BERHAD
(Special Administrators Appointed)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is principally an investment holding company.

The principal activities of the subsidiary companies are as disclosed under Note 13.

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

The total number of employees of the Group and of the Company at year end were 289 (2001: 280) and 13 (2001: 13) respectively.

The registered office and principal place of business is located at Level 3, Wisma E & C, No. 2, Lorong Dungun Kiri, Damansara Heights, 50490 Kuala Lumpur.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on April 29, 2003.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board (MASB). The new approved MASB's adopted in the financial statements since the previous year and their impact to the financial statements are as follows:

- (i) MASB 22, Segment Reporting
- (ii) MASB 24, Financial Instruments: Disclosure and Presentation

The adoption of these MASB's did not result in any adjustments to the prior year's financial statements.

3. **SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention with certain modifications arising from the revaluation of certain land and buildings and also 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 Proposal as fully explained in Note 32.

Revenue

Revenue from sales of goods is recognised upon delivery of products and when the risks and rewards of ownership has passed. Revenue represents gross invoiced value of goods sold, net of sales tax, trade discounts and allowances.

Dividend income represents gross dividends from quoted and unquoted investments and is recognised when the shareholder's right to receive payment is established.

Rental income is accrued on a time basis, by reference to the agreements entered.

Foreign Currency Conversion

Transactions in foreign currencies are converted into Ringgit Malaysia at the exchange rates prevailing at the transaction dates or, where settlement has not yet taken place at the end of the financial year, at the approximate exchange rates prevailing at that date. All exchange gains or losses are taken up in the income statements.

Income Tax

The tax effects of transactions are generally recognised, using the 'liability' method, when such transactions enter into the determination of net income regardless of when they are recognised for tax purposes. However, where timing differences would give rise to net future tax benefits, the tax effects are recognised generally on actual realisation.

Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

An increase in the carrying amount arising from revaluation of property, plant and equipment is credited to the revaluation reserve account as revaluation surplus. Any deficit arising from revaluation is charged against the revaluation reserve account to the extent of a previous surplus held in the revaluation reserve account for the same asset. In all other cases, a decrease in carrying amount is charged to income statements. An increase in revaluation directly related to a previous decrease in carrying amount for that same asset that was recognised as an expense, is credited to income statements to the extent that it offsets the previously recorded decrease.

A gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements. On disposal of revalued assets, the amounts in revaluation reserve account relating to the assets disposed are transferred to accumulated loss account.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is treated as a revaluation decrease.

Plantation development expenditure consists of expenditure on land preparation and upkeep of trees prior to their maturity and is accounted for under the 'capital maintenance method' which involves the capitalisation of only new planting costs which are not amortised.

Depreciation of property, plant and equipment, except for freehold land and machinery under installation which are not depreciated, is computed on the straight-line method to their residual values at rates based on the shorter of the estimated useful lives of the various assets or their lease periods.

Land under long leases	Over period of lease of 66 - 99 years
Land under short leases	Over period of lease of 21 - 60 years
Buildings	4 - 5%
Plant and machinery	7 1/2 - 33 1/3%
Renovation, furniture, fixtures and equipment	5 - 20%
Motor vehicles	20%

No depreciation has been provided for the building on a freehold land of a subsidiary company as the directors are of the opinion that any depreciation that may be necessary can be adequately offset by the appreciation in value of the property concerned. This is not in compliance with the requirements of the MASB 15 which requires the allocation of the depreciable amount of an asset over its estimated useful life. However, the amount of depreciation charged computed using this policy has no material effect to the financial statements of the Group.

Property, Plant and Equipment Under Hire-Purchase Arrangements

Property, plant and equipment acquired under hire-purchase arrangements are capitalised as property, plant and equipment and the corresponding obligations treated as liabilities in the financial statements. These assets are depreciated according to the basis set out above. Finance costs are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

Lease Assets

Assets under leases which in substance transfer the risks and benefits of ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the fair value of the lease assets which approximates the present value of the minimum lease payments, at the beginning of the respective lease terms.

Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statements over the term of the relevant lease period so as to give a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. All other leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statements as incurred.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and of the subsidiary companies controlled by the Company made up to December 31, 2002.

Subsidiary companies are consolidated using the acquisition method of accounting. On acquisition, the assets and liabilities of the relevant subsidiary companies are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiary companies acquired or disposed of during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

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

All significant intercompany transactions and balances are eliminated on consolidation.

Investments

Investments in unquoted shares of subsidiary companies, which are eliminated on consolidation, are stated at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Other investments in unquoted shares are stated at cost less allowance for diminution in value. Allowance for diminution in value is made when in the opinion of the directors, the diminution in the value of the investments is considered permanent.

Inventories

Inventories are valued at the lower of cost (determined generally on the first-in, first-out method) and net realisable value. The costs of raw materials and spare parts comprise the original cost of purchase plus the cost of bringing the stocks to their present location and condition. The costs of finished goods and hatching eggs include the cost of raw materials, direct labour and certain allocation of manufacturing overheads. The cost of parent stocks consists of the original purchase price of breeder birds plus assigned growing costs and adjusted for amortization (calculated based on their economic egg-laying lives). Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses that may arise from non-collection of certain receivable accounts.

Marketable Securities

Marketable securities held for short-term are stated at the lower of cost (determined using the first-in first-out method) and market value based on an aggregate portfolio basis. All increases or decreases in the carrying amount of marketable securities are taken up in the income statements.

Retirement Benefits

A subsidiary company has a non-contributory unfunded retirement benefits scheme for employees who are eligible under their respective employment contracts. Retirement benefits are estimated and provided for in the accounts taking into consideration their length of service and basic salary earnings of eligible employees.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

4. REVENUE

	The Group		The Company	
	2002	2001	2002	2001
Manufacturing and trading of formulated animal feeds	41,578,978	31,262,269	-	-
Poultry breeding	11,345,503	27,319,152	-	-
Dividend income:				
Unquoted shares in Malaysia	497,137	-	497,137	-
Shares quoted in Malaysia	8,695	21,306	8,695	21,306
	<u>505,832</u>	<u>21,306</u>	<u>505,832</u>	<u>21,306</u>
	<u><u>53,430,313</u></u>	<u><u>58,602,727</u></u>	<u><u>505,832</u></u>	<u><u>21,306</u></u>

5. SEGMENT REPORTING

Business Segments

For management purposes, the Group is organised into the following operating divisions:

- Feedmilling
- Poultry breeding
- Investment holding
- Others (consist of subsidiary companies which are dormant and pre-operating)

Inter-segment sales are charged at cost plus a percentage profit mark-up.

SEGMENT ANALYSIS

The Group

2002

	Feedmilling RM	Poultry Breeding RM	Investment Holding RM	Others RM	Eliminations RM	Consolidated RM
Revenue						
External sales	32,204,289	20,720,192	505,832	-	-	53,430,313
Inter-segment sales	<u>20,128,744</u>	<u>556,227</u>	<u>-</u>	<u>-</u>	<u>(20,684,971)</u>	<u>-</u>
Total revenue	<u>52,333,033</u>	<u>21,276,419</u>	<u>505,832</u>	<u>-</u>	<u>(20,684,971)</u>	<u>53,430,313</u>
Results						
Segment result	<u>(184,553)</u>	<u>1,009,012</u>	<u>(3,148,774)</u>	<u>(877,583)</u>	<u>116,819</u>	<u>(3,085,079)</u>
Loss from operations						(3,085,079)
Finance costs						(4,640,862)
Income from other investments						<u>101,843</u>
Loss before tax						(7,624,098)
Income tax expense						<u>(191,305)</u>
Loss after tax						<u>(7,815,403)</u>

(Forward)

	Feedmilling RM	Poultry Breeding RM	Investment Holding RM	Others RM	Eliminations RM	Consolidated RM
Other information						
Capital additions	1,075,160	3,220,404	10,510	-	-	4,306,074
Depreciation of property, plant and equipment	(715,666)	(1,528,525)	(244,690)	(2,116)	-	(2,490,997)
Impairment loss of property, plant and equipment	-	-	-	(807,807)	-	(807,807)
Consolidated Balance Sheet						
Assets						
Segment assets	14,344,687	25,066,767	6,452,779	310,613	-	<u>46,174,846</u>
Consolidated total assets						<u><u>46,174,846</u></u>
Liabilities						
Segment liabilities	10,883,822	10,522,181	33,998,040	22,032,392	-	<u>77,436,435</u>
Consolidated total liabilities						<u><u>77,436,435</u></u>

The Group

2001

	Feedmilling RM	Poultry Breeding RM	Investment Holding RM	Others RM	Eliminations RM	Consolidated RM
Revenue						
External sales	33,736,270	24,845,151	21,306	-	-	58,602,727
Inter-segment sales	<u>18,840,045</u>	<u>1,256,412</u>	<u>-</u>	<u>-</u>	<u>(20,096,457)</u>	<u>-</u>
Total revenue	<u><u>52,576,315</u></u>	<u><u>26,101,563</u></u>	<u><u>21,306</u></u>	<u><u>-</u></u>	<u><u>(20,096,457)</u></u>	<u><u>58,602,727</u></u>
Results						
Segment result	<u><u>313,328</u></u>	<u><u>3,324,306</u></u>	<u><u>(4,142,218)</u></u>	<u><u>(1,184,776)</u></u>	<u><u>716,479</u></u>	<u><u>(972,881)</u></u>
Loss from operations						(972,881)
Finance costs						(4,706,851)
Income from other investments						<u>64,026</u>
Loss before tax						(5,615,706)
Income tax expense						<u>(882,763)</u>
Loss after tax						<u><u>(6,498,469)</u></u>

(Forward)

	Feedmilling RM	Poultry Breeding RM	Investment Holding RM	Others RM	Eliminations RM	Consolidated RM
Other information						
Capital additions	187,450	2,296,277	-	-	-	2,483,727
Depreciation of property, plant and equipment	(696,072)	(1,831,298)	(362,976)	(66,114)	-	(2,956,460)
Impairment loss of property, plant and equipment	-	-	(408,917)	(777,894)	-	(1,186,811)
Consolidated Balance Sheet						
Assets						
Segment assets	14,827,991	23,646,584	7,489,350	1,360,704	-	<u>47,324,629</u>
Consolidated total assets						<u><u>47,324,629</u></u>
Liabilities						
Segment liabilities	8,469,845	3,881,248	37,840,205	20,579,518	-	70,770,816
Consolidated total liabilities						<u><u>70,770,816</u></u>

Other segment activities comprise mainly of expenses incurred by certain subsidiary companies which are not directly attributable to any significant segment.

Segmental information by geographical location has not been disclosed as the Group operates predominantly in Malaysia.

6. **OTHER OPERATING INCOME/(EXPENSES)**

Included in other operating income/(expenses) are the following:

	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Allowance for doubtful debts no longer required	101,647	47,543	50,589	64,200
Gain on disposal of property, plant and equipment - net	185,750	128,990	-	-
Rental of premises	(663,826)	(745,954)	(554,886)	(557,256)
Loss on disposal of marketable securities	(168,159)	(83,504)	(168,159)	(83,504)
Allowance for doubtful recovery of amount owing by subsidiary company	-	-	(114,299)	(94,111)
Restructuring expenses	(110,546)	(121,600)	(110,546)	(121,600)
Audit fee				
- current	(65,800)	(65,000)	(20,000)	(20,000)
- under provision	(500)	-	-	-
Unrealised loss on foreign exchange	(23,391)	(64,531)	-	-
Bad debts written off	-	(6,570)	-	-
Bad debts recovered	-	4,800	-	-
Lease rental of land	(1,630)	(3,000)	-	-
Realised (loss)/gain on foreign exchange	(1,306)	46	-	-
Provision for retirement benefits	-	(80,232)	-	-
Allowance for inventory obsolescence	-	(40,387)	-	-
Inventories written off	-	(29,821)	-	-

7. **DIRECTORS' REMUNERATION**

	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Executive directors:				
Other emoluments	705,977	706,220	594,440	594,440
Non-executive directors:				
Fees	80,750	48,000	-	-
Other emoluments	218,130	218,130	194,130	194,130
	<u>1,004,857</u>	<u>972,350</u>	<u>788,570</u>	<u>788,570</u>

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group and the Company amounted to RM152,800 (2001: RM152,800) during the financial year.

8. **FINANCE COSTS**

	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Interest on:				
Bank overdrafts	3,048,572	2,875,638	1,405,664	1,306,455
Term loans	705,034	811,259	332,275	271,802
Bankers' acceptances	610,786	674,362	410,389	384,500
Hire-purchase	132,667	201,688	3,294	9,881
Finance lease	141,049	124,840	-	-
Other interest	2,754	19,064	2,754	19,064
	<u>4,640,862</u>	<u>4,706,851</u>	<u>2,154,376</u>	<u>1,991,702</u>

9. **INCOME FROM OTHER INVESTMENTS**

	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Interest income from fixed deposits	47,843	50,526	42,708	30,459
Rental of premises	54,000	13,500	54,000	13,500
	<u>101,843</u>	<u>64,026</u>	<u>96,708</u>	<u>43,959</u>

10. **INCOME TAX EXPENSE**

	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Estimated tax payable:				
Current	-	-	-	-
Under provision in prior years	305	1,763	-	-
Deferred tax (Note 25)	<u>191,000</u>	<u>881,000</u>	<u>-</u>	<u>-</u>
Total	<u>191,305</u>	<u>882,763</u>	<u>-</u>	<u>-</u>

There is no current income tax payable for the Group and for the Company in 2002 and 2001 as the Group and the Company do not have any taxable income.

As of December 31, 2002, two subsidiary companies have tax exempt income arising from reinvestment allowances claimed and utilised under schedule 7A of the Income Tax Act 1967 and chargeable income on which income tax has been waived in 1999 under Income Tax (Amended) Act 1999 totalling approximately RM2,877,000 (2001: RM2,790,000) respectively which, subject to the agreement of the tax authorities, is available for payment of tax exempt dividends to the Company.

11. **LOSS PER ORDINARY SHARE**

The basic loss per ordinary share for the Group has been calculated based on the Group's loss after tax and minority interest of RM8,025,089 (2001: RM6,945,185) and on the weighted average number of ordinary shares in issue during the financial year of 18,994,375 (2001: 18,994,375).

The fully diluted gross and net earnings per share are not presented as the Group has a negative gross and net basic earnings per share.

12. **PROPERTY, PLANT AND EQUIPMENT**

The Group

	←————— Cost —————→				
	Beginning of Year RM	Additions RM	Disposals RM	Reclassification RM	End of Year RM
Freehold land					
At 1978 valuation	293,000	-	-	-	293,000
At cost	487,170	-	(230,000)	-	257,170
Land under long leases					
At 1978 valuation	714,000	-	-	-	714,000
At cost	502,357	-	-	-	502,357
Land under short leases					
At 1978 valuation	68,000	-	-	-	68,000
At cost	530,997	-	-	-	530,997
Buildings					
At 1978 valuation	3,320,000	-	-	-	3,320,000
At cost	19,959,375	2,024,556	-	-	21,983,931
Leasehold building	211,786	-	-	-	211,786
Plant and machinery	21,695,356	638,748	-	-	22,334,104
Plant and machinery under finance lease	1,050,460	-	-	-	1,050,460
Renovation, furniture, fixtures and equipment	5,782,608	277,967	(2,050)	-	6,058,525
Renovation, furniture, fitting and equipment under finance lease	-	520,092	-	-	520,092

(Forward)

The Group	←————— Cost —————→				
	Beginning of Year RM	Additions RM	Disposals RM	Reclassification RM	End of Year RM
Motor vehicles	4,470,663	4,900	(19,180)	184,588	4,640,971
Motor vehicles under hire-purchase	720,277	-	-	(184,588)	535,689
Motor vehicles under finance lease	-	778,775	-	-	778,775
Machinery under installation	1,024,809	-	-	-	1,024,809
Plantation development expenditure	143,703	61,036	-	-	204,739
Consolidated Total	<u>60,974,561</u>	<u>4,306,074</u>	<u>(251,230)</u>	<u>-</u>	<u>65,029,405</u>

(Forward)

The Group

	← Accumulated Depreciation →				
	Beginning of Year RM	Charge For The Year RM	Disposals RM	Reclassification RM	
Land under long leases					
At 1978 valuation	216,341	9,408	-	-	225,749
At cost	147,820	7,463	-	-	155,283
Land under short leases					
At 1978 valuation	31,918	1,386	-	-	33,304
At cost	76,110	21,240	-	-	97,350
Buildings					
At 1978 valuation	3,152,734	-	-	-	3,152,734
At cost	6,723,561	876,054	-	-	7,599,615
Leasehold building	14,119	21,179	-	-	35,298
Plant and machinery	18,137,418	637,073	-	-	18,774,491
Plant and machinery under finance lease	305,251	105,046	-	-	410,297
Renovation, furniture, fixtures and equipment	3,777,861	512,328	(2,050)	-	4,288,139
Renovation, furniture, fitting and equipment under finance lease	-	12,386	-	-	12,386
Motor vehicles	4,332,233	102,117	(19,180)	184,588	4,599,758
Motor vehicles under finance lease	-	68,952	-	-	68,952
Motor vehicles under hire-purchase	284,181	116,365	-	(184,588)	215,958
Consolidated Total	<u>37,199,547</u>	<u>2,490,997</u>	<u>(21,230)</u>	<u>-</u>	<u>39,669,314</u>

(Forward)

The Group

	← Accumulated Impairment Loss →			← Net Book Value →	
	Beginning of Year RM	Charge For The Year RM	End of Year RM	2002 RM	2001 RM
Freehold land					
At 1978 valuation	-	-	-	293,000	293,000
At cost	-	-	-	257,170	487,170
Land under long leases					
At 1978 valuation	-	-	-	488,251	497,659
At cost	-	-	-	347,074	354,537
Land under short leases					
At 1978 valuation	-	-	-	34,696	36,082
At cost	-	-	-	433,647	454,887
Buildings					
At 1978 valuation	167,266	-	167,266	-	-
At cost	241,630	-	241,630	14,142,686	12,994,184
Leasehold building	-	-	-	176,488	197,667
Plant and machinery	65,949	295,402	361,351	3,198,262	3,491,989
Plant and machinery under finance lease	-	-	-	640,163	745,209
Renovation, furniture, fixtures and equipment	199,562	-	199,562	1,570,824	1,805,185
Renovation, furniture, fitting and office equipment under finance lease	-	-	-	507,706	-
Motor vehicles	-	-	-	41,213	138,430
Motor vehicles under hire-purchase	-	-	-	319,731	436,096
Motor vehicles under finance lease	-	-	-	709,823	-
Machinery under installation	512,404	512,405	1,024,809	-	512,405
Plantation development expenditure	-	-	-	204,739	143,703
Total	1,186,811	807,807	1,994,618	23,365,473	22,588,203

The Company

	←————— Cost —————→			
	Beginning and End of Year RM	Additions RM	Reclassifications RM	End of Year RM
Freehold land				
At 1978 valuation	293,000	-	-	293,000
At cost	184,170	-	-	184,170
Land under long leases				
At 1978 valuation	714,000	-	-	714,000
At cost	144,501	-	-	144,501
Land under short leases				
At 1978 valuation	68,000	-	-	68,000
Buildings				
At 1978 valuation	3,320,000	-	-	3,320,000
At cost	2,384,846	-	-	2,384,846
Plant and machinery	80	-	-	80
Renovation, furniture, fixtures and equipment	515,515	10,510	-	526,025
Motor vehicles	1,291,424	-	184,588	1,476,012
Motor vehicles under hire-purchase	184,588	-	(184,588)	-
	<u>9,100,124</u>	<u>10,510</u>	<u>-</u>	<u>9,110,634</u>
Total				

(Forward)

	← Accumulated Depreciation →			
	Beginning and End of Year RM	Additions RM	Reclassifications RM	End of Year RM
Freehold land				
At 1978 valuation	-	-	-	-
At cost	-	-	-	-
Land under long leases				
At 1978 valuation	216,341	9,408	-	225,749
At cost	46,755	1,880	-	48,635
Land under short leases				
At 1978 valuation	31,918	1,386	-	33,304
Buildings				
At 1978 valuation	3,152,734	-	-	3,152,734
At cost	1,467,924	158,423	-	1,626,347
Plant and machinery	59	-	-	59
Renovation, furniture, fixtures and equipment	376,855	64,366	-	441,221
Motor vehicles	1,291,424	-	184,588	1,476,012
Motor vehicles under hire-purchase	175,361	9,227	(184,588)	-
Total	<u>6,759,371</u>	<u>244,690</u>	<u>-</u>	<u>7,004,061</u>

(Forward)

	← Accumulated Impairment Loss →			← Net Book Value →	
	Beginning of Year RM	Charge for the Year RM	End of Year RM	2002 RM	2001 RM
Freehold land					
At 1978 valuation	-	-	-	293,000	293,000
At cost	-	-	-	184,170	184,170
Land under long leases					
At 1978 valuation	-	-	-	488,251	497,659
At cost	-	-	-	95,866	97,746
Land under short leases					
At 1978 valuation	-	-	-	34,696	36,082
Buildings					
At 1978 valuation	167,266	-	167,266	-	-
At cost	241,630	-	241,630	516,869	675,292
Plant and machinery	21	-	21	-	-
Renovation, furniture, fixtures and equipment	-	-	-	84,804	138,660
Motor vehicles	-	-	-	-	-
Motor vehicles under hire-purchase	-	-	-	-	9,227
Total	<u>408,917</u>	<u>-</u>	<u>408,917</u>	<u>1,697,656</u>	<u>1,931,836</u>

During the financial year, the directors of the Group and of the Company assessed the economic conditions and concluded that there were adverse external factors which led to the recognition of impairment losses on the property, plant and equipment of the Group and of the Company of RM807,807 and RM Nil respectively as disclosed in the income statements. The recoverable amount of the property, plant and equipment is determined based on estimated net selling price.

Land and buildings of the Company were last revalued by directors in 1978 based on valuation made by independent firms of professional valuers using as bases, the fair market value and highest present utility of the Company's land and buildings. These land and buildings are stated at 1978 valuation as allowed under the transitional provisions for the application of International Accounting Standards No. 16 (Revised), Property, Plant and Equipment adopted by the Malaysian Accounting Standards Board. The directors are of the opinion that the fair values of the land and buildings at the end of the financial year are not less than their book carrying value.

The carrying values of the revalued property, plant and equipment of the Group and of the Company based on historical costs are as follows:

The Group and The Company

	Cost RM	Accumulated Depreciation RM	Accumulated Impairment Loss RM	Net Book Value RM
Freehold land	550,170	-	-	550,170
Land under long leases	1,216,357	381,032	-	835,325
Land under short leases	598,997	130,654	-	468,343
Buildings	<u>25,477,917</u>	<u>10,787,647</u>	<u>408,896</u>	<u>14,281,374</u>

Land and buildings of the Group with carrying amounts of RM10,321,042 (2001: RM8,949,355) are pledged to certain licensed banks in respect of credit facilities granted to the Group as disclosed in Note 21 and Note 24.

Property, plant and equipment, other than land and buildings, of a subsidiary company with carrying amounts of RM2,816,348 (RM2001: RM2,907,757) are pledged to certain licensed banks in respect of term loan facilities granted to the subsidiary company as disclosed in Note 24.

Included in property, plant and equipment of the Group are fully depreciated property, plant and equipment which are still in use, with a cost of approximately RM13,436,000 (2001: RM13,204,000).

13. **INVESTMENT IN SUBSIDIARY COMPANIES**

Investment in subsidiary companies consists of:

	The Company	
	2002	2001
	RM	RM
Unquoted shares in subsidiary companies - at cost	11,151,954	11,151,954
Impairment loss	<u>(1,076,198)</u>	<u>(1,076,198)</u>
Net	<u>10,075,756</u>	<u>10,075,756</u>

The subsidiary companies (all incorporated in Malaysia) are as follows:

Direct Subsidiary Companies	Effective		Principal Activities
	2002	2001	
Sin Heng Chan (East Coast) Sdn. Bhd.	100%	100%	Manufacturing and trading of formulated animal feeds.
Goldkist (Malaysia) Sdn. Bhd.	100%	100%	Trading of formulated mineral poultry products.
Universal Goldquest (M) Sdn. Bhd.	100%	100%	Dormant.
Excel Food Sdn. Bhd.	51%	51%	Dormant.
Southern Farms Sdn. Bhd.	100%	100%	Pre-operating.
Ayam Segar Sdn. Bhd.	100%	100%	Pre-operating.
Sub-subsidiary Companies			
Sin Heng Chan Feed Sdn. Bhd.	100%	100%	Trading of formulated animal feeds.
Goldkist Breeding Farms Sdn. Bhd.	94%	94%	Broiler breeding.
LKPP - Goldkist Sdn. Bhd.	60%	60%	Broiler breeding and the planting of fragrant coconut trees.

Sub-Subsidiary Companies	Effective Equity Interest		Principal Activities
	2002	2001	
Central Feedmill Sdn. Bhd.	100%	100%	Dormant.
Goldkist (NS) Sdn. Bhd.	100%	100%	Dormant.
Kuala Lumpur Feedmill Sdn. Bhd.	100%	100%	Pre-operating.

14. **OTHER INVESTMENTS**

	The Group		The Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Unquoted shares (at cost)	592,072	592,072	591,070	591,070
Gold bullion	<u>5,250</u>	<u>5,250</u>	<u>5,250</u>	<u>5,250</u>
Total	<u>597,322</u>	<u>597,322</u>	<u>596,320</u>	<u>596,320</u>

Certain unquoted shares of the Group at a cost of RM1,002 (2001: RM1,002) are registered in a director's name and are held in trust for one of its subsidiary companies.

15. **INVENTORIES**

	The Group	
	2002 RM	2001 RM
At cost:		
Raw materials	2,419,970	2,602,018
Parent stocks	3,697,963	3,138,143
Hatching eggs	870,905	903,092
Finished goods	470,242	312,055
Spare parts	<u>648,288</u>	<u>612,876</u>
	<u>8,107,368</u>	<u>7,568,184</u>

16. **TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES**

	The Group	
	2002	2001
	RM	RM
Trade receivables	21,101,264	21,638,263
Less: Allowance for doubtful debts	<u>(12,956,345)</u>	<u>(13,007,403)</u>
Net	<u><u>8,144,919</u></u>	<u><u>8,630,860</u></u>

Other receivables, deposits and prepaid expenses consist of:

	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Other receivables	12,622,244	12,463,229	11,641,214	11,580,303
Less: Allowance for doubtful debts	<u>(9,699,022)</u>	<u>(9,749,611)</u>	<u>(8,753,318)</u>	<u>(8,803,907)</u>
	2,923,222	2,713,618	2,887,896	2,776,396
Deposits	408,071	401,211	256,639	257,229
Prepaid expenses	<u>244,444</u>	<u>286,057</u>	<u>63,767</u>	<u>60,692</u>
	<u><u>3,575,737</u></u>	<u><u>3,400,886</u></u>	<u><u>3,208,302</u></u>	<u><u>3,094,317</u></u>

Trade receivables comprise amounts receivable for the sales of goods. Other receivables of the Group and of the Company comprise mainly income tax receivable amounting to RM2,803,384 (2001: RM2,662,058).

The credit period granted on sales of goods ranges from 7 to 90 days (2001: 7 to 90 days). An allowance has been made for estimated irrecoverable amounts from the sales of goods of RM12,956,345 (2001: RM13,007,403). This allowance has been determined by reference to past default experience.

Included in trade receivables of the Group is an amount of RM2,280 (2001: RM72,000) owing by Khosman Holdings Sdn. Bhd., a company in which YB Dato' Osman bin Din and Datin Khadijah bte Awang, directors of certain subsidiary companies, have substantial financial interest. The amount arose mainly from sales of livestock to a subsidiary company of RM114,900 (2001: RM102,873) during the financial year.

Included in other receivables of the Group and of the Company are:

- (a) rental deposits of RM196,368 (2001: RM196,368) paid to Desa Samudra Sdn. Bhd., a company of which Dato' Choo Keng Weng is also a director. During the financial year, rental charged to the Group and the Company amounted to RM410,886 (2001: RM410,886).
- (b) an amount of RM57,885 and RM Nil (2001: RM57,885 and RM Nil) respectively, owing by Jograwin (M) Sdn. Bhd., a company in which Mr. Chu Siew Fei, a director of certain subsidiary companies, is also a director. The amount represents mainly sales of goods in prior years.
- (c) an amount of RM21,993 (2001: RM21,993) owing by Chellam Wong, a legal firm in which Mr. Venkata Chellam s/o Subramaniam is also a partner. The amount represents mainly recoverable expenses.

17. RELATED PARTY TRANSACTIONS

	The Company	
	2002	2001
	RM	RM
Amount owing by subsidiary companies		
- net of allowance for doubtful debts of RM10,138,043 (RM10,023,744 in 2001)	<u>5,576</u>	<u>6,865</u>
Amount owing to subsidiary companies	<u>9,565,797</u>	<u>7,379,392</u>

The amount owing by/(to) subsidiary companies arose mainly from trade transactions and unsecured interest-free advances with no fixed terms of repayment.

Other than disclosed elsewhere in the financial statements, the related parties and their relationship with the Company and its subsidiary companies are as follows:

Name of related parties	Relationship
Seng Hoe & Choong Corporation Sdn. Bhd.	A company in which Dato' Choo Keng Weng, has substantial financial interest.
Comprehensive Corporate Services Sdn. Bhd.	A company in which Mr. Ng See Yen, a director of certain subsidiary companies, has substantial financial interest.

During the financial year, significant related party transactions are as follows:

	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Other related parties				
Seng Hoe & Choong Corporation Sdn. Bhd.				
Rental of premises paid and payable to	<u>144,000</u>	<u>144,000</u>	<u>144,000</u>	<u>144,000</u>
Chellam Wong				
Legal fees paid and payable to	<u>9,300</u>	<u>2,503</u>	<u>1,000</u>	<u>2,503</u>

The directors of the Group and of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

18. **MARKETABLE SECURITIES**

	The Group and the Company	
	2002	2001
	RM	RM
Quoted shares in Malaysia - at cost	1,008,144	1,337,640
Allowance for diminution in value	<u>(530,962)</u>	<u>(673,638)</u>
Net	<u>477,182</u>	<u>664,002</u>
Market value	<u>477,182</u>	<u>664,002</u>

19. **FIXED DEPOSITS, CASH AND BANK BALANCES**

	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Fixed deposits with licensed banks	913,078	1,526,859	792,175	1,394,560
Cash and bank balances	<u>993,767</u>	<u>2,348,313</u>	<u>104,325</u>	<u>236,647</u>
	<u><u>1,906,845</u></u>	<u><u>3,875,172</u></u>	<u><u>896,500</u></u>	<u><u>1,631,207</u></u>

Fixed deposits with licensed banks of the Group of RM120,053 (2001: RM120,053) are charged to banks for overdraft facilities granted and guarantees issued by the said bank.

The average effective interest rates per annum are as follows:

	The Group		The Company	
	2002	2001	2002	2001
Fixed deposits with licensed banks	<u>3.73%</u>	<u>3.65%</u>	<u>3.35%</u>	<u>3.20%</u>

20. **TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES**

Trade and other payables comprise amounts outstanding for trade purchases and on-going costs. The average credit period granted to the Group for trade purchases ranges from 30 to 90 days (2001: 30 to 90 days).

Other payables and accrued expenses consist of:

	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Other payables	11,501,059	11,685,920	7,248,492	7,632,140
Accrued interest	1,917,956	989,052	1,395,094	653,860
Accrued expenses	1,155,615	1,215,536	404,233	177,055
Provision for retirement benefits	<u>59,456</u>	<u>80,232</u>	<u>-</u>	<u>-</u>
	<u><u>14,634,086</u></u>	<u><u>13,970,740</u></u>	<u><u>9,047,819</u></u>	<u><u>8,463,055</u></u>

Included in other payables of the Group and of the Company are:

- a) an amount of RM9,009,040 (2001: RM9,009,040) and RM6,835,579 (2001: RM6,835,579) respectively which represents disputed debts owing to Sin Heng Chan (Singapore) Pte. Ltd., a company of which certain of its directors were former directors and shareholders of the Company as more fully explained in Note 28;
- b) an amount of RM6,113 (2001: RM21,000) and RM Nil (2001: RM Nil) respectively owing to Lembaga Kemajuan Perindustrian Pertanian Negeri Pahang, a statutory body which is a substantial shareholder of a subsidiary company. The amount arose mainly from annual tribute paid and payable by a subsidiary company during the financial year of RM36,683 (RM2001: RM51,000); and
- c) an amount of RM262,034 (2001: RM292,034) owing to Mr. Kua See Lai, a director of a subsidiary company. The amount represents unsecured interest-free advances with no fixed terms of repayment to a subsidiary company.

Provision for retirement benefit of the Group is as follows:

	The Group	
	2002	2001
	RM	RM
At beginning of year	80,232	-
Additions	-	80,232
Paid	<u>(20,776)</u>	<u>-</u>
At end of year	<u>59,456</u>	<u>80,232</u>

21. BANK BORROWINGS

	2002	2001
	RM	RM
The Company:		
Bankers' acceptances	4,350,000	4,350,000
Short-term loan	3,075,000	3,075,000
Bank overdrafts	<u>17,525,221</u>	<u>16,119,487</u>
	<u>24,950,221</u>	<u>23,544,487</u>

	2002	2001
	RM	RM
Subsidiary companies:		
Revolving credit	500,000	100,000
Bankers' acceptances	3,008,000	3,093,000
Bank overdrafts	17,872,048	15,928,243
Long-term loans - current portion	<u>1,620,000</u>	<u>1,560,000</u>
	<u>23,000,048</u>	<u>20,681,243</u>
The Group	<u>47,950,269</u>	<u>44,225,730</u>

The Group and the Company have bank overdrafts and other credit facilities amounting to RM62.3 million and RM19.2 million (2001: RM62.3 million and RM19.2 million) respectively. The credit facilities of the Group and of the Company bear interest at rates ranging from 4% to 9% (2001: 3.3% to 10.40%) per annum.

Amounts owing to certain banks and other financial institutions of the Group and of the Company amounting to about RM36,163,000 (2001: RM36,163,000) and RM22,233,000 (2001: RM22,233,000) respectively, form part of the Scheme Creditors under the Proposal as mentioned in Note 32.

The credit facilities of the Group and of the Company are obtained by a negative charge over all its assets. The credit facilities of the subsidiary companies from certain banks are guaranteed by the Company.

The existing credit and term loan facilities of a subsidiary company amounting to RM1.0 million (2001: RM1.0 million) are also secured by the following:

- (i) a first and second legal charge over the said subsidiary's freehold land and building with carrying value totalling RM73,000 (2001: RM303,000);
- (ii) a loan agreement cum assignment over a property belonging to a director;
- (iii) a debenture by way of a first fixed and floating charge on the subsidiary's assets both present and future; and
- (iv) a joint and several guarantee by its directors.

22. **FINANCE LEASE PAYABLES**

	← The Group →			
	Minimum lease payments		Present value of minimum lease payments	
	2002 RM	2001 RM	2002 RM	2001 RM
Amount payable under finance lease:				
Within one year	685,099	360,320	502,076	240,437
In the second to fifth years inclusive	<u>1,768,838</u>	<u>965,047</u>	<u>1,515,288</u>	<u>823,041</u>
	2,453,937	1,325,367	2,017,364	1,063,478
Less: Future finance charges	<u>(436,573)</u>	<u>(261,889)</u>	-	-
Present value of lease payables	<u>2,017,364</u>	<u>1,063,478</u>	2,017,364	1,063,478
Less: Portion due within one year			<u>(502,076)</u>	<u>(240,437)</u>
Non-current portion			<u>1,515,288</u>	<u>823,041</u>

The non-current portion is repayable as follows:

	The Group	
	2002 RM	2001 RM
Due within:		
2 years	558,305	276,437
3 years	464,375	311,880
4 years	328,855	195,243
Greater than 4 years	<u>163,753</u>	<u>39,481</u>
	<u>1,515,288</u>	<u>823,041</u>

For the financial year ended December 31, 2002 the average effective borrowing rate is 10.96% (2001: 10.85%) per annum. Interest rates are fixed at the inception of the lease. All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payment.

23. **HIRE-PURCHASE PAYABLES**

	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Total outstanding principal	918,290	1,026,507	-	13,472
Less: Portion due within one year	<u>(809,385)</u>	<u>(831,857)</u>	<u>-</u>	<u>(13,472)</u>
Non-current portion	<u>108,905</u>	<u>194,650</u>	<u>-</u>	<u>-</u>

The non-current portion is repayable as follows:

	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Due within:				
2 years	62,830	85,747	-	-
3 years	39,825	62,830	-	-
4 years	<u>6,250</u>	<u>46,073</u>	<u>-</u>	<u>-</u>
	<u>108,905</u>	<u>194,650</u>	<u>-</u>	<u>-</u>

Certain hire-purchase payables of the Group amounting to about RM730,000 (2001: RM780,000), form part of the Scheme Creditors under the Proposal as mentioned in Note 32.

The interest rates implicit in the hire-purchase payables of the Group and of the Company ranges from 5.95% to 6.80% (2001: 5.95% to 6.80%) per annum.

24. **LONG-TERM LOANS**

	The Group	
	2002	2001
	RM	RM
Outstanding loan principal	5,560,000	5,920,000
Less: Portion due within one year (included under bank borrowings) (Note 21)	<u>(1,620,000)</u>	<u>(1,560,000)</u>
Non-Current Portion	<u><u>3,940,000</u></u>	<u><u>4,360,000</u></u>

The non-current portion is repayable as follows:

	2002	2001
	RM	RM
Due within:		
2 years	1,800,000	1,560,000
3 years	1,480,000	1,560,000
4 years	240,000	1,240,000
Greater than 4 years	<u>420,000</u>	<u>-</u>
	<u><u>3,940,000</u></u>	<u><u>4,360,000</u></u>

A subsidiary company has term loan facilities obtained from certain local banks amounting to RM9.2 million (2001: RM8 million) which bear interest at rates ranging from 4% to 9% (2001: 9% to 11%) per annum. The term loan facilities are secured by:

- (i) a fixed charge on the leasehold land and buildings of a subsidiary company with carrying values totalling about RM10,248,042 (2001: RM8,646,355) as of December 31, 2002;
- (ii) a first fixed and floating charge on all the assets of the subsidiary company; and
- (iii) a corporate guarantee by the Company.

25. **DEFERRED TAX LIABILITIES**

	The Group	
	2002	2001
	RM	RM
At beginning of year	(881,000)	-
Transfer from consolidated income statement (Note 10)	<u>(191,000)</u>	<u>(881,000)</u>
At end of year	<u><u>(1,072,000)</u></u>	<u><u>(881,000)</u></u>
The net deferred tax liabilities are in respect of:		
Timing differences between tax capital allowances and book depreciation of property, plant and equipment	(1,663,000)	(1,491,000)
Unabsorbed capital allowances and unutilised tax losses	435,000	423,000
Unabsorbed reinvestment allowances	164,000	187,000
Other timing differences	<u>(8,000)</u>	<u>-</u>
	<u><u>(1,072,000)</u></u>	<u><u>(881,000)</u></u>

As mentioned in Note 3, the tax effects of timing differences which would give rise to net future tax benefits are recognised generally on actual realisation. As of December 31, 2002, the estimated amount of deferred tax benefits 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	
	2002	2001	2002	2001
	RM	RM	RM	RM
Tax effects of:				
Timing differences				
between tax capital allowances and book depreciation of property, plant and equipment	175,310	794,428	198,000	672,000
Unabsorbed capital allowances and unutilised tax losses	29,572,012	22,088,021	13,277,000	12,555,000
Others	434,300	440,200	-	-
	<u>30,181,622</u>	<u>23,322,649</u>	<u>13,475,000</u>	<u>13,227,000</u>
Net Deferred Tax Assets	<u>30,181,622</u>	<u>23,322,649</u>	<u>13,475,000</u>	<u>13,227,000</u>

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

26. **SHARE CAPITAL**

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

27. **RESERVES**

	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Non-distributable reserves:				
Share premium	896,380	896,380	896,380	896,380
Reserve on consolidation	<u>13,806</u>	<u>13,806</u>	<u>-</u>	<u>-</u>
	<u>910,186</u>	<u>910,186</u>	<u>896,380</u>	<u>896,380</u>

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.

28. **CONTINGENT LIABILITIES - UNSECURED**

- (a) As of December 31, 2002, the subsidiary companies have credit facilities amounting to RM47.83 million (2001: RM46.63 million) obtained from certain local financial institutions which are guaranteed by the Company. Accordingly, the Company and the Group are contingently liable to the extent of the amount of the credit facilities utilised by its subsidiary companies.
- (b) As of December 31, 2002, there was a contingent disputed claim against the Group and the Company to the extent of RM11.7 million (2001: RM9.9 million) and RM6.8 million (2001: RM5.7 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.

As of December 31, 2002, the ultimate outcome of the litigation cannot presently be determined, and as such no provision for any litigation that may result has been made in the financial statements.

29. CAPITAL COMMITMENTS

As of December 31, 2002, the Group has the following capital commitments:

	2002	2001
	RM	RM
Approved but not contracted for:		
- Farm building	<u> -</u>	<u>2,000,000</u>

30. 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 objectives 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 19, 21 and 24.

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, 2002, the Group has a capital deficiency of RM34,267,813 as a result of losses incurred in the current and prior years, and current liabilities exceeding current assets by RM48,588,191. The ability of the Company to continue as a going-concern is dependent on the successful implementation of the Proposal as explained in Note 32 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 financial instruments as of December 31, 2002 are as follows:

		The Group		The Company	
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
<i>Financial Assets</i>					
Other investments					
- unquoted shares *	15	592,072	-	592,072	-
Marketable securities	19	<u>477,182</u>	<u>477,182</u>	<u>477,182</u>	<u>477,182</u>
<i>Financial Liabilities</i>					
Finance lease payables	23	2,017,364	1,991,067	-	-
Hire-purchase payables	24	918,290	935,471	-	-
Long-term loans	25	<u>5,560,000</u>	<u>5,560,000</u>	<u>-</u>	<u>-</u>

* It is not practical to estimate the fair values of unquoted investments. As at year end, the Group's and the Company's share of the net tangible assets of the unquoted investments amounted to RM2,852,837.

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

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

Equity Investments

The carrying amount of quoted shares as at balance sheet date approximates the fair values.

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 its subsidiary company 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.

31. CASH AND CASH EQUIVALENTS

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

	The Group		The Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Fixed deposits with licensed banks	913,078	1,526,859	792,175	1,394,560
Cash and bank balances	993,767	2,348,313	104,325	236,647
Bank overdrafts	<u>(35,397,269)</u>	<u>(32,047,730)</u>	<u>(17,525,221)</u>	<u>(16,119,487)</u>
Total	(33,490,424)	(28,172,558)	(16,628,721)	(14,488,280)
Less: Fixed deposits pledged to banks	<u>(120,053)</u>	<u>(120,053)</u>	-	-
	<u>(33,610,477)</u>	<u>(28,292,611)</u>	<u>(16,628,721)</u>	<u>(14,488,280)</u>

32. GOING-CONCERN ISSUES

On August 11, 1999, Danaharta appointed Special Administrators 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, 2003. 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 37,998,750 new ordinary shares of RM1.00 each at par on the basis of two (2) rights shares for every existing share.
- b) the issuance of RM17,209,000 nominal value of Irredeemable Convertible Loan Stocks ("ICULS") together with 17,209,000 free detachable warranty ("warrants") to unsecured scheme creditors on the basis of one new warrant for every RM1.00 nominal value of ICULS.
- c) a provision of RM4,500,000 as full and final settlement to settle the disputed claims as highlighted in Note 28(b). However, this settlement is contingent upon the successful implementation of the Proposal.

All the relevant authorities, namely the Securities Commission, the Foreign Investment Committee and the Ministry of International Trade and Industry have granted conditional approval to the Proposal. As of December 31, 2002, the proposal has not been implemented.

The Group and the Company have capital deficiency of RM34,267,813 and RM26,606,545 as of December 31, 2002, as a result of operational losses incurred in the current and prior years and, current liabilities exceeding current assets by RM48,588,191 and RM38,976,277 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.

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, 2002 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

VENKATA CHELLAM S/O SUBRAMANIAM

Kuala Lumpur
April 29, 2003

**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, 2003.

Before me

COMMISSIONER FOR OATHS

Company No. 4690 - V

SIN HENG CHAN (MALAYA) BERHAD
(Special Administrators Appointed)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

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SIN HENG CHAN (MALAYA) BERHAD
(Special Administrators Appointed)
(Company No. 4690-V)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002
(In Ringgit Malaysia)

These Audited Financial Statements of the Company with *Qualified/Unqualified Auditors' Report for the year ended December 31, 2002 were tabled at the Annual General Meeting/Adjourned Annual General Meeting held on

TUAN SYED OMAR BIN SYED ABDULLAH