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**MFCB**

**MEGA FIRST CORPORATION BERHAD**

[Co. No. 6682-V]

Annual Report  
2003  
Laporan Tahunan

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Chairman

Goh Nan Kioh, B.Ec.(Hons.)

#### Deputy Chairman

- \* Dato' Haji Abu Hanifah bin Noordin,  
B.Ec.(Hons.)Acc., CA(M), CPA

#### Group Managing Director

Dr. Lim Thian Soo, MBChB, MBA

#### Group Chief Operating Officer

Chew Wei Keong, FCCA, CPA, CA(M)

#### Non-Executive Directors

- \* Yong Fook Shin,  
B.Sc. (Mining Geology), ARSM, MIMM, MIME,  
P.Eng., C.Eng.
- \* Michael Yee Kim Shing,  
B.Comm. (Melb.), ACA (Aust.), CA(M), CPA(S)
- \* Sivalingam s/o Munusamy, LLB (Hons.), S'pore  
Lim Boon Seh  
Maisuri bin Besri, B.Ec.(Hons.), MBA  
Lim Si Boon, B.Eng.(Hons.), DIC, MBA, AMIEE  
Goh Nan Yang, B.Sc.(Hons.)  
(Alternate to Goh Nan Kioh)

#### EXECUTIVE COMMITTEE

Dr. Lim Thian Soo (Chairman)  
Chew Wei Keong  
Goh Nan Yang

#### AUDIT COMMITTEE

- \* Michael Yee Kim Shing (Chairman)
- \* Dato' Haji Abu Hanifah bin Noordin
- \* Sivalingam s/o Munusamy  
Chew Wei Keong

#### REMUNERATION COMMITTEE

- Goh Nan Kioh (Chairman)
- \* Sivalingam s/o Munusamy  
Maisuri bin Besri

#### EMPLOYEE SHARE OPTION COMMITTEE

- Dr. Lim Thian Soo
- \* Michael Yee Kim Shing
- \* Dato' Haji Abu Hanifah bin Noordin  
Lim Si Boon

(\*) - Independent and Non-Executive Director

### GROUP COMPANY SECRETARY

Yong Lai Sim, ACIS

### REGISTERED OFFICE

8-05, Level 8  
Menara Milenium  
8 Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel : 03 2093 8818  
Fax : 03 2093 7818  
E-mail : mfc@mega-first.com

### SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Malaysian Share Registration Services Sdn. Bhd.  
(Company No. 378993-D)  
7th Floor, Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur  
Tel : 03 2026 8099  
Fax : 03 2026 3736

### AUDITORS

Deloitte KassimChan  
(AF: 0080)

### PRINCIPAL BANKERS

Affin Bank Berhad  
Affin Merchant Bank Berhad  
AmBank Berhad  
Bank of Communications  
Barclays Bank Plc  
Bumiputra - Commerce Bank Berhad  
RHB Bank Berhad  
United Overseas Bank (Malaysia) Berhad

### STOCK EXCHANGE LISTING

Kuala Lumpur Stock Exchange, Main Board

### SECTOR

Trading/Services

### STOCK CODE

3069

## PROFILE OF DIRECTORS

**Goh Nan Kioh**  
**B.Ec. (Hons.)**  
**Chairman/Non-independent and non-executive Director**  
**Malaysian**

Mr Goh Nan Kioh, age 50, joined the Board on 1 February 2003 as a non-independent and non-executive Director. He was appointed as Chairman of the Board on 29 July 2003. Mr Goh holds a Bachelor of Economics (Honours) degree from University of Malaya. He has wide and varied business investments in many countries. He is presently the Group Managing Director of Cambrew Group of companies, a brewery and soft drinks company, and Deputy Chairman of Pearl River Tyre (Holdings) Limited, a tyre manufacturing company dual-listed on the Australian Stock Exchange and the Stock Exchange of Hong Kong. Mr Goh has attended all meetings of the Board of Directors held after his appointment. He is the brother-in-law of Dr. Lim Thian Soo and the brother of Mr Goh Nan Yang.

**Dato' Haji Abu Hanifah bin Noordin**  
**B.Ec. (Hons.) Acc., CA(M), CPA**  
**Deputy Chairman/Independent and non-executive Director**  
**Malaysian**

Dato' Haji Abu Hanifah bin Noordin, age 51, was appointed to the Board on 5 December 1990 and is one of the longest serving independent and non-executive member of the Board. He was appointed as Deputy Chairman of the Board on 29 July 2003. Dato' Hanifah graduated from University of Malaya with an honours degree in Economics and subsequently qualified as a Chartered Accountant and a Certified Public Accountant. He was Chairman and Managing Partner of Turquand Young & Co./Ernst & Whinney (now known as Ernst & Young) for 9 years. He was also President of the Malaysian Institute of Accountants for 13 years and in that capacity was a Board member of the International Accounting Standards Committee. He is also a director of Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad and Via Communication Network Berhad. Dato' Hanifah has attended all meetings of the Board of Directors held during the financial year ended 30 June 2003.

**Dr Lim Thian Soo**  
**MBChB, MBA**  
**Group Managing Director**  
**Malaysian**

Dr. Lim Thian Soo, age 40, joined the Board on 1 February 2003 as a non-independent and non-executive Director. He was appointed as Group Managing Director of the Company on 26 February 2003. Dr. Lim graduated from Edinburgh University Medical School in 1986 and worked for six years as a doctor in the United Kingdom. He then completed his Masters degree in Business Administration at City University Business School in London before joining Pacific Union Pte. Ltd in 1994. Prior to joining MFCB, he held the position of Director of Corporate Affairs of Pearl River Tyre (Holdings) Limited, a company dual-listed on the Australian Stock Exchange and the Stock Exchange of Hong Kong. Dr. Lim is also a non-executive director of Rock Chemical Industries (Malaysia) Berhad, an associate company listed on KLSE Second Board. He has attended all meetings of the Board held after his appointment. He is the brother-in-law of Mr Goh Nan Kioh.

**Chew Wei Keong**  
**FCCA, CPA, CA(M)**  
**Group Chief Operating Officer**  
**Malaysian**

Mr Chew Wei Keong, age 47, was appointed an Executive Director of the Company on 30 March 1995. He is a Fellow of the Chartered Association of Certified Accountants and a member of the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants. He joined the Company in September 1990 as Group Accountant after having spent more than 10 years with a major accounting firm as well as other public listed companies, holding management positions. Mr Chew is also a non-executive director of Rock Chemical Industries (Malaysia) Berhad, an associate company listed on KLSE Second Board. He has attended all meetings of the Board of Directors held during the financial year ended 30 June 2003.

**Yong Fook Shin**  
**B.Sc. (Mining Geology), ARSM, MIMM, MIME, P.Eng., C. Eng.**  
**Independent and non-executive Director**  
**Malaysian**

Mr Yong Fook Shin, age 60, joined the Board on 30 March 1995. He graduated with a Bachelor of Science in Mining Geology (Honours) degree from Imperial College, England. He is a Chartered Engineer, a Professional Engineer, an Associate of the Royal School of Mines and is a Member of the Institution of Mining and Metallurgy as well as the Institute of Mineral Engineering. He has more than 30 years of experience in the mining industry, having worked in tin mines in Malaysia and Brazil. Mr Yong was the Managing Director of Mamut Copper Mining Sdn Bhd during the last five years of the Mamut Copper Mine's operation; its closure was in October 1999. Mr Yong has attended all meetings of the Board of Directors held during the financial year ended 30 June 2003.

**Mr Michael Yee Kim Shing**  
**B. Comm. (Melb.), ACA (Aust.), CA(M), CPA(S)**  
**Independent and non-executive Director**  
**Malaysian**

Mr Michael Yee Kim Shing, age 65, joined the Board on 5 April 1990 and is the longest serving member of the Board. He graduated from University of Melbourne with a Bachelor of Commerce degree, and is a member of the Institute of Chartered Accountants in Australia, a member of the Malaysian Institute of Accountants and the Singapore Society of Public Accountants. He has been actively involved with the Company since 1990. He has held the position as Chairman of the Board from 5 April 1990 until 5 December 1990 when he assumed the position of Director in charge of Finance and Administration until 28 February 1992, but continued to serve as a non-executive director. Prior to joining the Company, Mr Yee spent 26 years in the accounting profession before retiring as a Senior Partner of Ernst & Whinney (now known as Ernst & Young). He is also an independent and non-executive director of Pacific & Orient Berhad, Pacific & Orient Insurance Co. Berhad and Dataprep Holdings Berhad. Mr Yee has attended all meetings of the Board of Directors held during the financial year ended 30 June 2003.

**Lim Si Boon**  
**B.Eng. (Hons.), DIC, MBA, AMIEE**  
**Non-independent and non-executive Director**  
**Malaysian**

Mr Lim Si Boon, age 36, first served the Board from 8 April 1999 to 1 February 2003, and re-joined the Board on 1 March 2003. He holds a Bachelor of Engineering (Mechanical and Manufacturing)(Honours) degree from Queen's University of Belfast and a Masters degree in General Management and New Venture Management from Imperial College (London). He is presently the Managing Director of Rock Chemical Industries (Malaysia) Berhad, an associate company listed on KLSE Second Board. Prior to this, he has worked as a senior consultant for an international management consulting company, A.T. Kearney. He has consulted in the areas of business strategy, restructuring and operations improvement for multi-national companies and State-owned enterprises in South East Asia. Mr Lim has attended all meetings of the Board of Directors held during his term in office in the financial year ended 30 June 2003.

**Sivalingam s/o Munusamy**  
**LLB (Hons.), Singapore**  
**Independent and non-executive Director**  
**Malaysian**

Mr Sivalingam, age 63, holds an LLB (Honours) degree from University of Singapore. He is a practising lawyer for more than 30 years. He also has held the position as legal consultant for the Kuala Lumpur Stock Exchange. He was an Executive Director of the Company from 5 December 1992 to 29 February 1996, and re-joined the Board on 3 April 2001 as an independent and non-executive director. Mr Sivalingam has attended three meetings of the Board of Directors held during the financial year ended 30 June 2003.

**Lim Boon Seh**  
**Non-independent and non-executive Director**  
**Malaysian**

Mr Lim Boon Seh, age 49, joined the Board on 1 February 2003 as a non-independent and non-executive Director. He completed his secondary school education and has wide knowledge in rubber-based businesses. He also has more than 20 years' experience in latex thread production and is currently the Managing Director of Rubber Thread Industries (M) Sdn Bhd, a substantial shareholder of Mega First Corporation Berhad. Mr Lim has attended all meetings of the Board of Directors held after his appointment.

**Maisuri bin Besri**  
**B.Ec. (Hons.), MBA**  
**Non-independent and non-executive Director**  
**Malaysian**

Encik Maisuri bin Besri, age 46, holds a Bachelor of Economics (Public Administration) (Honours) degree from University of Malaya, and a Masters degree in Business Administration from Edith Cowan University of Australia. He was appointed a Director of the Company on 1 March 2003, and is a non-independent and non-executive Director. He is the Group General Manager of Sabah Economic Development Corporation ("SEDCO"). Prior to joining SEDCO in November 2002, Encik Maisuri has served for 20 years in the Sabah State Government and was attached to the State Economic Planning Unit and the State Ministry of Finance. Encik Maisuri has attended all meetings of the Board of Directors held after his appointment.

**Goh Nan Yang**  
**B.Sc. (Hons.)**  
**Non-independent and non-executive Alternate Director**  
**Malaysian**

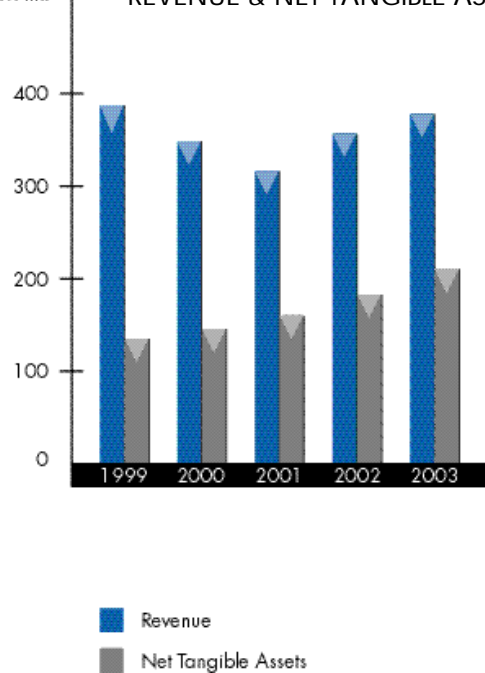
Mr Goh Nan Yang, age 40, holds a Bachelor of Science (Engineering) (Honours) degree from University of Teledo. He was appointed as the alternate Director to Mr Goh Nan Kioh, who is his brother, on 13 March 2003. He joined a public listed company after graduation, during which period he was involved in several major infrastructure and housing projects. In the mid-1990s, he left employment and started his own business in property development and manufacturing activities in Melbourne, Australia. Since then, his business has diversified into hospitality and student education ventures. He is a non-independent and non-executive alternate director. As an alternate director, Mr Goh Nan Yang only attends Board meeting in the absence of Mr Goh Nan Kioh.

None of the Directors of the Company has been convicted of any offence within the past 10 years other than traffic offence, if any.

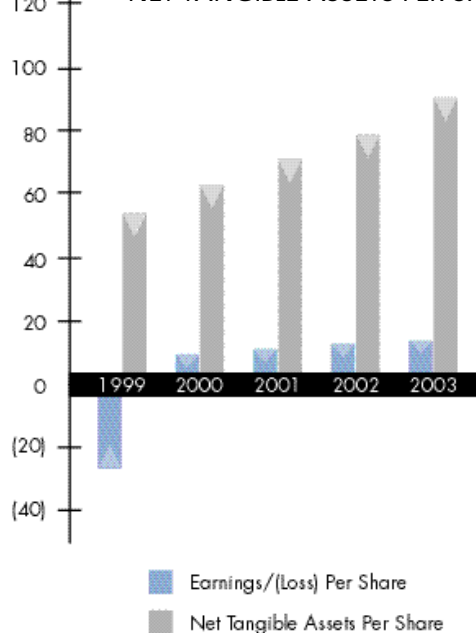
## FIVE-YEAR FINANCIAL HIGHLIGHTS

	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
<b>Results</b>					
Revenue	379,241	344,732	315,809	366,828	376,633
Profit/(Loss) Before Tax	(60,422)	30,887	39,361	43,615	49,421
<b>As Of June</b>					
Shareholders' Equity	131,553	152,798	171,915	193,047	224,105
Net Tangible Assets	129,337	145,969	165,940	186,101	213,228
<b>Per Ordinary Share</b>					
Earnings/(Loss) (sen)	(27.9)	8.4	9.5	10.3	11.2
Gross Dividend (sen)	–	–	–	1.0	1.0
Net Tangible Assets (sen)	54.8	61.9	70.3	78.9	90.3

RM mil REVENUE & NET TANGIBLE ASSETS



Sen EARNINGS/(LOSS) PER SHARE (SEN) & NET TANGIBLE ASSETS PER SHARE (SEN)





## **CORPORATE GOVERNANCE STATEMENT**

The following are statements on application of the Principles of Corporate Governance pursuant to Part 1 of Chapter 5 of the Malaysian Code on Corporate Governance ("the Code").

### **BOARD OF DIRECTORS**

The Company's Board is made up of Directors who are entrepreneurs and experienced professionals in the fields of accountancy, engineering, law, economics, medicine and business management. All these different skills working together enables the Board to effectively lead and control the Company.

The composition of the Board includes sufficient numbers of independent, executive and non-executive, Directors as prescribed by the Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE"). This is to ensure that no individual or small groups of individuals dominate the Board's decision-making process.

Board meetings were held five times in FY 2003. At least five days prior to the Board meeting, all Directors were provided with a complete set of Board papers, which includes the Company's financial position, results of operations and the key business strategies of operating units in the light of any significant shifts in risk profiles. Comprehensive annual budgets, business plans, strategies and risk profiles are presented to and approved by the Board. This is to enable the Directors to participate actively in the overall management and stewardship of the Company.

The Directors have direct access to the advice and services of the Company Secretary, and they may seek external professional advice if required by them.

All Directors (including the Managing Director) will retire at regular intervals by rotation at least every three years and they shall be eligible for re-election.

When appointing new directors, the Board is first provided with the curriculum vitae of the candidate beforehand for consideration. The appointment is then finalised after discussions at a Board meeting, giving ample time for deliberations on the suitability of the candidate.

All Directors have successfully completed the mandatory accreditation programme conducted by the Research Institute of Investment Analysts Malaysia, an affiliate company of the KLSE.

In FY 2003, the composition of the Board, together with the attendance of the respective Directors at Board meetings are as follows:-

Name of Director	Attendance Record
Chew Wei Keong	5/5
Yong Fook Shin	5/5
Michael Yee Kim Shing	5/5
Dato' Haji Abu Hanifah bin Noordin	5/5
Sivalingam s/o Munusamy	3/5
Lim Si Boon	4/4
(resigned on 1.2.2003; re-appointed on 1.3.2003)	
Goh Nan Kioh	2/2
(appointed on 1.2.2003)	
Dr. Lim Thian Soo	2/2
(appointed on 1.2.2003)	
Lim Boon Seh	2/2
(appointed on 1.2.2003)	
Maisuri bin Besri	1/1
(appointed on 1.3.2003)	
Datuk Pengiran Mohd. Hussein bin Datuk Pengiran Haji Mohd. Tahir Nasruddin	4/4
(resigned on 26.2.2003)	
Dato' Lim Keng Kay	3/3
(resigned on 1.2.2003)	
Chin Yoong Ngok	3/3
(resigned on 1.2.2003)	
David William Boyd	3/3
(resigned on 25.2.2003)	
Ag Mat Yusof bin Abd. Razak	-
(Alternate to Datuk Pengiran Mohd. Hussein bin Datuk Pengiran Haji Mohd. Tahir Nasruddin)	
(ceased on 26.2.2003)	
Goh Nan Yang	-
(Alternate to Goh Nan Kioh)	
(appointed on 13.3.2003)	

The following present and former directors are directors and substantial shareholders in certain other companies which are involved in property development activities:-

- Dr. Lim Thian Soo
- Mr Lim Si Boon
- Dato' Lim Keng Kay

Encik Maisuri bin Besri and his predecessor, Datuk Pengiran Mohd. Hussein bin Datuk Pengiran Haji Mohd. Tahir Nasruddin represent SEDCO on the Board. SEDCO has subsidiaries, which are involved in property development activities. Save as disclosed above, none of the directors of the Company have conflict of interest with the Company.

## DIRECTORS' REMUNERATION

The Board maintains that the current remuneration for each category of directors commensurate with that adopted by companies of similar standing, and is sufficient to attract and retain directors of high calibre. The Remuneration Committee reviews annually and the Board approves the remuneration for Executive Directors. The remuneration of Non-Executive Directors is by way of fixed annual fees, based on recommendations by the Board and approved by shareholders at the annual general meeting. The Company reimburses reasonable expenses incurred by the Directors in the course of their duties as directors.

The aggregate remuneration of the Directors, including former Directors, during the year and categorized into appropriate components are as follows:-

	Emolument (RM)	Fee (RM)	Consultancy (RM)	Total (RM)
Executive Directors	1,391,953 (#)	–	–	1,391,953
Non-Executive Directors	–	133,048	265,146	398,194

Remuneration categories of the Directors during the financial year are as follows :-

Range of remuneration	Number of Directors	
	Executive Director	Non-Executive Director
Below RM50,000	–	9 (*)
RM50,001 - RM100,000	1	–
RM100,001 - RM150,000	–	1
RM150,001 - RM200,000	–	1 (**)
RM350,001 - RM400,000	1	–
RM850,000 - RM900,000	1 (**)	–

(#) - includes ex-gratia

(\*) - includes two former Directors

(\*\*) - relates to former Directors

The Code recommends detailed disclosure to be made for each director's remuneration. However, the Board is of the view that the transparency and accountability is not compromised by the band disclosure as permitted by the KLSE Listing Requirements.

## SHAREHOLDERS

Shareholders are kept well informed of developments and performances of the Company through disclosures to the KLSE and press (where appropriate) as well as the annual report. The annual report contains all the necessary disclosures in addition to facts and figures about the Company. In addition, efforts have been made to ensure that the report is user friendly so that shareholders have a good understanding about the Company and its operations.

Adequate time is given during Annual and Extraordinary General Meetings to allow the shareholders to seek clarifications or ask questions on pertinent and relevant matters.

In addition to the above, the Company is always willing to meet up with institutional investors when the need arises, to elaborate or further clarify information already disclosed to the other shareholders.

## ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the annual audited accounts and the Board ensures that the accounts and the other financial reports of the Company and of the Group are prepared in accordance with applicable approved accounting standards and the provisions of the Companies Act, 1965.

On a quarterly basis, the Company releases to the KLSE details of the Company's performance as well as information on current issues and concerns. These announcements are only released after scrutiny by the Audit Committee and approved by the Board of Directors. At the end of each financial year, a comprehensive annual report is published and sent to all the shareholders. This report is prepared in accordance with the latest KLSE guidelines and is available to the public.

The Audit Committee plays an active role in helping the Board discharge its governance responsibilities. The Committee works within the purview of the terms of reference, which have been drafted in accordance with the Listing Requirements of KLSE. The role of the Committee in relation to the external auditors is also embodied under its terms of reference.

The Internal Audit Department reports directly to the Audit Committee. Their role is to carry out regular visits to the operating units to ensure compliance with the Group's policies, procedures and internal control systems. They have also adopted a risk based approach when carrying out their audits. The findings are all properly documented and presented to the Audit Committee, with copies to the parties concerned, so that timely corrective measures can be taken.

The Board acknowledges its overall responsibility for maintaining the system of internal controls to safeguard shareholders' investment and the Company's assets. The Statement on Internal Control made in pursuance of paragraph 15.27 of the KLSE Listing Requirements is separately set out in this annual report.

## COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

The Group was substantially in compliance with the Best Practices of Corporate Governance throughout FY 2003, with the exception of the following:-

- We have not appointed a senior independent non-executive director, to whom concerns can be conveyed. We do not believe there is such a necessity because all our Board members actively and freely participate during Board meetings.
- Establishment of a Nomination Committee has not been effected as the Board carries out its functions.

## ADDITIONAL COMPLIANCE STATEMENT

- **Material Contracts with Related Parties**

There are no material contracts subsisting at the end of the financial year or entered into since the end of the previous financial year by the Company and its subsidiaries which involve interests of directors and major shareholders.

- **Sanctions and/or Penalties imposed**

There were no sanctions or material penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

- **Share buy-backs**

There was no share buy-back by the Company for the financial year.

- **Options, warrants or convertible securities**

During the financial year, no share options were issued pursuant to the Employee Share Option Scheme. As at the financial year-end on 30 June 2003, employees hold 3,497,000 share options issued pursuant to the Employee Share Option Scheme. The Company has not issued any warrants or convertible securities during the financial year.

- **American Depositary Receipt (ADR) or Global Depositary Receipt (GDR) programme**

The Company did not sponsor any ADR or GDR programme during the financial year.

- **Non-audit fees**

The non-audit fees paid to the external auditors for the financial year have been reflected under Note 6 of the Financial Statements.

- **Profit estimate, forecast, projection or unaudited results**

The Company did not issue any profit estimate, forecast or projection for the financial year. There is no variance between the audited results for the financial year and the unaudited results previously announced by the Company.

- **Profit guarantee**

The Company did not give any profit guarantee during the financial year.

- **Revaluation of landed properties**

The Company does not have a revaluation policy on landed properties.

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of MFCB, it is my pleasure to present the 37th Annual Report incorporating the Financial Statements of the Group and of the Company for the financial year ended 30 June 2003 ("FY 2003").

### RESULTS

The Group registered a revenue of RM376.6 million for the financial year, representing an increase of 3% as compared to RM366.8 million for the previous year. Profit before tax for the financial year of RM49.4 million is 13% higher than the previous year.

The performance of the Group has been sustained despite the prevailing weak economic conditions. The Group continued to explore cost-saving measures as well as improving operating efficiencies to enhance its competitiveness.

At the Company level, profit before tax of RM10.9 million is 30% higher than the previous year, mainly due to higher dividend income from its associate company.

### CORPORATE EVENT

FY 2003 was a relatively quiet year with no significant corporate events, other than the acquisition of a piece of commercial land measuring approximately 14,846 square metres by Idaman Harmoni Sdn Bhd, a 55% subsidiary of Gombak Land Sdn Bhd for RM18 million. Completion of the purchase is expected to be at the end of this year.

### DIVIDEND

The Board is happy to recommend a first and final dividend of 1% less income tax for the financial year ended 30 June 2003, subject to the approval of shareholders at the forthcoming Annual General Meeting.

### PROSPECTS

There is still uncertainty about global economic recovery following the resolution of the conflict in Iraq and the end of the SARS virus outbreak. The Malaysian economy is forecast to remain strong in 2004 despite the uncertainty over the impact of the implementation of the ASEAN Free Trade Area.

The Group will continue to focus on consolidating its core businesses as part of an ongoing effort to enhance shareholders' value. The Board is cautiously optimistic that based on the measures taken to strengthen the Group's businesses, the results for FY 2004 will remain strong.

### ACKNOWLEDGMENT AND APPRECIATION

Dato' Lim Keng Kay resigned from the Board with effect from 1 February 2003. On behalf of the Board, I wish to thank Dato' Lim for all his contribution during his tenure as Chairman of the Company.

The Board would also like to thank the management and staff of the Group for their continued commitment to the Group.

Goh Nan Kioh  
Chairman

7 October 2003

## PENYATA PENERUS

Bagi pihak Lembaga Pengarah MFCB, saya dengan sukacitanya membentangkan Laporan Tahunan ke 37 yang menggabungkan Penyata Kewangan bagi Kumpulan dan Syarikat untuk tahun kewangan berakhir pada 30 Jun 2003 ("TK 2003").

### PENCAPAIAN

Kumpulan telah mencatat perolehan berjumlah RM376.6 juta untuk tahun kewangan berkenaan, dengan peningkatan 3% berbanding RM366.8 juta pada tahun sebelumnya. Keuntungan sebelum cukai bagi tahun kewangan ini sebanyak RM49.4 juta adalah 13% lebih tinggi daripada tahun sebelumnya.

Prestasi Kumpulan telah berjaya dikekalkan disebalik keadaan-keadaan ekonomi semasa yang lemah. Kumpulan telah terus mengambil langkah-langkah penjimatan kos disamping memperbaiki keberkesanan operasinya dalam usaha untuk meningkatkan daya saingannya.

Di peringkat Syarikat, keuntungan sebelum cukai berjumlah RM10.9 juta adalah 30% lebih tinggi daripada tahun sebelumnya, disebabkan terutamanya oleh perolehan dividen yang lebih tinggi daripada syarikat bersekutunya.

### PERISTIWA KORPORAT

TK 2003 adalah agak mendatar di mana tidak terdapat sebarang peristiwa korporat penting selain daripada pembelian tanah komersial seluas kira-kira 14,846 meter persegi oleh Idaman Harmoni Sdn Bhd, sebuah anak syarikat milik Gombak Land Sdn Bhd dengan kepentingan 55% pada harga RM18 juta. Aktiviti pembelian tersebut dijangka akan selesai pada penghujung tahun ini.

### DIVIDEN

Pihak Lembaga bersukacita untuk mencadangkan dividen pertama dan muktamad sebanyak 1%, ditolak cukai pendapatan, bagi tahun berakhir 30 Jun 2003 dan tertakluk kepada kelulusan para pemegang saham pada Mesyuarat Agung Tahunan yang akan diadakan kelak.

### PROSPEK

Masih terdapat ketidakpastian tentang keadaan pemulihan ekonomi dunia berikutan dengan penyelesaian konflik di Iraq dan masalah jangkitan virus SARS yang baru berakhir. Ekonomi Malaysia diramal akan kekal teguh pada tahun 2004 disebalik ketidakpastian mengenai kesan implimentasi Kawasan Perdagangan Bebas ASEAN atau AFTA.

Kumpulan akan terus memberi tumpuan terhadap pengukuhan perniagaan-perniagaan utamanya sebagai usaha berpanjangan dalam meningkatkan nilai kepada para pemegang saham. Pihak Lembaga berkeyakinan sambil berwaspada bahawa berdasarkan langkah-langkah yang diambil untuk meningkatkan prestasi perniagaan Kumpulan, pencapaian untuk TK2004 akan kekal teguh.

## PENGHARGAAN

Dato' Lim Keng Kay telah bersara daripada Lembaga Pengarah mulai 1 Februari 2003. Bagi pihak Lembaga, saya ingin mengucapkan terima kasih kepada Dato' Lim di atas segala sumbangannya sepanjang khidmat beliau sebagai Pengerusi Syarikat.

Pihak Lembaga turut ingin menyampaikan ucapan terima kasih kepada pihak pengurusan dan kakitangan Kumpulan di atas komitmen mereka yang berterusan kepada Kumpulan.

Goh Nan Kioh  
Pengerusi

7 Oktober 2003



## GROUP MANAGING DIRECTOR'S OPERATION REVIEW

For The Financial Year Ended 30 June 2003 ("FY 2003")

### OVERVIEW

For the financial year under review, the Group achieved a pre-tax profit of RM49.4 million and a revenue of RM376.6 million. This represents an increase of 13% and 3% respectively over the pre-tax profit and revenue for the previous year. The results were respectable taking into consideration the difficult conditions that prevailed in certain industry sectors that the Group operates in.

The Power division continues to be the mainstay of the Group, contributing approximately 80% of the Group's pre-tax profit. The improved performance was largely due to the successful expansion of the Group's power plant in China during the financial year.

The Property Division continues to be profitable albeit lower than the previous year. The property sector in Malaysia continues to suffer from a property overhang and despite certain measures implemented by the Government, this will likely to remain slow in the near future.

Management will continue to consolidate the Group's core businesses and focus on cost cutting measures and improving efficiencies within the Group. Some of these measures have already shown positive results.

### POWER DIVISION

The Power Division achieved a pre-tax profit of RM39.6 million and a revenue of RM163.1 million in FY 2003. This represents an increase of 43% and 26% respectively over the previous year.

The power plant in China successfully completed its expansion of its electricity generation capacity from 30 MW to 42 MW and its steam generating capacity from 140 tons per hour to 290 tons per hour. Despite the outbreak of SARS in China, the sale of the additional capacity has been successful and we are now running at 95% of our rated capacity.

The power plant is located within a large industrial park, with many of our customers being from the textile industry. As the textile industry continues to grow in China, we are currently looking at the possibility of a further increase in the capacity of the power plant.

The power plant in Tawau has also shown an improvement in its performance and continues to run at full capacity. We are continuing to look for further improvements in the reliability and operating efficiency of our diesel engines.

The Power Division is expected to continue to perform well in the FY 2004 and will continue to be the main contributor to the Group's profits.



## **TINJAUAN OPERASI OLEH PENGARAH URUSAN KUMPULAN**

Untuk Tahun Kewangan Berakhir 30 Jun 2003 ("TK 2003")

### **TINJAUAN OPERASI**

Bagi tahun kewangan ini, Kumpulan telah meraih keuntungan sebelum cukai berjumlah RM49.4 juta dan mencatat perolehan sebanyak RM376.6 juta. Ini merupakan peningkatan masing-masingnya sebanyak 13% dan 3% berbanding pencapaian keuntungan sebelum cukai dan perolehan tahun sebelumnya. Pencapaian ini adalah memuaskan berdasarkan pelbagai kesukaran keadaan yang dihadapi dalam sektor industri tertentu yang melibatkan operasi Kumpulan.

Bahagian Tenaga telah kekal sebagai penyumbang utama Kumpulan dengan sumbangan kira-kira 80% terhadap keuntungan sebelum cukai Kumpulan. Prestasi yang meningkat ini disebabkan terutamanya oleh kejayaan aktiviti meluaskan kapasiti loji tenaga Kumpulan di China dalam tahun kewangan berkenaan.

Bahagian Hartanah pula telah terus mencatat keuntungan walaupun pada kadar yang lebih rendah berbanding tahun sebelumnya. Sektor hartanah di Malaysia telah kekal mengalami kesulitan disebabkan masalah lebihan hartanah dan sungguhpun terdapat langkah-langkah tertentu diambil oleh Kerajaan, keadaan ini dijangka akan kekal lembab pada masa akan datang.

Pihak pengurusan akan terus mengambil langkah mengukuhkan perniagaan-perniagaan utama Kumpulan dan memberi tumpuan terhadap langkah pengurangan kos dan memperbaiki keberkesanan operasi Kumpulan. Sebilangan daripada langkah tersebut telah menunjukkan hasil positif.

### **BAHAGIAN TENAGA**

Bahagian Tenaga telah mencapai keuntungan sebelum cukai berjumlah RM39.6 juta dan perolehan RM163.1 juta dalam TK 2003. Ini merupakan peningkatan masing-masingnya pada 43% dan 26% berbanding tahun sebelumnya.

Loji tenaga di China telah berjaya melengkapkan rancangan meningkatkan kapasiti pengeluaran tenaga elektriknya daripada 30 MW kepada 42 MW dan kapasiti pengeluaran wapnya daripada 140 tan sejam kepada 290 tan sejam. Disebalik ancaman penyebaran wabak SARS di China, jualan untuk lebihan bekalan tenaga tersebut telah berjalan dengan lancar dan kami kini sedang beroperasi pada kadar 95% daripada kapasiti penuh.

Loji tenaga ini terletak di dalam kawasan perindustrian yang besar dengan kebanyakan para pelanggan utama terlibat dalam industri tekstil. Berdasarkan jangkaan pertumbuhan industri tekstil di China akan berterusan, kami sedang meneliti peluang-peluang untuk terus meningkatkan kapasiti pengeluaran loji tenaga berkenaan.

Loji tenaga di Tawau telah mempamerkan peningkatan prestasi dan telah terus beroperasi pada tahap kapasiti penuh. Kami sedang turut meneliti keupayaan untuk meningkatkan reliabiliti dan keberkesanan operasi enjin-enjin disel yang digunakan.

Bahagian Tenaga dijangka akan terus menunjukkan prestasi baik dalam TK 2004 dan akan kekal sebagai penyumbang utama terhadap keuntungan Kumpulan.



## PROPERTY DIVISION

The Property Division registered a revenue of RM42.2 million, a decrease of 59% compared to the previous year. The pre-tax profit decreased by 67% to RM4.1 million as compared to the previous year. It must be noted though, that the results were affected by a RM8 million provision for doubtful debt and diminution in values of our property.

The weaker performance was due to a general slowdown in the Malaysian property market, which has not recovered from the 1997 crash. Despite several efforts being implemented by the Government such as the waiver of stamp duty and real property gains tax and lower interest rates, the problem of property overhang remain unresolved.

The Property Division will be facing a difficult year in FY 2004. We will constantly monitor our cost structure and review all our development plans to ensure optimal performance.

At the same time, we will be on a constant look out for choice properties to replenish our land bank and additional projects through joint ventures with landowners. The Property Division has, through its 55% owned subsidiary, recently acquired a piece of commercial land measuring approximately 14,846 square metres at Jalan Barat, Petaling Jaya.

## ENGINEERING DIVISION

The Engineering Division recorded a loss of RM12.2 million and a revenue of RM167.6 million for the financial year, a higher loss of 220% despite higher revenue of 29% from the previous year. The higher loss was mainly due to a provision of RM10.0 million for a shortfall in a funded pension scheme of our UK subsidiary.

The automotive industry remains sluggish due to weak economic conditions resulting in a sharp drop in volume of vehicles sold both globally and locally. Most vehicle manufacturers have either delayed the launching of new models or ended production of certain models prematurely.

The Engineering Division is undergoing a major restructuring of its operations to drastically reduce cost and to improve plant efficiency and productivity and to review the viability of certain non-performing operating units within the division.



## BAHAGIAN HARTANAH

Bahagian Hartanah telah mencatat perolehan RM42.2 juta, menyusut 59% berbanding dengan tahun sebelumnya. Keuntungan sebelum cukai telah turut menurun sebanyak 67% kepada RM4.1 juta berbanding dengan tahun sebelumnya. Perlu dimaklumkan di sini bahawa pencapaian tersebut telah dipengaruhi oleh peruntukan untuk hutang ragu serta penyusutan nilai hartanah kami berjumlah RM8 juta.

Prestasi yang menurun ini adalah disebabkan oleh kelembapan secara am dalam pasaran hartanah di Malaysia yang masih belum mengalami pemulihan sejak daripada kegawatan 1997. Disebalik beberapa usaha oleh Kerajaan seperti pengecualian cukai selek dan cukai keuntungan harta tanah serta kadar faedah yang rendah, masalah lebihan hartanah yang menyelubungi industri hartanah ini masih belum dapat diselesaikan.

Bahagian hartanah ini akan menghadapi tahun yang amat mencabar dalam TK 2004. Kami akan sentiasa memantau struktur kos kami dan akan menyemak semula rancangan-rancangan pembangunan kami untuk memastikan prestasi optima.

Pada masa yang sama, kami akan sentiasa berusaha untuk mendapatkan kawasan hartanah terpilih bagi mengisi semula simpanan tanah kami untuk dimajukan serta mendapatkan projek-projek menerusi usahasama dengan para pemilik tanah yang bersesuaian. Bahagian Hartanah, menerusi sebuah anak syarikat yang dimiliki sebanyak 55%, telah baru-baru ini membeli tanah komersial berukuran kira-kira 14,846 meter persegi di Jalan Barat, Petaling Jaya.

## BAHAGIAN KEJURUTERAAN

Bahagian Kejuruteraan telah mencatatkan kerugian RM12.2 juta dan perolehan RM167.6 juta untuk tahun kewangan ini, kerugian yang meningkat 220% sungguhpun perolehan adalah 29% lebih tinggi daripada tahun sebelumnya. Kerugian yang lebih tinggi ini adalah disebabkan terutamanya oleh peruntukan bernilai RM10.0 juta bagi menampung kekurangan yang dialami dalam suatu skim dana bantuan pencen untuk sebuah anak syarikat kami di UK.

Industri automotif telah kekal lembab disebabkan oleh keadaan ekonomi yang lemah dan telah mengakibatkan penyusutan mendadak dalam bilangan kenderaan yang dijual di peringkat global dan tempatan. Kebanyakan pembuat kenderaan telah samada menangguhkan pelancaran model-model baru ataupun menamatkan pengeluaran bagi model-model tertentu sebelum masa yang ditetapkan.



## LIMESTONE DIVISION

Syarikat Cheng Sun Quarry Sdn. Bhd. ("CSQ") registered a revenue of RM3.3 million and pre-tax profit of RM0.1 million for the financial year, a decrease of 3% and 67% respectively over the figures for previous year. The lower profit was mainly due to keen competition resulting in slim margins.

The Group's associated company Rock Chemical Industries (Malaysia) Bhd. ("RCI") contributed a pre-tax profit of RM4.1 million resulting from the gain on disposal of its remaining 40% equity interest in its white cement business. RCI has recently completed and commissioned its new lime kiln in Gopeng, which will help improve its performance.

## OTHER INVESTMENT

The Group's interest in Perilya Limited ("PL"), a company listed on the Australian Stock Exchange, has been diluted from an equity interest of 16.5% to 10.6% in previous year arising from the issue of 55 million new ordinary shares for the acquisition of Ranger Minerals Limited, a mining exploration company listed on the Australian Stock Exchange.

PL is now a diversified resource company with interests in base metals, gold, oil and gas. As at 30 June 2003, PL held cash and investments totaling AUD56.8 million. The acquisition of Broken Hill Mine proved to be a successful one with the mine chalking up an impressive performance in its first 12 months of operation.

Dr. Lim Thian Soo  
Group Managing Director

7 October 2003



Bahagian Kejuruteraan sedang menjalani penyusunan semula secara besar-besaran terhadap operasinya untuk mengurangkan kos dan meningkatkan keberkesanan dan produktiviti disamping menilai semula viabiliti unit-unit operasi tertentu yang tidak berprestasi baik dalam bahagian ini.

### BAHAGIAN BATUKAPUR

Syarikat Cheng Sun Quarry Sdn. Bhd. ("CSQ") telah mencatat perolehan RM3.3 juta dan keuntungan sebelum cukai sebanyak RM0.1 juta untuk tahun kewangan ini, merusut masing-masingnya pada kadar 3% dan 67% berbanding dengan catatan tahun sebelumnya. Keuntungan yang lebih rendah ini disebabkan terutamanya oleh persaingan pasaran yang hebat mengakibatkan pengurangan kadar pendapatan.

Syarikat bersekutu Kumpulan, Rock Chemical Industries (Malaysia) Bhd. ("RCI") telah menyumbang keuntungan sebelum cukai sebanyak RM4.1 juta hasil daripada keuntungan dalam penjualan baki 40% kepentingan ekuitinya di dalam perniagaan simen putih. RCI telah baru-baru ini melengkapkan dan memulakan operasi sebuah relau batukapur di Gopeng yang akan seterusnya membantu meningkatkan prestasinya.

### PELABURAN-PELABURAN LAIN

Kepentingan ekuiti Kumpulan dalam Perilya Limited ("PL"), sebuah syarikat yang tersenarai di Bursa Saham Australia, telah dikurangkan daripada 16.5% kepada 10.6% dalam tahun sebelumnya berikutan daripada terbitan 55 juta saham biasa baru untuk pembelian Ranger Minerals Limited, sebuah syarikat eksplorasi perlombongan yang turut tersenarai di Bursa Saham Australia.

PL kini adalah sebuah syarikat pelbagai sumber dengan kepentingan dalam bidang-bidang melibatkan logam-logam asas, emas, minyak dan gas. Pada 30 Jun 2003, PL memiliki pegangan tunai dan pelaburan berjumlah AUD56.8 juta. Pembelian lombong "Broken Hill Mine" terbukti sebagai suatu kejayaan berdasarkan keupayaan lombong berkenaan untuk mempamerkan prestasi yang amat membanggakan dalam 12 bulan pertama operasinya.



Dr. Lim Thian Soo  
Pengarah Urusan Kumpulan

7 Oktober 2003

## **AUDIT COMMITTEE REPORT**

FOR THE YEAR ENDED 30 JUNE 2003

### **1. Composition**

- Chairman : Mr. Michael Yee Kim Shing (Independent Director)
- Members : Dato' Haji Abu Hanifah bin Noordin (Independent Director)  
Mr. Sivalingam s/o Munusamy (Independent Director)  
Mr. Chew Wei Keong (Group Chief Operating Officer)

### **2. Terms of Reference**

#### **2.1. Membership**

- 2.1.1 The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members.
- 2.1.2 The majority of the members, including the Chairman of the Committee, shall be Independent Directors as defined in Chapter 1 of the Listing Requirement of the Kuala Lumpur Stock Exchange ("KLSE").
- 2.1.3 The Committee shall include at least one person:
- (a) Who is a member of the Malaysian Institute of Accountants; or
  - (b) Who must have at least 3 years working experience and: -
    - (i) Have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
    - (ii) Is a member of one of the Associations specified in Part II of the First Schedule of the Accountants Act, 1967.
- 2.1.4 No alternate Director shall be appointed as a member of the Committee.
- 2.1.5 The members of the Committee shall elect a Chairman from amongst their number.
- 2.1.6 If a member of the Committee resigns or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three months appoint such number of new members as may be required to make up the minimum of three (3) members.
- 2.1.7 The term of office and performance of the Committee and of each of its members shall be reviewed by the Board no less than once every three (3) years. However, the appointment terminates when a member ceases to be a Director.

#### **2.2 Meetings**

- 2.2.1 The quorum for a Committee meeting shall be at least two (2) members, the majority present must be Independent Directors.
- 2.2.2 The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide.
- 2.2.3 Notwithstanding paragraph 2.2.2 above, upon the request of any member of the Committee, non-member Directors, the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.

- 2.2.4 The External Auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.
- 2.2.5 The Committee may invite any non-member Director or employee of the Company and of the Group who the Committee thinks fit and proper to attend its meeting to assist in its deliberations and resolutions of matters raised.
- 2.2.6 The Internal Auditors shall be in attendance at all meetings to present and discuss the audit reports and other related matters and the recommendations relating thereto and to follow up on all relevant decisions made.
- 2.2.7 The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.
- 2.2.8 The Secretary of the Committee shall be entrusted to record all proceedings and minutes of all meetings of the Committee.
- 2.2.9 In addition to the availability of detailed minutes of the meetings to all Board members, the Committee at each Board meeting will report a summary of significant matters and resolutions.

### **2.3 Rights and Authority**

The Committee is authorised to: -

- 2.3.1 Investigate any matter within its terms of reference.
- 2.3.2 Have adequate resources required to perform its duties.
- 2.3.3 Have full and unrestricted access to information, records and documents relevant to its activities.
- 2.3.4 Have direct communication channels with the External and Internal Auditors.
- 2.3.5 Engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.

### **2.4 Functions and duties**

- 2.4.1 To review and recommend for the Board's approval, the Internal Audit Charter which defines the independence, purpose, authority, scope and responsibility of the internal audit function in the Company and the Group.
- 2.4.2 To review the following and report to the Board: -
  - (a) With the External Auditors: -
    - (i) The audit plan and audit report and the extent of assistance rendered by employees of the Auditee;
    - (ii) Their evaluation of the system of internal controls;
    - (iii) The audit fee and on matter concerning their suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as Auditors;
    - (iv) The management letter and management's response; and
    - (v) Issues and reservations arising from audits.



- (b) With the Internal Audit Department: -
    - (i) The adequacy and relevance of the scope, functions and resources of internal audit and the necessary authority to carry out its work;
    - (ii) The audit plan of work programme and results of internal audit processes including actions taken or recommendations;
    - (iii) The extent of co-operation and assistance rendered by employees of Auditee; and
    - (iv) The appraisal of the performance of the internal audit including that of the senior staff and any matter concerning their appointment and termination.
  - (c) The quarterly results and year end financial statements prior to the approval by the Board, focusing particularly on: -
    - (i) Changes and implementation of major accounting policies and practices;
    - (ii) Significant and unusual issues;
    - (iii) Going concern assumption; and
    - (iv) Compliance with Accounting Standards, regulatory and other legal requirements.
  - (d) The major findings of investigations and management response.
  - (e) The propriety of any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raise questions of management integrity.
- 2.4.3 To report any breaches of the Listing Requirements which have not been satisfactorily resolved, to the KLSE.
- 2.4.4 To prepare the Audit Committee Report for inclusion in the Company's Annual Report covering:
- (a) The composition of the Committee including the name, designation and directorship of the members;
  - (b) The terms of reference of the Committee;
  - (c) The number of meetings held and details of attendance of each member;
  - (d) A summary of the activities of the Committee in the discharge of its functions and duties;
  - (e) A summary of the activities of the Internal Audit function; and
  - (f) Such other matter as may be required by the relevant regulatory authorities from time to time.

2.4.5 To review the following for publication in the Company's Annual Report: -

- (a) The disclosure statement of the Board on:
  - (i) The Company's applications of the principles set out in Part I of the Malaysian Code on Corporate Governance; and
  - (ii) The extent of compliance with the best practices set out in Part II of the Malaysian Code on Corporate Governance, specifying reasons for any area of non-compliance and the alternative measures adopted in such areas.
- (b) The statement on the Board's responsibility for the preparation of the annual audited financial statements;
- (c) The disclosure statement on the state of the system of internal controls of the Company and of the Group; and
- (d) Other disclosures forming the contents of annual report spelt out in Part A of Appendix 9C of the Listing Requirements of the KLSE.

The above function and duties are in addition to such other functions as may be agreed to from time to time by the Committee and the Board.

## 2.5 Internal Audit Department

- 2.5.1 The Head of the Internal Audit Department shall have unrestricted access to the Committee members and report to the Committee whose scope of responsibility includes overseeing the development and the establishment of the Internal Audit function.
- 2.5.2 In respect of the routine administrative matters, the Head of Internal Audit Department shall report to the Group Managing Director.

## 3. Summary of Activities of the Committee

The Audit Committee has discharged its duties and responsibilities as set out in its terms of reference. The main activities of the Committee for the year ended 30 June 2003 were as follows:-

- a) Reviewed the adequacy and relevance of the scope, functions, resources, internal audit plan and results of the internal audit processes, with the internal audit department;
- b) Reviewed the quarterly financial reports for announcement to the KLSE and year-end statutory financial statements with management and the internal audit department;
- c) Reviewed with management on their preparation for the annual financial statements prior to commencement of the annual audit;
- d) Reviewed with external auditors on their audit plan (including system evaluation, audit fee, issues raised and management's response) prior to the commencement of audit;
- e) Reviewed the annual statutory financial statements, the audit report, issues and reservations arising from audits and the management letter, with the external auditors;
- f) Reviewed the disclosure of related party transactions and, any conflict of interest situation and transactions which may have an impact on management integrity;

- g) Reviewed the latest changes of pronouncements issued by the accountancy, statutory and regulatory bodies;
- h) Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board. Minutes of the Committee's meetings were made available to all Board members;
- i) Prepared the Audit Committee Report for inclusion in the Company's Annual Report;
- j) Reviewed the disclosure statements on compliance of the Malaysian Code on Corporate Governance, Board's responsibility on the annual audited financial statements and the state of internal control and other relevant documents, for publication in the Company's Annual Report.

#### 4. Attendance of Meetings

During the financial year ended 30 June 2003, four (4) meetings of the Committee were held. The attendance record of the Committee members was as follows: -

Name of Committee member	Attendance record
Michael Yee Kim Shing	4/4
Dato' Haji Abu Hanifah bin Noordin	4/4
Sivalingam s/o Munusamy	3/4
Chin Yoong Ngok (resigned on 1.2.2003)	2/2
Chew Wei Keong (appointed on 24.4.2003)	1/1

#### 5. Summary of Internal Audit Activities

The main activities of the Internal Audit Department for the year ended 30 June 2003 were as follows:-

- a) Prepared the annual audit plan for the Audit Committee's approval;
- b) Carried out risk based audits of strategic business units of the Group which cover reviews of the internal control system, accounting and management information systems, and risk management;
- c) Co-created management corrective actions on audit issues raised, and issued audit reports to the Audit Committee and Management;
- d) Reviewed the quarterly financial reports and year-end statutory financial statements with management;
- e) Reviewed the disclosure of related party transactions and, any conflict of interest situation and questionable transactions, and report thereon in the audit report;
- f) Followed up on management corrective actions on audit issues raised by the external auditors;
- g) Attended all Audit Committee meetings to table and discuss the audit reports and follow up on matters raised.

**FINANCIAL STATEMENTS**

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## DIRECTORS' REPORT

The Directors of **MEGA FIRST CORPORATION BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2003.

### PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services.

The principal activities of the subsidiary and associated companies are as set out in Notes 32 and 13 to the Financial Statements.

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

### SIGNIFICANT CORPORATE EVENT

On 3 June 2003, Idaman Harmoni Sdn. Bhd., a 55% owned subsidiary company, entered into two sale and purchase agreements with Palmshine Plaza Sdn. Bhd. ("PPSB") for the purchase of 3 adjoining plots of leasehold land measuring approximately 14,846 square metres located at Jalan Barat, Petaling Jaya from PPSB for a total cash consideration of RM18,000,000. These acquisitions are expected to be completed by November 2003.

### RESULTS OF OPERATIONS

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

	GROUP RM'000	COMPANY RM'000
Profit Before Tax	49,421	10,958
Income Tax Expense	(6,930)	645
Profit Before Minority Interests	42,491	11,603
Minority Interests	(15,948)	–
Net Profit For The Year	26,543	11,603

In the opinion of the Directors, the results of the 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 other than the exceptional items as disclosed in Note 6 to the Financial Statements.

## **DIVIDENDS**

A first and final dividend of 1%, less income tax of 28%, proposed in the previous financial year amounting to RM1,699,200 was paid by the Company on 21 January 2003.

The Board is pleased to propose a first and final dividend of 1%, less income tax, for the year ended 30 June 2003. The said proposed dividend, which is subject to approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in the Financial Statements.

## **RESERVES AND PROVISIONS**

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

## **SHARE OPTIONS**

An Employee Share Option Scheme ("ESOS") of the Company was implemented for the benefit of eligible employees and executive directors of the Company and its subsidiary companies incorporated in Malaysia on 1 October 2001. The initial five-year term of the ESOS will expire on 30 September 2006.

The main features of the ESOS are as follows :

- (a) Employees and executive directors who have been employed for a continuous period of at least one year shall be eligible to participate in the ESOS.
- (b) The maximum number of new shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the term of the ESOS.
- (c) No options shall be granted for less than 1,000 ordinary shares nor more than 500,000 ordinary shares.
- (d) The option price of each ordinary share under ESOS shall be determined by the Board upon the recommendation of the ESOS committee which is at a discount of not more than 10% on the weighted average market price of the shares for the five market days immediately preceding the date of offer, or the par value of each ordinary share, whichever is higher.
- (e) An eligible employee can only participate in one ESOS implemented by any company within the Group.

**SHARE OPTIONS (cont'd)**

The movement in the number of options granted, exercised and lapsed during the current financial year is as follows :

	Exercise price per ordinary share RM	Number of options over ordinary shares of RM1 each
Balance as of 1.7.2002	1.00	5,404,000
Granted	—	—
Exercised	—	—
Lapsed	1.00	(1,907,000)
Balance as of 30.6.2003	1.00	3,497,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders and their holdings in this report. However, options granted to executive directors are disclosed under Directors' Interests.

**OTHER FINANCIAL INFORMATION**

Before the income statements and 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 had 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 had been written down to their estimated realisable values.

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.

**OTHER FINANCIAL INFORMATION(cont'd)**

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

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

In the opinion of the Directors :

- (a) 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 will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
- (b) 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 the operations of the Group and of the Company for the financial year in which this report is made.

**DIRECTORS**

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

- Chew Wei Keong
- Yong Fook Shin
- Michael Yee Kim Shing
- Dato' Haji Abu Hanifah bin Noordin
- Sivalingam s/o Munusamy
- Goh Nan Kioh (appointed on 1.2.2003)
- Dr. Lim Thian Soo (appointed on 1.2.2003)
- Lim Boon Seh (appointed on 1.2.2003)
- Maisuri Bin Besri (appointed on 1.3.2003)
- Goh Nan Yang (Alternate to Goh Nan Kioh) (appointed on 13.3.2003)
- Lim Si Boon (resigned on 1.2.2003; re-appointed on 1.3.2003)
- Dato' Lim Keng Kay (resigned on 1.2.2003)



**DIRECTORS (cont'd)**

- Chin Yoong Ngok (resigned on 1.2.2003)
- David William Boyd (resigned on 25.2.2003)
- Datuk Pengiran Mohd. Hussein bin OKK  
Datuk Pengiran Haji Mohd. Tahir Nasruddin (resigned on 26.2.2003)
- Ag Mat Yusof bin Abdul Razak (Alternate to Datuk Pengiran Mohd. Hussein bin OKK Datuk Pengiran Haji Mohd. Tahir Nasruddin) (ceased on 26.2.2003)

Dr. Lim Thian Soo and Messrs. Goh Nan Kioh, Lim Boon Seh, Maisuri Bin Besri and Lim Si Boon, who were appointed to the Board since the date of the last Annual General Meeting, retire under Article 104 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Messrs. Chew Wei Keong and Sivalingam s/o Munusamy retire by rotation in accordance with Article 99 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares of the Company are as follows :

	Number of ordinary shares of RM1 each			
	Balance as of 1.7.2002/ date of appointment	Addition	Disposal	Balance as of 30.6.2003
SHARES IN THE COMPANY				
Goh Nan Kioh				
– Direct	692,600	11,000	–	703,600
– Deemed	48,871,000	3,443,800	–	52,314,800
Dr. Lim Thian Soo				
– Direct	10,000	–	–	10,000
– Deemed	47,905,000	595,000	–	48,500,000
Chew Wei Keong				
– Direct	5,000	–	–	5,000
Yong Fook Shin				
– Direct	60,000	–	–	60,000

**DIRECTORS' INTERESTS (cont'd)**

	Balance as of 1.7.2002/ date of appointment	Number of ordinary shares of RM1 each		Balance as of 30.6.2003
		Addition	Disposal	
<b>SHARES IN THE COMPANY</b>				
Michael Yee Kim Shing – Direct	50,000	–	–	50,000
Sivalingam s/o Munusamy – Direct	157,000	–	–	157,000
Lim Si Boon – Deemed	62,755,000	–	(51,005,000)	11,750,000

In addition to the above, the following Executive Director is deemed to have interest in the shares of the Company to the extent of the options granted to him on 1 November 2001 pursuant to the Employee Share Option Scheme of the Company as follows :

	Options over ordinary shares of RM1 each			Balance as of 30.6.2003
	Balance as of 1.7.2002	Granted	Exercised	
Chew Wei Keong	280,000	–	–	280,000

Mr. Goh Nan Kioh and Dr. Lim Thian Soo, by virtue of their interests in 22.46% and 20.55%, respectively of the Company, are deemed to have an interest in the shares of all the subsidiary companies. Other than as disclosed above, the Directors of the Company do not have any other interest in the shares of the Company or of its related corporations.

**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 the transactions as disclosed in Note 6 to the Financial Statements.

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 except for the options granted to the Executive Director pursuant to the Company's ESOS as disclosed above.

## 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,

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DR. LIM THIAN SOO

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CHEW WEI KEONG

Kuala Lumpur  
28 August 2003

## **REPORT OF THE AUDITORS TO THE MEMBERS OF MEGA FIRST CORPORATION BERHAD**

We have audited the accompanying balance sheets as of 30 June 2003, 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 30 June 2003 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of the subsidiary companies of which we have not acted as auditors, as shown in Note 32 to the Financial Statements, being financial statements that have been included in the consolidated financial statements.

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.

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

**DELOITTE KASSIMCHAN**  
**AF 0080**  
**Chartered Accountants**

**LAI CAN YIEW**  
**2179/09/03 (J)**  
**Partner**

28 August 2003

**INCOME STATEMENTS** FOR THE YEAR ENDED 30 JUNE 2003

	Note	<b>GROUP</b>		<b>COMPANY</b>	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue	4	376,633	366,828	12,282	11,089
Cost Of Sales		(283,792)	(279,234)	–	–
Gross Profit		92,841	87,594	12,282	11,089
Distribution Costs		(9,584)	(6,886)	–	–
Administrative Expenses		(30,350)	(27,481)	(4,594)	(4,185)
Other Operating Expenses		(23,390)	(15,340)	(5)	(8,935)
Other Operating Income		27,653	17,495	5,093	12,538
Profit From Operations	6	57,170	55,382	12,776	10,507
Finance Costs	7	(11,880)	(12,290)	(1,818)	(2,060)
Income From Associates		4,131	523	–	–
Profit Before Tax		49,421	43,615	10,958	8,447
Income Tax Expense	8	(6,930)	(7,492)	645	(1,566)
Profit Before Minority Interests		42,491	36,123	11,603	6,881
Minority Interests		(15,948)	(11,829)	–	–
Net Profit For The Year		26,543	24,294	11,603	6,881
Earnings Per Ordinary Share (sen)	10	11.2	10.3		

The accompanying Notes on pages 44 to 84 form an integral part of the Financial Statements.

**BALANCE SHEETS** AS OF 30 JUNE 2003

		GROUP		COMPANY	
	Note	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
EMPLOYMENT OF CAPITAL					
Property, Plant And Equipment	11	232,541	213,206	1,001	827
Subsidiary Companies	12	–	–	133,002	132,850
Associated Company	13	35,958	29,113	25,243	20,378
Investment	14	19,806	8,743	–	–
Property Development					
– non-current	15	67,833	66,194	–	–
Goodwill On Consolidation	16	2,398	2,881	–	–
CURRENT ASSETS					
Inventories	17	46,299	40,111	–	–
Property Development	15	5,886	15,969	–	–
Receivables	18	125,235	117,342	45,740	40,253
Bank Balances And Deposits	19	55,664	51,308	11,123	10,969
		233,084	224,730	56,863	51,222
CURRENT LIABILITIES					
Payables	20	108,578	94,240	1,805	731
Short Term Borrowings	21	105,762	91,770	42,131	41,003
Taxation		2,949	312	–	–
		217,289	186,322	43,936	41,734
NET CURRENT ASSETS					
		15,795	38,408	12,927	9,488
		374,331	358,545	172,173	163,543
SOURCES OF CAPITAL					
Share Capital	22	236,000	236,000	236,000	236,000
Reserves	23	(11,895)	(42,953)	(66,023)	(75,927)
Shareholders' Equity		224,105	193,047	169,977	160,073
Minority Interests		53,894	47,232	–	–
		277,999	240,279	169,977	160,073
LONG TERM AND DEFERRED LIABILITIES					
Long Term Borrowings	24	68,206	89,025	2,000	3,250
Hire-Purchase Payables	25	1,640	3,043	196	220
Deferred Taxation	26	26,486	26,198	–	–
		96,332	118,266	2,196	3,470
		374,331	358,545	172,173	163,543
Net Tangible Assets Per Ordinary Share (sen)					
		90	79		

The accompanying Notes on pages 44 to 84 form an integral part of the Financial Statements.

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2003

GROUP	Note	Share Capital RM'000	Share Premium RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Translation Reserve RM'000	Accumulated Loss RM'000	Total RM'000
<b>Balance as of 1 July 2001</b>								
As previously reported		236,000	33,380	2,369	571	21,831	(122,236)	171,915
Prior years' adjustment	34	-	-	-	-	-	(6,622)	(6,622)
<b>As restated</b>								
Currency translation differences		236,000	33,380	2,369	571	21,831	(128,858)	165,293
Revaluation reserve realised		-	-	-	-	1,718	1,742	3,460
Net profit for the year		-	-	-	(571)	-	571	-
		-	-	-	-	-	24,294	24,294
<b>Balance as of 30 June 2002</b>								
Currency translation differences		236,000	33,380	2,369	-	23,549	(102,251)	193,047
Dividend	9	-	-	-	-	6,214	-	6,214
Net profit for the year		-	-	-	-	-	(1,699)	(1,699)
		-	-	-	-	-	26,543	26,543
<b>Balance as of 30 June 2003</b>								
		236,000	33,380	2,369	-	29,763	(77,407)	224,105

## COMPANY

	Note	Share Capital RM'000	Share Premium RM'000	Accumulated Loss RM'000	Total RM'000
<b>Balance as of 1 July 2001</b>					
Net profit for the year		236,000	33,380	(116,188)	153,192
		-	-	6,881	6,881
<b>Balance as of 30 June 2002</b>					
Dividend	9	236,000	33,380	(109,307)	160,073
Net profit for the year		-	-	(1,699)	(1,699)
		-	-	11,603	11,603
<b>Balance as of 30 June 2003</b>					
		236,000	33,380	(99,403)	169,977

The accompanying Notes on pages 44 to 84 form an integral part of the Financial Statements.

## CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

GROUP	2003 RM'000	2002 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	49,421	43,615
Adjustments for :		
Depreciation of property, plant and equipment	21,750	20,200
Finance costs	11,880	12,290
Provision for :		
Shortfall in funded pension scheme of a foreign subsidiary company	10,043	–
Foreseeable loss on proposed disposal of a subsidiary company written back	–	(4,300)
Allowance for :		
Doubtful debts	4,807	2,049
Foreseeable loss on property development	391	973
Diminution in value of investments written back	(11,063)	–
Diminution in value of shares in an associated company written back	(4,865)	–
Foreseeable loss on property development written back	–	(77)
Overprovision for mine rehabilitation in prior years	1,500	–
Write-down of inventories	640	–
Amortisation of goodwill	1,057	857
Write-off of property, plant and equipment	11	–
Gain on disposal of :		
Property, plant and equipment	(2,163)	(429)
Shares in an associated company	–	(4,040)
Share of profits in associated companies	(4,131)	(523)
Interest income	(949)	(1,264)
Overprovision for depreciation in prior years	–	(3,711)
Operating Profit Before Working Capital Changes	78,329	65,640
(Increase)/Decrease in :		
Inventories	(5,157)	(4,674)
Property development	9,692	(589)
Receivables	(7,393)	(25,066)
Increase/(Decrease) in payables	(1,557)	19,752
Cash Generated From Operations	73,914	55,063
Income tax paid	(5,032)	(11,340)
Net Cash From Operating Activities	68,882	43,723

(Forward)



	2003 RM'000	2002 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	949	1,264
(Increase)/Decrease in :		
Fixed deposits pledged to a bank	(305)	2,104
Property development, non-current portion	(1,639)	10,543
Dividends received from an associated company	1,794	163
Proceeds from disposal of :		
Shares in an associated company	–	5,415
Property, plant and equipment	7,379	1,455
Purchase of property, plant and equipment	(39,544)	(21,961)
Acquisition of subsidiary companies *	–	(3,635)
Net Cash Used In Investing Activities	(31,366)	(4,652)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Finance costs paid	(11,880)	(13,777)
Dividends paid to minority shareholders	(9,431)	(8,337)
Repayment of :		
Term loans	(14,979)	(14,556)
Bonds	(9,000)	(8,000)
Dividend paid	(1,699)	–
Proceeds from :		
Term loans	114	12,624
Issue of shares to minority shareholders of subsidiary companies	–	3,221
Increase/(Decrease) in :		
Short term borrowings, excluding bank overdrafts and long term borrowings due within 12 months	16,935	(2,349)
Hire-purchase payables	(1,998)	(1,042)
Net Cash Used In Financing Activities	(31,938)	(32,216)

(Forward)

	Note	2003 RM'000	2002 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,578	6,855
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		21,401	15,186
EFFECT OF EXCHANGE DIFFERENCES		(547)	(640)
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	<u>26,432</u>	<u>21,401</u>
* Analysis of subsidiary companies acquired			
Net assets acquired :			
Property, plant and equipment		-	2,465
Inventories		-	4,637
Receivables		-	2,891
Cash and bank balances		-	85
Payables		-	(4,343)
Short term borrowings		-	(2,090)
Long term borrowings		-	(1,669)
Net assets		-	1,976
Goodwill on acquisition		-	1,744
		-	3,720
Less : Cash and bank balances of subsidiary companies acquired		-	(85)
Cash flow on acquisition, net of cash and cash equivalents acquired		-	<u>3,635</u>

(Forward)

COMPANY	2003 RM'000	2002 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	10,958	8,447
Adjustments for :		
Allowance for diminution in value of investment in subsidiary company	-	8,897
Finance costs	1,818	2,060
Depreciation of property, plant and equipment	329	291
Write-off of property, plant and equipment	5	-
Dividend income	(11,031)	(9,401)
Allowance for diminution in value of shares in an associated company written back	(4,865)	-
Interest income	(302)	(402)
Gain on disposal of property, plant and equipment	(143)	-
Provision for foreseeable loss on proposed disposal of a subsidiary company written back	-	(12,464)
Operating Loss Before Working Capital Changes	(3,231)	(2,572)
(Increase)/Decrease in receivables	(3,984)	14,744
Increase/(Decrease) in payables	1,045	(442)
Cash Generated From /(Used in) Operations	(6,170)	11,730
Income tax paid	(858)	(2,586)
Net Cash From /(Used in) Operating Activities	(7,028)	9,144
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	11,031	9,401
Interest received	302	402
Proceeds from disposal of property, plant and equipment	174	-
(Increase)/Decrease in fixed deposits pledged to a bank	(305)	2,104
Purchase of property, plant and equipment	(273)	(6)
Net Cash From Investing Activities	10,929	11,901

(Forward)

	Note	2003 RM'000	2002 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Decrease in :			
Short term borrowings, excluding bank overdrafts and long term borrowings due within 12 months		(550)	(4,100)
Hire-purchase payables		(261)	(207)
Finance costs paid		(1,818)	(2,060)
Dividend paid		(1,699)	–
Repayment of :			
Term loan		(1,000)	–
Loans to subsidiary companies		(152)	(14,901)
Net Cash Used In Financing Activities		(5,480)	(21,268)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(1,579)	(223)
<b>CASH AND CASH EQUIVALENTS ₹</b>			
BEGINNING OF YEAR		(9,528)	(9,305)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	29	<u>(11,107)</u>	<u>(9,528)</u>

The accompanying Notes on pages 44 to 84 form an integral part of the Financial Statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. PRINCIPAL ACTIVITIES**

The principal activities of the Company are that of investment holding and provision of management services.

The principal activities of the subsidiary and associated companies are as set out in Notes 32 and 13.

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

### **2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on 28 August 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").

During the financial year the Group and the Company adopted the following MASB Standards for the first time :

MASB 22 Segment Reporting

MASB 23 Impairment of Assets

MASB 24 Financial Instruments : Disclosure and Presentation

MASB 25 Income Taxes

### **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 except as otherwise disclosed in the financial statements. Certain development properties of subsidiary companies are stated in the Group financial statements at values reflecting approximately the effective acquisition costs of these assets to the Group.

#### **Basis of Consolidation**

The Group financial statements include the financial statements of the Company and of all its subsidiary companies made up to the end of the financial year. Subsidiary companies are consolidated using the acquisition method of accounting. The results of the subsidiary companies acquired or disposed of during the year are included in the Group financial statements from the effective date of acquisition or to the effective date of disposal.

The interest of minority shareholders is stated at the minority's proportion of the assets and liabilities recognised.

Significant inter-company transactions and balances are eliminated on consolidation and the Group financial statements reflect external transactions only.

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

#### Goodwill / Reserve on Consolidation

Goodwill or reserve on consolidation represents the difference between the purchase price and the fair value of the net assets of the subsidiary and associated companies at the effective date of acquisition.

Goodwill is amortised through the income statements over twenty years whilst reserve on consolidation is not amortised.

#### Revenue Recognition

Dividends from subsidiary and associated companies and other investments are recognised when the shareholders' right to receive is established.

Interest income on short-term deposits and advances are recognised on an accrual basis.

Revenue from provision of management services is recognised based on services rendered.

Revenue from sales of electricity and steam is recognised based on capacity charges and energy billings.

Revenue from property development projects is accounted for based on the percentage of completion method as determined by the proportion of the units sold attributable to the percentage of development work where the outcome of the projects can be reliably estimated.

Revenue from sales of goods is recognised upon delivery of products and when risks and rewards of ownership have passed.

#### Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statements, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or reserve on consolidation.

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

#### Income Tax (cont'd)

Prior to the adoption of MASB 25, Income Taxes on 1 July 2002, provision is made, on the liability method, for taxation deferred by capital allowances and other timing differences except to the extent that it can be demonstrated with reasonable probability that the timing differences will continue in the foreseeable future. Timing differences giving rise to deferred tax asset are not recognised unless there is a reasonable expectation of realisation. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 34.

#### Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at rates ruling at transaction dates and where settlement has not taken place at 30 June, at the approximate rates ruling at that date. Exchange differences arising therefrom are charged or credited to the income statements.

Income statements of subsidiary and associated companies in other reporting currencies are translated into Ringgit Malaysia at average rates for the financial year and the balance sheets are translated at rates approximate those ruling at the year end. Exchange differences arising from the translation of income statements at average rates and balance sheets at year end rates, and the restatement at year end rates of the opening net investments in such subsidiary and associated companies are taken to translation reserve.

The principal closing rates used in translation of foreign currencies are as follows :

	2003 RM	2002 RM
1USD	3.800	3.800
1GBP	6.326	5.814
1RMB	0.459	0.459
1RAND	0.509	0.369

#### Exceptional Items

Exceptional items are those which are derived from ordinary activities of the business but are of such size, nature or incidence that their disclosures are relevant to explain the performance of the Group and of the Company.

#### Impairment of Assets

The carrying amounts of property, plant and equipment, property development, investment in subsidiary companies and associated company, and goodwill on consolidation are reviewed at each balance sheet date to determine whether there are any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of that asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the income statements.

An impairment loss in respect of goodwill is not reversed unless the loss is caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of the event. In respect of other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

**3. SIGNIFICANT ACCOUNTING POLICIES(cont'd)****Impairment of Assets (cont'd)**

An impairment loss is only reversed to the extent that the asset's carrying value does not exceed the carrying value that would have determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals are recognised in the income statements.

**Property, Plant and Equipment and Depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, as applicable.

Gain or loss on the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

**(i) Freehold And Leasehold Land**

Freehold land is not amortised.

Leasehold land is amortised over the period of the lease which ranges from 22 years to 99 years.

Leasehold quarry land is amortised based on the proportion of the output of limestone for the year to the estimated total limestone reserve for the period of the quarry life.

**(ii) Other Property, Plant and Equipment**

Other property, plant and equipment, with the exception of power plants and construction in progress, are depreciated on the straight line basis to write off the cost of each asset over its estimated useful life. The principal annual depreciation rates are :

Buildings	1.5% to 6.5%
Machinery and equipment	7.5% to 50%
Vehicles	10% to 25%

Power plants are depreciated on the straight line basis to write off the cost less estimated residual value over the concession periods of 21 to 22 years.

Construction in progress is not depreciated.

**Capitalisation of Borrowing Cost**

Borrowing cost incurred on the construction of property, plant and equipment which require a period of time to get them ready for their intended use is capitalised and included as part of the cost of the related assets.

Borrowing cost incurred on property development projects is capitalised and included as part of development expenditure. However, capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.



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

#### **Assets Acquired Under Hire-Purchase Arrangements**

Assets acquired under hire-purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as liabilities. Finance charges are allocated to the income statements to give a constant periodic rate of interest on the remaining hire-purchase liabilities.

#### **Subsidiary Companies**

Subsidiary companies are those companies in which the Group has a long term equity investment of more than 50% and/or power to exercise control over the financial and operating policies.

Investments in subsidiary companies are stated at cost less impairment losses, if applicable.

#### **Associated Companies**

Associated companies are companies in which the Group has a long term equity investment of 20% to 50% and/or in which the Group is in a position to exercise significant influence through management participation.

Investments in associated companies are stated at cost less goodwill amortised and impairment losses, as applicable.

The Group's share of results and reserves of associated companies acquired or disposed of is included in the Group financial statements from the effective date of acquisition or to the effective date of disposal.

#### **Investments**

Investments held on a long term basis are stated at cost. Allowance for diminution in value of investments is made to recognise any permanent decline.

#### **Inventories**

Completed houses for sale are stated at the lower of cost and net realisable value. Cost is determined by the specific identification method.

Other inventories are valued at the lower of cost (determined on a weighted average or first-in first-out basis, as applicable) and net realisable value after making due allowance for any obsolete or slow-moving items. The cost of raw materials includes the original purchase price and the incidental expense incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods include the cost of raw materials, direct labour and an appropriate proportion of manufacturing overheads.

#### **Property Development**

Property development projects consist of land, development expenditure and the portion of profit or loss attributable to development work performed, less progress billings and allowance for foreseeable loss. Land held for development is stated at cost or at group cost less impairment losses, if applicable. Development expenditure are stated at cost of construction and other related development costs, including borrowing costs less impairment losses, if applicable.

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

#### Property Development (cont'd)

Allowance for foreseeable loss is based on losses estimated to arise upon completion of property development projects.

The Group considers as current assets that portion of property development projects in which development work is expected to be completed within the normal operating cycle of two to three years.

#### Receivables

Bad debts are written off while allowance for doubtful debts is based on estimates of possible losses from non-collection of receivables.

#### Provisions

Provisions are made when the Group and the Company have an obligation which will result in probable outflow of resources as settlement, the amount of which can be reliably estimated.

The Group operated a funded, defined benefit Pension Scheme ("the Scheme") for eligible employees of a foreign subsidiary company in the United Kingdom until January 2001 after which, it was replaced in April 2001 by a defined contribution scheme.

Contributions to the Scheme are charged to the income statements so as to spread the cost of the scheme over the employees' service life in the said subsidiary company. The effects of variations from regular cost are taken up in the income statements. The fund is valued every three years by a professionally qualified independent Actuary, the rate of contribution being determined by the Actuary. The most recent valuation was at 30 June 2002.

In addition, the Scheme assets of the foreign subsidiary company are also valued yearly by a professionally qualified independent Actuary. Any shortfall in the Scheme assets is taken up in the Group income statement.

#### 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 risk of changes in value.

### 4. REVENUE

Revenue of the Group represents gross invoice value of sales of electricity and steam, property development projects and goods outside the Group net of returns and discounts.

Revenue of the Company mainly represents dividends and management fees received and receivable from subsidiary and associated companies, and interest income.

**5. OPERATING EXPENSES**

	<b>GROUP</b>		<b>COMPANY</b>	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Raw materials and consumables	161,721	129,031	–	–
Net change in inventories of finished goods and work-in-progress	5,474	(903)	–	–
Staff costs	70,465	50,437	2,567	2,331
Property development expenditure	32,773	83,917	–	–
Depreciation of property, plant and equipment	21,750	20,200	329	291
Amortisation of goodwill	1,057	857	–	–
Other administrative and operating expenses	53,876	45,402	1,703	10,498
	<b>347,116</b>	<b>328,941</b>	<b>4,599</b>	<b>13,120</b>

**6. PROFIT FROM OPERATIONS**

This is arrived at :

	<b>GROUP</b>		<b>COMPANY</b>	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
<b>After crediting :</b>				
Exceptional Items :				
Allowance for diminution in value written back :				
Investment	11,063	–	–	–
Associated company	4,865	–	4,865	–
Overprovision for mine rehabilitation in prior years	1,500	–	–	–
Provision for foreseeable loss on proposed disposal of a subsidiary company written back	–	4,300	–	12,464
Gain on disposal of shares in an associated company	–	4,040	–	–
Overprovision for depreciation in prior years	–	3,711	–	–
Gain on disposal of property, plant and equipment	2,163	429	143	–
Interest income from short-term deposits	949	1,264	302	402
Allowance for foreseeable loss on property development written back	–	77	–	–
Dividends (gross) from :				
Subsidiary companies	–	–	9,238	9,238
Associated company	–	–	1,794	1 6 3
Management fees from subsidiary companies	–	–	944	1,251

**6. PROFIT FROM OPERATIONS (cont'd)**

	<b>GROUP</b>		<b>COMPANY</b>	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
<b>And charging :</b>				
Exceptional Items :				
Provision for shortfall in funded pension scheme of a foreign subsidiary company	10,043	–	–	–
Allowance for doubtful debts	4,807	2,049	–	–
Cessation of mining operations :				
Mine rehabilitation	–	884	–	–
Allowance for diminution in value of investment in subsidiary company	–	–	–	8,897
Directors' remuneration :				
Other emoluments	1,156	1,151	1,034	1,029
Ex-gratia payment to a former director	310	–	310	–
Fees	145	150	133	138
Rental of :				
Land and buildings	1,534	1,282	267	282
Plant and machinery	937	1,024	–	–
Write-down of inventories	640	–	–	–
Auditors' remuneration :				
Statutory	517	409	25	25
Others	32	25	20	20
Allowance for foreseeable loss on property development	391	973	–	–
Professional fees paid to companies in which a former director has interest	145	145	145	145
Write-off of property, plant and equipment	11	–	5	–

The estimated monetary value of benefits-in-kind received by certain Directors amounted to RM33,819 (2002 : RM42,550) for the Group and the Company.

**7. FINANCE COSTS**

	<b>GROUP</b>		<b>COMPANY</b>	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Interest on :				
Bonds	4,958	5,513	–	–
Term loans	2,031	1,522	290	372
Bank overdrafts	2,245	2,040	855	789
Revolving credits	2,053	2,626	621	855
Others	593	589	52	44
	<b>11,880</b>	<b>12,290</b>	<b>1,818</b>	<b>2,060</b>

**8. INCOME TAX EXPENSE**

	<b>GROUP</b>		<b>COMPANY</b>	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Based on results for the year :				
Malaysian taxation	6,321	6,502	1,359	1,566
Foreign taxation	861	1,576	–	–
	<b>7,182</b>	<b>8,078</b>	<b>1,359</b>	<b>1,566</b>
Deferred taxation (Note 26)	993	(882)	–	–
Associated company	(94)	449	–	–
Overprovision in prior years	(1,151)	(153)	(2,004)	–
	<b>6,930</b>	<b>7,492</b>	<b>(645)</b>	<b>1,566</b>

## 8. INCOME TAX EXPENSE (cont'd)

The income tax expense for the year can be reconciled to the profit before tax of the Group and of the Company as per the income statements as follows :

	<b>GROUP</b>		<b>COMPANY</b>	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Profit before tax	49,421	43,615	10,958	8,447
Tax at Malaysian statutory rate of 28% (2002 : 28%)	13,838	12,212	3,068	2,365
Tax effects of :				
Different tax rates in other countries	(3,103)	(2,358)	–	–
Income not subject to tax	(6,689)	(3,579)	(2,321)	(1,551)
Expenses not deductible	2,772	329	612	752
Tax losses not provided for	1,263	1,041	–	–
Overprovision in prior years	(1,151)	(153)	(2,004)	–
Income tax expense	6,930	7,492	(645)	1,566

## 9. DIVIDENDS

A first and final dividend of 1%, less income tax of 28%, proposed in the previous financial year amounting to RM1,699,200 was paid by the Company on 21 January 2003.

The Board is pleased to propose a first and final dividend of 1%, less income tax, for the year ended 30 June 2003. The said proposed dividend, which is subject to approval of the shareholders at the forthcoming Annual General Meeting, has not been included as a liability in the Financial Statements.

## 10. EARNINGS PER ORDINARY SHARE

### Basic

Earnings per ordinary share has been calculated based on the Group's profit of RM26,543,000 (2002 : RM24,294,000) and on 236,000,000 ordinary shares of RM1 each in issue.

### Fully diluted

Under the MASB 13 Earnings Per Share, the options for 3,497,000 (2002 : 5,404,000) unissued ordinary shares of RM1 each granted to eligible employees and executive directors pursuant to the Company's ESOS have no dilutive effect as the exercise price is above the average market value of the Company's shares during the current financial year. The main features of the unexercised options are set out in Note 22.

## 11. PROPERTY, PLANT AND EQUIPMENT

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MEGAFIRST CORPORATION BERHAD  
(Co.No.6682-V)

GROUP 2003	COST					End of year RM'000
	Beginning of year RM'000	Additions RM'000	Disposals/ Write-off RM'000	Reclassifications RM'000	Exchange fluctuation adjustment RM'000	
Freehold land	18,374	-	-	965	3,390	22,729
Long leasehold land	3,299	-	(2,169)	-	-	1,130
Short leasehold land	8,823	-	(1,195)	1,114	-	8,742
Buildings	35,538	23	(1,731)	4,154	(56)	37,928
Plant and machinery, equipment, vehicles and construction in progress	317,762	39,521	(5,275)	(6,233)	15,164	360,939
Total	383,796	39,544	(10,370)	-	18,498	431,468

	ACCUMULATED DEPRECIATION			← NET BOOK VALUE →		
	Beginning of year RM'000	Charge for the year RM'000	Disposals/ Write-off RM'000	Exchange fluctuation adjustment RM'000	End of year RM'000	Beginning of year RM'000
<b>GROUP 2003</b>						
Freehold land	-	-	-	-	-	18,374
Long leasehold land	360	13	(305)	-	68	2,939
Short leasehold land	1,940	257	(616)	-	1,581	6,883
Buildings	5,684	1,167	(442)	-	6,409	29,854
<b>Plant and machinery, equipment, vehicles and construction in progress</b>						
	162,606	20,313	(3,780)	11,730	190,869	155,156
<b>Total</b>	<b>170,590</b>	<b>21,750</b>	<b>(5,143)</b>	<b>11,730</b>	<b>198,927</b>	<b>213,206</b>

**11. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

	COST					
	Beginning of year RM'000	Acquisition of subsidiary companies RM'000	Disposals/Write-off RM'000	Reclassifications RM'000	Exchange fluctuation adjustment RM'000	End of year RM'000
Freehold land	15,805	-	-	-	2,569	18,374
Long leasehold land	3,299	-	-	-	-	3,299
Short leasehold land	8,823	-	-	-	-	8,823
Buildings	33,033	122	(18)	1,901	500	35,538
Plant and machinery, equipment, vehicles and construction in progress	281,235	25,550	(1,525)	(1,901)	8,576	317,762
Total	342,195	25,67	(1,543)	-	11,645	383,796

**ACCUMULATED DEPRECIATION ← NET BOOK VALUE →**

	Beginning of year RM'000	Charge for the year RM'000	Acquisition of subsidiary companies RM'000	Disposals/Write-off RM'000	Exchange fluctuation adjustment RM'000	End of year RM'000	Beginning of year RM'000
Freehold land	-	-	-	-	-	-	15,805
Long leasehold land	310	50	-	-	-	360	2,989
Short leasehold land	1,728	212	-	-	-	1,940	7,095
Buildings	4,573	1,113	-	(2)	-	5,684	28,460
Plant and machinery, equipment, vehicles and construction in progress	133,217	18,825	3,362	(515)	7,717	162,606	148,018
Total	139,828	20,200	3,362	(517)	7,717	170,590	202,367



**11. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

COMPANY 2003	COST			
	Beginning of year RM'000	Additions RM'000	Disposals RM'000	End of year RM'000
Plant and machinery, equipment and vehicles	2,086	539	(586)	2,039

	ACCUMULATED DEPRECIATION			
	Beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	End of year RM'000
Plant and machinery, equipment and vehicles	1,259	329	(550)	1,038

	NET BOOK VALUE	
	End of year RM'000	Beginning of year RM'000
Plant and machinery, equipment and vehicles	1,001	827

COMPANY 2002	COST			
	Beginning of year RM'000	Additions RM'000	Disposals RM'000	End of year RM'000
Plant and machinery, equipment and vehicles	2,083	6	(3)	2,086

	ACCUMULATED DEPRECIATION			
	Beginning of year RM'000	Charge for the year RM'000	Disposals RM'000	End of year RM'000
Plant and machinery, equipment and vehicles	971	291	(3)	1,259

	NET BOOK VALUE	
	End of year RM'000	Beginning of year RM'000
Plant and machinery, equipment and vehicles	827	1,112

**11. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

Plant and machinery, equipment and vehicles of the Group include power plants with carrying value of RM126,525,000 (2002 : RM109,759,000).

Property, plant and equipment of certain subsidiary companies with carrying value of RM178,371,000 (2002 : RM161,614,000) have been charged as security for banking facilities granted to those subsidiary companies.

Plant and machinery, equipment and vehicles of the Group and of the Company with carrying value of RM6,996,000 (2002 : RM8,710,000) and RM702,000 (2002 : RM696,000), respectively were acquired under hire-purchase arrangements.

Included in property, plant and equipment of the Group and of the Company are fully depreciated property, plant and equipment at a cost of RM106,451,000 (2002 : RM83,070,000) and RM249,000 (2002 : RM732,000), respectively which are still in use.

**12. SUBSIDIARY COMPANIES**

	COMPANY	
	2003	2002
	RM'000	RM'000
Unquoted shares at cost :		
At beginning of year	368,145	368,145
Less : Impairment loss	(206,663)	(206,663)
At end of year	161,482	161,482
Loans from subsidiary companies	(55,955)	(56,107)
Loan to a subsidiary company	27,475	27,475
	133,002	132,850

The loans to/(from) subsidiary companies are interest-free and have no fixed repayment terms.

The subsidiary companies are listed in Note 32.

### 13. ASSOCIATED COMPANY

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Quoted in Malaysia :				
Shares in a corporation - at cost	21,422	21,422	25,243	25,243
Share of post-acquisition reserves	15,889	13,458	-	-
	37,311	34,880	25,243	25,243
Less :				
Allowance for diminution in value	-	(4,865)	-	(4,865)
Accumulated amortisation of goodwill	(1,353)	(902)	-	-
	35,958	29,113	25,243	20,378
Market value of quoted shares in Malaysia	29,344	31,953	29,344	31,953

The Group's interest in an associated company is analysed as follows :

	GROUP	
	2003	2002
	RM'000	RM'000
Share of net tangible assets	27,479	25,048
Goodwill on acquisition	8,479	8,930
Less : Amount set-off against allowance for diminution in value	-	(4,865)
	8,479	4,065
	35,958	29,113

Investment in quoted shares of associated company of the Group and of the Company with carrying values of RM33,617,000 (2002 : RM27,222,000) and RM23,548,000 (2002 : RM19,010,000), respectively are pledged to local financial institutions as collaterals for credit facilities extended to the Company and certain subsidiary companies.

**13. ASSOCIATED COMPANY(cont'd)**

Details of associated company as of 30 June 2003 are as follows :

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2003 %	2002 %
Rock Chemical Industries (Malaysia) Berhad	Manufacturing and selling of lime products	Malaysia	38.5	38.5

**14. INVESTMENT**

	GROUP	
	2003 RM'000	2002 RM'000
Shares quoted outside Malaysia - at cost	29,277	29,277
Allowance for diminution in value	(9,471)	(20,534)
	<u>19,806</u>	<u>8,743</u>
Market value of quoted shares : Outside Malaysia	<u>18,576</u>	<u>26,294</u>

The above investment is pledged to a local financial institution as collateral for credit facilities extended to a subsidiary company.

**15. PROPERTY DEVELOPMENT**

	GROUP	
	2003	2002
	RM'000	RM'000
At cost :		
Long leasehold land	37,900	40,970
Development expenditure	101,930	124,220
	<hr/>	<hr/>
	139,830	165,190
Non-current portion	(67,833)	(66,194)
	<hr/>	<hr/>
	71,997	98,996
Less : Allowance for foreseeable loss	(1,364)	(973)
	<hr/>	<hr/>
	70,633	98,023
Attributable profit	10,776	21,219
	<hr/>	<hr/>
	81,409	119,242
Progress billings	(75,523)	(103,273)
	<hr/>	<hr/>
Current portion	5,886	15,969
	<hr/>	<hr/>

Certain subsidiary companies have entered into various joint-venture agreements with third parties to develop the joint-venture partners' land into housing estates, industrial estates and commercial properties.

Current year charges to the property development expenditure include the following :

	GROUP	
	2003	2002
	RM'000	RM'000
Interest on :		
Term loans	550	1,103
Revolving credits	128	128
Bank overdrafts	90	256
	<hr/>	<hr/>

**16. GOODWILL ON CONSOLIDATION**

	GROUP	
	2003	2002
	RM'000	RM'000
At beginning of year	2,881	1,459
Goodwill of subsidiary companies acquired	–	1,744
Amortisation of goodwill	(606)	(406)
Exchange fluctuation	123	84
At end of year	<u>2,398</u>	<u>2,881</u>

**17. INVENTORIES**

	GROUP	
	2003	2002
	RM'000	RM'000
At cost :		
Finished goods and work-in-progress	21,160	16,921
Raw materials and consumables	12,738	10,603
Completed houses for sale	10,221	12,587
	<u>44,119</u>	<u>40,111</u>
At net realisable value :		
Completed houses for sale	2,820	–
Less : Allowance for write-down	(640)	–
	<u>2,180</u>	<u>–</u>
	<u>46,299</u>	<u>40,111</u>

Inventories amounting to RM5,521,000 (2002 : RM4,873,000) of certain subsidiary companies have been pledged to financial institutions for credit facilities granted to those subsidiary companies.

**18. RECEIVABLES**

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Trade receivables	97,585	93,280	–	–
Less : Allowance for doubtful debts	(15,458)	(10,560)	–	–
	82,127	82,720	–	–
Other receivables				
Sundries	24,635	24,271	1,090	1,238
Less : Allowance for doubtful debts	(735)	(826)	(100)	(100)
	23,900	23,445	990	1,138
Refundable deposits	4,859	2,663	212	126
Prepaid expenses	10,582	6,394	18	27
Tax recoverable	3,752	2,104	3,467	1,964
Amount owing by an associated company	15	16	15	16
Amount owing by subsidiary companies	–	–	41,038	36,982
	43,108	34,622	45,740	40,253
	125,235	117,342	45,740	40,253

Trade receivables of the Group represent amounts receivable for the sales of goods, electricity and steam, and progress billings for property development. The credit period granted for trade receivables ranges from 21 to 60 days (2002 : 14 to 60 days).

Amount owing by subsidiary companies includes interest-free advances and has no fixed repayment terms.

Amount owing by an associated company includes expenses paid on its behalf which are interest-free and has no fixed repayment terms.

**19. BANK BALANCES AND DEPOSITS**

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	31,710	29,100	11,109	10,804
Cash and bank balance	14,139	14,919	14	165
Housing Development Account	9,815	7,289	–	–
	<b>55,664</b>	<b>51,308</b>	<b>11,123</b>	<b>10,969</b>

The fixed deposits of the Group and the Company amounting to RM11,109,000 (2002 : RM10,804,000) have been pledged to a bank as collateral for credit facilities granted to a subsidiary company.

The fixed deposits with licensed banks of the Group and of the Company earn interest at rates ranging from 2.60% to 3.20% (2002 : 2.60% to 3.20%) per annum.

The Housing Development Accounts are maintained by certain subsidiary companies in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. These accounts consist of monies received from house purchasers to be utilised for property development expenditure after which, the surplus monies, if any, will accrue to the said subsidiary companies upon the completion of the property development projects.



**20. PAYABLES**

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Trade payables	54,384	49,226	–	–
Other payables				
Accrued expenses	13,365	10,092	505	481
Provisions	16,042	5,999	–	–
Hire-purchase payables (Note 25)	2,644	2,917	234	205
Sundries	22,143	26,006	1,066	45
	54,194	45,014	1,805	731
	108,578	94,240	1,805	731

Provisions comprise the following :

Provision for foreseeable loss on proposed disposal of a subsidiary company :

At beginning of year	–	4,300	–	12,464
Amount no longer required	–	(4,300)	–	(12,464)
At end of year	–	–	–	–

Provision for shortfall in funded pension scheme of a foreign subsidiary company :

At beginning of year	5,999	5,999	–	–
Additions	10,043	–	–	–
At end of year	16,042	5,999	–	–
Total	16,042	5,999	–	–

Trade payables consist of amounts outstanding for trade purchases. The credit period granted to the Group for trade purchases ranges from 30 to 90 days (2002 : 30 to 90 days).

**21. SHORT TERM BORROWINGS**

		GROUP		COMPANY	
		2003	2002	2003	2002
		RM'000	RM'000	RM'000	RM'000
Bank overdrafts	- secured	7,862	9,410	860	-
	- unsecured	10,261	9,693	10,261	9,693
Revolving credits	- secured	11,240	10,240	8,740	7,740
	- unsecured	21,020	22,570	21,020	22,570
Bankers' acceptances	- secured	498	388	-	-
Factoring	- secured	14,478	9,371	-	-
Short term loans	- secured	15,940	3,672	-	-
Long term borrowings due within 12 months (Note 24)		24,463	26,426	1,250	1,000
		<b>105,762</b>	<b>91,770</b>	<b>42,131</b>	<b>41,003</b>

The bank overdrafts, revolving credits and bankers' acceptances of the Group and of the Company bear interest at rates ranging from 1.25% to 2.50% (2002 : 1.25% to 2.50%) per annum above base lending rate and/or cost of funds.

Certain of the short term loans of the Group amounting to RM1,710,000 (2002 : RMNil) bear interest at rates ranging from 1.25% to 2.50% (2002 : Nil) per annum above base lending rate while the remaining balance of the short term loans bear interest at 5.40% (2002 : 5.40%) per annum.

The interest rates implicit in the factoring of the Group range from 5.00% to 6.00% (2002 : 5.00% to 6.00%) per annum.

Certain of the above borrowings are secured by :

- (1) Pledges of fixed deposits of the Company and quoted shares in an associated company;
- (2) Charges on land under property development belonging to third parties and certain subsidiary companies;
- (3) Charges on certain property, plant and equipment with carrying value of RM12,186,000 (2002 : RM12,749,000) and floating assets of a subsidiary company; and
- (4) Charges on certain property, plant and machinery with carrying value of RM28,233,000 (2002 : RM10,652,000) of a foreign subsidiary company.

**22. SHARE CAPITAL**

	GROUP/COMPANY	
	2003	2002
	RM'000	RM'000
Ordinary shares of RM1 each : Authorised	500,000	500,000
Issued and fully paid	236,000	236,000

An Employee Share Option Scheme ("ESOS") of the Company was implemented for the benefit of eligible employees and executive directors of the Company and its subsidiary companies incorporated in Malaysia on 1 October 2001. The initial five-year term of the ESOS will expire on 30 September 2006.

The main features of the ESOS are as follows :

- (a) Employees and executive directors who have been employed for a continuous period of at least one year shall be eligible to participate in the ESOS.
- (b) The maximum number of new shares in the Company which may be issued and allotted pursuant to the exercise of options granted under the scheme shall not exceed 10% of the issued and paid-up share capital of the Company at any point in time during the term of the ESOS.
- (c) No options shall be granted for less than 1,000 ordinary shares nor more than 500,000 ordinary shares.
- (d) The option price of each ordinary share under ESOS shall be determined by the Board upon the recommendation of the ESOS committee which is at a discount of not more than 10% on the weighted average market price of the shares for the five market days immediately preceding the date of offer, or the par value of each ordinary share, whichever is higher.
- (e) An eligible employee can only participate in one ESOS implemented by any company within the Group.

## 22. SHARE CAPITAL (cont'd)

The movement in the number of options granted, exercised and lapsed during the current financial year is as follows :

	Exercise price per ordinary share RM	Number of options over ordinary shares of RM1 each
Balance as of 1.7.2002	1.00	5,404,000
Granted	–	–
Exercised	–	–
Lapsed	1.00	(1,907,000)
Balance as of 30.6.2003	1.00	<u>3,497,000</u>

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders and their holdings. However, options granted to Executive Director are disclosed under Directors' Interests in the Directors' Report.

## 23. RESERVES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
<b>Non-distributable reserves</b>				
Share premium	33,380	33,380	33,380	33,380
Capital reserve	2,369	2,369	–	–
Translation reserve	29,763	23,549	–	–
	<u>65,512</u>	<u>59,298</u>	<u>33,380</u>	<u>33,380</u>
Accumulated loss	(77,407)	(102,251)	(99,403)	(109,307)
	<u>(11,895)</u>	<u>(42,953)</u>	<u>(66,023)</u>	<u>(75,927)</u>

## 24. LONG TERM BORROWINGS

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
<b>Unsecured :</b>				
Term loan	3,250	4,250	3,250	4,250
<b>Secured :</b>				
Bonds	58,000	67,000	-	-
Term loans	31,419	44,201	-	-
	<b>92,669</b>	<b>115,451</b>	<b>3,250</b>	<b>4,250</b>
Less : Portion payable within 12 months (Note 21) :				
Secured	(23,213)	(25,426)	-	-
Unsecured	(1,250)	(1,000)	(1,250)	(1,000)
	<b>(24,463)</b>	<b>(26,426)</b>	<b>(1,250)</b>	<b>(1,000)</b>
Non-current	<b>68,206</b>	<b>89,025</b>	<b>2,000</b>	<b>3,250</b>

The non-current portion is repayable as follows :

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Between 1 - 2 years	27,500	30,615	1,250	1,250
Between 2 - 5 year	30,362	40,812	750	2,000
After 5 years	10,344	17,598	-	-
	<b>68,206</b>	<b>89,025</b>	<b>2,000</b>	<b>3,250</b>

### Bonds

On 11 September 2000, a subsidiary company issued RM75 million fixed rate serial bonds to refinance its then existing term loans. These bonds, consist of ten series and bear interest at rates ranging from 5.80% to 9.20% per annum with each series carrying varying fixed interest rates. The bonds are redeemable in full by September 2010.

The bonds are secured by way of a debenture covering first fixed and floating charges over all the assets, properties and undertakings, present and future and deeds of assignment over the said subsidiary company's rights under various agreements pertaining to the operation of a power plant.

**24. LONG TERM BORROWINGS (cont'd)**
**Term Loans**

During the previous financial year, revolving credit facility of the Company amounting to RM5,000,000 granted by a licensed financial institution and acquired by Danaharta Managers Sdn. Bhd. has been restructured into an unsecured term loan of the same amount. The said term loan bears interest at 2% per annum above base lending rate.

The term loan of a foreign subsidiary company is secured by a charge over its freehold properties and plant and machinery with carrying value of RM56,454,000 (2002 : RM52,432,000) and bears interest at 1.75% (2002 : 1.75%) per annum above cost of funds.

The term loans of certain subsidiary companies are secured by charges over their property, plant and equipment with carrying value of RM91,844,000 (2002 : RM92,177,000) and floating assets and certain land held under property development with carrying value of RM24,662,000 (2002 : RM23,801,000) and bear interest at rates ranging from 0.50% to 2.00% (2002 : 0.50% to 2.00%) per annum above base lending rate.

**25. HIRE-PURCHASE PAYABLES**

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Hire-purchase payables	4,284	5,960	430	425
Less : Portion payable within 12 months (Note 20)	(2,644)	(2,917)	(234)	(205)
Non-current portion	1,640	3,043	196	220

The non-current portion is payable as follows :

Between 1 - 2 years	1,369	2,523	102	170
Between 2 - 5 year	236	504	94	50
After 5 year	35	16	-	-
	1,640	3,043	196	220

**26. DEFERRED TAXATION**

	GROUP	
	2003	2002
	RM'000	RM'000
At beginning of year	26,198	27,099
Transfer from/(to) income statements (Note 8)	993	(882)
Translation reserve	(705)	(19)
At end of year	26,486	26,198

	GROUP	
	2003	2002
	RM'000	RM'000
The deferred taxation represents the tax effects of :		
- Temporary differences of capital allowances and depreciation	17,047	19,494
- Group cost from acquisition of land based companies	4,737	5,930
- Others	4,702	774
	26,486	26,198

As mentioned in Note 3, the tax effects of the temporary differences which would give rise to net deferred tax asset are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences and unused tax losses can be utilised. As of 30 June 2003, the amount of net deferred tax asset, calculated at current tax rate which has not been recognised in the financial statements, is as follows :

	GROUP		COMPANY	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Differences of capital allowances and depreciation	(508)	(367)	(53)	(51)
Unabsorbed capital allowances	219	996	204	215
Tax losses	30,210	32,036	-	-
Others	(560)	(1,957)	-	-
Net deferred tax asset	29,361	30,708	151	164

## 27. COMMITMENTS

As of 30 June 2003, the Group and the Company have the following capital commitments in respect of the acquisition of property, plant and equipment :

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Authorised not provided :				
Contracted	444	4,328	–	359
Not contracted	10,264	13,822	9	121
	<b>10,708</b>	<b>18,150</b>	<b>9</b>	<b>480</b>

## 28. CONTINGENT LIABILITIES

	COMPANY	
	2003 RM'000	2002 RM'000
Unsecured :		
Guarantees given to financial institutions for facilities extended to subsidiary companies	14,564	25,872

## 29. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Bank balances and deposits	55,664	51,308	11,123	10,969
Bank overdrafts	(18,123)	(19,103)	(11,121)	(9,693)
	<b>37,541</b>	<b>32,205</b>	<b>2</b>	<b>1,276</b>
Less : Non-cash and cash equivalents :				
Fixed deposits pledged to a bank as collateral (Note 19)	(11,109)	(10,804)	(11,109)	(10,804)
	<b>26,432</b>	<b>21,401</b>	<b>(11,107)</b>	<b>(9,528)</b>



**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, credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise its exposure to risk and/or costs associated with the financing, investing and operating activities of the Group.

**(i) Foreign Currency Risk**

The Group has foreign subsidiary companies and is exposed to various foreign currency risks. The Group borrows in the currency of the country in which the property or investment is located.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to acceptable levels.

The currency profile of the financial assets and financial liabilities of the Group are as follows :

	<b>GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Trade receivables</b>		
Ringgit Malaysia	33,865	49,802
Great Britain Pound	22,356	19,074
Chinese Renminbi	12,841	7,840
South African Rand	10,508	4,392
Others	2,557	1,612
	<b>82,127</b>	<b>82,720</b>
<b>Sundry receivables</b>		
Ringgit Malaysia	23,443	22,440
Others	457	1,005
	<b>23,900</b>	<b>23,445</b>

**30. FINANCIAL INSTRUMENTS (cont'd)**
**(i) Foreign Currency Risk (cont'd)**

	GROUP	
	2003	2002
	RM'000	RM'000
<b>Bank balances and deposits</b>		
Ringgit Malaysia	47,470	42,134
Chinese Renminbi	7,255	8,323
Others	939	851
	<b>55,664</b>	<b>51,308</b>
<b>Trade payables</b>		
Ringgit Malaysia	20,189	28,072
Great Britain Pound	18,628	17,273
Chinese Renminbi	3,432	654
South African Rand	11,538	2,763
Others	597	464
	<b>54,384</b>	<b>49,226</b>
<b>Sundry payables</b>		
Ringgit Malaysia	12,664	14,405
Great Britain Pound	2,123	3,405
Chinese Renminbi	7,356	8,196
	<b>22,143</b>	<b>26,006</b>

**(ii) Interest Rate Risk**

The Group is exposed to interest rate risks through the impact of rate changes on interest bearing borrowings and fixed deposits. The interest rates of the Group's borrowings are disclosed in Notes 21 and 24 and the interest rates of the Group's fixed deposits are disclosed in Note 19.

**(iii) Credit Risk**

The Group is exposed to credit risk mainly from trade receivables. The Group extends credit to its customers based upon careful evaluation of the customers' financial condition and credit history.

**(iv) Liquidity Risk**

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

### 30. FINANCIAL INSTRUMENTS (cont'd)

#### (v) Cash Flow Risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows.

#### Financial Assets

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

The Company's principal financial assets are bank balances and deposits, other receivables and amount owing by subsidiary companies.

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

#### Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Significant financial liabilities of the Group include trade and other payables, borrowings and hire-purchase payables.

Significant financial liabilities of the Company include sundry payables, borrowings and hire-purchase payables.

Borrowings are recorded at the proceeds received and finance charges are accounted for on accrual basis.

#### Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying values and the estimated fair values of the Group's and the Company's financial instruments as of 30 June 2003 are as follows :

2003	Note	GROUP		COMPANY	
		Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
<b>Financial asset</b>					
Investments - quoted	14	19,806	18,576	–	–
<b>Financial liabilities</b>					
Term loans	24	34,669	34,669	3,250	3,250
Bonds	24	58,000	58,000	–	–
Hire-purchase payables	25	4,284	4,284	430	430

**30. FINANCIAL INSTRUMENTS (cont'd)****Investments**

The market value of quoted shares at balance sheet date approximates the fair value.

**Term loans, bonds and hire-purchase payables**

The fair values of term loans, bonds and hire-purchase payables are estimated using the discounted cash flow analysis based on the current borrowing rates for similar types of borrowing arrangements. There is no material difference between the fair values and carrying values of these liabilities as of the balance sheet date.

**Cash And Cash Equivalents, Receivables, Payables, Short-Term Borrowings and Inter-Company Indebtedness**

The carrying amounts approximate fair values because of the short maturity period for these instruments.

**31. SEGMENT INFORMATION****Business segments**

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

Division	Description
Power	Build, own and operate power plants
Property	Property development
Limestone	Quarrying of limestone and manufacturing and selling of calcium carbonate powder and lime based products.
Engineering	Engineering, design and manufacturing of automotive and transportation component and security seals.
Investment holding	Investment holding

**31. SEGMENT INFORMATION** (cont'd)

<b>GROUP</b>	<b>Power Division RM'000</b>	<b>Property Division RM'000</b>	<b>Limestone Division RM'000</b>	<b>Engineering Division RM'000</b>	<b>Investment Holding Division RM'000</b>	<b>Consolidated RM'000</b>
<b>2003</b>						
<b>Revenue</b>						
External sales	163,129	42,245	3,313	167,638	308	376,633
<b>Results</b>						
Profit/(Loss) from operations	45,290	4,150	145	(7,772)	15,357	57,170
Finance costs						(11,880)
Share of results in associated company	-	-	4,131	-	-	4,131
Income tax expense						(6,930)
Profit after tax						42,491
Minority interests						(15,948)
Net profit for the year						26,543
<b>Other information</b>						
Capital expenditure	30,535	1,304	9	7,157	539	39,544
Depreciation and amortisation	10,750	494	886	10,084	593	22,807
<b>Assets</b>						
Segment assets	229,429	149,645	8,140	145,838	22,610	555,662
Investment in associated company	-	-	35,958	-	-	35,958
Consolidated total assets						591,620
<b>Liabilities</b>						
Segment liabilities	123,456	28,311	1,581	103,440	56,833	313,621

**31. SEGMENT INFORMATION** (cont'd)

<b>GROUP</b>	<b>Power Division RM'000</b>	<b>Property Division RM'000</b>	<b>Limestone Division RM'000</b>	<b>Engineering Division RM'000</b>	<b>Investment Holding Division RM'000</b>	<b>Consolidated RM'000</b>
<b>2002</b>						
<b>Revenue</b>						
External sales	129,146	103,936	3,370	129,940	436	366,828
<b>Results</b>						
Profit from operations	33,828	12,338	345	269	8,602	55,382
Finance costs						(12,290)
Share of results in associated company			523			523
Income tax expense						(7,492)
Profit after tax						36,123
Minority interests						(11,829)
Net profit for the year						24,294
<b>Other information</b>						
Capital expenditure	10,262	588	728	14,088	6	25,672
Depreciation and amortisation	10,286	242	797	9,150	582	21,057
<b>Assets</b>						
Segment assets	203,143	156,637	8,124	124,520	23,330	515,754
Investment in associated company			29,113			29,113
Consolidated total assets						544,867
<b>Liabilities</b>						
Segment liabilities	120,521	46,661	1,630	79,472	56,304	304,588

**31. SEGMENT INFORMATION**(cont'd)

**Geographical segments**

The Group's operations are mainly located in Malaysia, the United Kingdom and the People's Republic of China.

Analysis by geographical segments :

	Revenue		Carrying value of segment assets		Capital additions	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Malaysia	151,748	195,165	364,483	364,842	3,637	6,384
United Kingdom	142,014	113,893	119,537	100,327	5,611	9,546
People's Republic of China	82,871	57,770	107,600	79,698	30,296	9,742
	<b>376,633</b>	<b>366,828</b>	<b>591,620</b>	<b>544,867</b>	<b>39,544</b>	<b>25,672</b>

## 32. SUBSIDIARY COMPANIES

Details of the subsidiary companies as of 30 June 2003 are as follows :

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2003 %	2002 %
Mega First Mining Sdn. Bhd.	Investment holding	Malaysia	100	100
Mamut Copper Mining Sdn. Bhd. *	Dormant	Malaysia	100	100
Geo-Mobile Asia (HK) Limited. *	Dormant	Hong Kong	100	100
MCM Nurseries Sdn. Bhd. *	Dormant	Malaysia	100	100
Cheng Sun Industries Sdn. Bhd.	Investment holding	Malaysia	99.6	99.6
Syarikat Cheng Sun Quarry Sdn. Bhd.	Quarrying of limestone and production of fine calcium carbonate powder	Malaysia	99.6	99.6
Kinabalu Lime Products Sdn. Bhd.	Dormant	Malaysia	100	100
Propera Sdn. Bhd.	Dormant	Malaysia	100	100
Mega First Industries Sdn. Bhd.	Investment holding	Malaysia	100	100
Consotech Sdn. Bhd. *	Dormant	Malaysia	100	100
MFCB Marketing Sdn. Bhd. *	Dormant	Malaysia	100	100
Grassum Sdn. Bhd.	Dormant	Malaysia	100	100
Mega First Development Sdn. Bhd.	Dormant	Malaysia	100	100
Mega First Engineering Sdn. Bhd.	Investment holding	Malaysia	100	100
Mega Fortris Trading Sdn. Bhd. *	Trading of security seals	Malaysia	51.5	51.5
Mega Fortris (Malaysia) Sdn. Bhd. *	Manufacturing and trading of security seals	Malaysia	51	51



**32. SUBSIDIARY COMPANIES (cont'd)**

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2003 %	2002 %
Mega Fortris (Europe) ApS Limited. *	Trading of security seals	Denmark	33.2	33.2
Mega Fortris (USA) Inc. *	Trading of security seals	United States	33.2	33.2
Mega Fortris Asiatic Co. Limited. *	Trading of security seals	Thailand	26	26
Mega Fortris (UK) Limited. *	Trading of security seals	United Kingdom	21.5	51
Mega Fortris (Singapore) Pte Limited. *	Trading of security seals	Singapore	–	35.7
Shaoxing Mega Fortris Seals Co., Limited. *	Manufacturing and trading of security seals	People's Republic of China	30.6	30.6
Bloxwich International Sdn. Bhd.	Investment holding	Malaysia	96.9	96.9
Bloxwich (Malaysia) Sdn. Bhd.	Engineering, designing and manufacturing of automotive and transportation components	Malaysia	96.9	96.9
Bloxwich Engineering Limited. **	Engineering, design and manufacture of automotive and transportation components	United Kingdom	96.9	96.9
Bloxwich Automotive Limited. **	Engineering, design and manufacture of components for automotive and building industries	United Kingdom	96.9	96.9
Bloxwich Transportation Products Limited. **	Engineering, design and manufacture of components for transportation and security industries	United Kingdom	96.9	96.9

**32. SUBSIDIARY COMPANIES (cont'd)**

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2003 %	2002 %
Hatherton Engineering Limited. **	Design and manufacture of precision tools	United Kingdom	96.9	96.9
Bloxwich Security Products Limited. **	Manufacturing and trading of security seals	United Kingdom	96.9	96.9
APM (Advanced Presswork Manufacturers ) Limited **	Dormant	United Kingdom	96.9	96.9
Bloxwich Group Pensions Limited. **	Pension Fund Trustee	United Kingdom	96.9	96.9
Bloxwich South Africa (Pty) Limited. *	Dormant	Republic of South Africa	96.9	96.9
Bloxwich Forgings (Pty) Limited. *	Manufacturing of forged components for the container and automotive industry	Republic of South Africa	96.9	96.9
Bloxwich Fabrications Limited. **	Manufacturing of fabricated metal products	United Kingdom	96.9	96.9
Bloxwich Industries (Pty) Limited. *	Manufacturing of automotive components	Republic of South Africa	96.9	96.9
Bloxwich Tool & Die (Pty) Limited *	Manufacturing of tools & dies	Republic of South Africa	96.9	96.9
Mega First Corporate Services Sdn. Bhd.	Provision of secretarial services	Malaysia	100	100
Mega First Housing Development Sdn. Bhd.	Property development	Malaysia	100	100
Mega First Properties Sdn. Bhd.	Dormant	Malaysia	100	100
Mega First Property Management Sdn. Bhd.	Dormant	Malaysia	100	100

**32. SUBSIDIARY COMPANIES (cont'd)**

Company	Principal Activities	Country of Incorporation	Effective Group Interest	
			2003 %	2002 %
Gombak Land Sdn. Bhd.	Property development	Malaysia	100	100
Community Consortium Sdn. Bhd.	Property development	Malaysia	100	100
Public Ventures Management Sdn. Bhd.	Dormant	Malaysia	100	100
Empayar Permai Sdn. Bhd.	Property development	Malaysia	100	100
Highland Resources Sdn.Bhd.	Property development	Malaysia	100	100
Paya Emas Sdn. Bhd.	Property development	Malaysia	60	60
Idaman Harmoni Sdn. Bhd.	Property development	Malaysia	55	100
Serudong Power Sdn. Bhd.	Build, own and operate a power plant	Malaysia	51	51
Mega First Power Industries Sdn. Bhd.	Investment holding	Malaysia	100	100
Mega First Power Services Sdn. Bhd.	Contractor for operation and maintenance of power plants	Malaysia	100	100
Shaoxing Mega Heat And Power Co. Limited. **	Own and operate a power plant	People's Republic of China	60	60
Mega First Resources Sdn. Bhd.	Dormant	Malaysia	100	100
Geo-Mobile Asia Sdn. Bhd.	Dormant	Malaysia	100	100
Jitu Optima Sdn. Bhd.	Dormant	Malaysia	100	100
Authentic Excellence Sdn. Bhd.	Dormant	Malaysia	100	100
Bayangan Sutera Sdn. Bhd.	Dormant	Malaysia	100	100
Mega First OnLine Sdn. Bhd.	Dormant	Malaysia	100	100

\* The financial statements of these companies are examined by auditors other than the auditors of the Company.

\*\* The financial statements of these companies are examined by member firms of Deloitte Touche Tohmatsu.

### 33. GENERAL INFORMATION

The total number of employees, including directors, of the Group and of the Company at the end of the financial year were 1,027 (2002 : 1,083) and 19 (2002 : 25), respectively.

The Company's registered office and principal place of business is located at 8-05 Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.

### 34. PRIOR YEARS' ADJUSTMENT

During the current financial year, the Group and the Company changed the accounting policy for the recognition of deferred tax assets and liabilities in accordance with MASB 25 Income Taxes.

Previously, the deferred tax assets or liabilities of temporary differences which are not expected to realise or continue in the foreseeable future are not recognised. Upon adoption of MASB 25, the Group and the Company changed this accounting policy to recognise all taxable temporary differences. Where such temporary differences give rise to a net deferred tax asset, the tax effects are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The change has no significant effect on the net profit for the current financial year and has been accounted for retrospectively as prior years' adjustment in the financial statements. Accordingly, the following accounts have been restated.

GROUP	As previously reported 2002 RM'000	Adjustments RM'000	As restated 2002 RM'000
<b>Financial year ended 30 June 2002</b>			
Income tax expense	8,154	(662)	7,492
Net profit for the year	(23,632)	(662)	(24,294)
Earnings per ordinary share (sen)	10.0	0.3	10.3
<b>As of 30 June 2002</b>			
Deferred taxation	(20,238)	(5,960)	(26,198)
Accumulated loss	96,291	5,960	102,251
Net tangible assets per ordinary share (sen)	81	(2)	79
<b>As of 1 July 2001</b>			
Accumulated loss	122,236	6,622	128,858

**35. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with their presentation in the current financial year. These relate mainly to the following :

	GROUP		COMPANY	
	As reclassified RM'000	As previously reported RM'000	As reclassified RM'000	As previously reported RM'000
Balance Sheets :				
Payables	94,240	103,611	–	–
Short Term Borrowings	91,770	82,399	–	–

**36. SIGNIFICANT CORPORATE EVENT**

On 3 June 2003, Idaman Harmoni Sdn. Bhd., a 55% owned subsidiary company, entered into two sale and purchase agreements with Palmshine Plaza Sdn. Bhd. ("PPSB") for the purchase of 3 adjoining plots of leasehold land measuring approximately 14,846 square metres located at Jalan Barat, Petaling Jaya from PPSPB for a total cash consideration of RM18,000,000. These acquisitions are expected to be completed by November 2003.

## STATEMENT BY DIRECTORS

The Directors of MEGA FIRST CORPORATION 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 30 June 2003 and of the results of their businesses and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance  
with a resolution of the Directors,

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DR. LIM THIAN SOO

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CHEW WEI KEONG

Kuala Lumpur  
28 August 2003

## STATUTORY DECLARATION

I, CHEW WEI KEONG the Director primarily responsible for the financial management of MEGA FIRST CORPORATION 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.

Subscribed and solemnly declared by the abovenamed  
CHEW WEI KEONG at KUALA LUMPUR this  
28th day of August 2003.

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Before me,

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DATO' NG MANN CHEONG  
COMMISSIONER FOR OATHS

## LIST OF PROPERTIES HELD

AS OF 30 JUNE 2003

Description	Location	Approximate Age of building (years)	Total Area (sq. metre)	Tenure	Date of acquisition	Date of last valuation	Net Book Value RM'000
Factory land and building	Lot PT839 Mukim of Sg. Raia Kinta District, Perak	16	28,850	Leasehold 60 years (Expires on 2047)	18 Dec 1987	n/a	1,496
Quarrying Limestone hill	Lot PT 132 Mukim of Sg. Raia Kinta District, Perak	n/a	36,367	Leasehold 30 years (Expires on 2011)	18 Jul 1981	n/a	2,964
Quarrying Limestone hill	Lot PT 1109 Mukim of Sg. Raia Kinta District, Perak	n/a	8,099	Leasehold 30 years (Expires on 2022)	26 Feb 1992	n/a	4
Factory land and building	Lot P.T. 2620, 2621 Town of Seri Iskandar District of Perak Tengah Perak	6	12,565	Leasehold 99 years (Expires on 2095)	22 Nov 1996	n/a	2,963
Factory land and building	Bell Lane, Bloxwich, Walsall, England	89	11,900	Freehold	1915	1993*	15,062
Factory land and building	Fryers Road / Commercial Road Bloxwich, Walsall, England	41	3,120	Freehold	1970	1993*	5,725
Factory land and building	Ring Road, Burntwood Staffs, England	28	3,344	Freehold	1996	1993*	6,010
Factory land and building	Qi Yang Gong Lu Qi Xian Town Shaoxing County Zhejiang Province People's Republic of China	9	61,960	Leasehold 22 years (Expires on 2019)	1997	n/a	25,528
Vacant land held for development	CL No.015485864 Inanam, Menggatal District of Kota Kinabalu Sabah.	n/a	27,267	Leasehold 999 years (Expires on 2915)	19 Aug 1996	n/a	3,900
Vacant land held for development	P.T. Nos. 2388, 2397,2398 2401, 2402 Setapak	n/a	13,284	Leasehold 99 years (Expires on 2086)	21 Sep 1987	n/a	712

Description	Location	Approximate Age of building (years)	Total Area (sq. metre)	Tenure	Date of acquisition	Date of last valuation	Net Book Value RM'000
Vacant land held for development	P.T. Nos. 134907, 134908, 134910, 134914 Daerah Kinta, Ipoh	n/a	25,840	Leasehold 99 years (Expires on 2094)	30 Mar 1995	n/a	8,781
Vacant land held for development	P.T. Nos. 1006 to 1037 Mukim of Batu Berendam Daerah Melaka Tengah, Melaka	n/a	37,334	Leasehold 99 years (Expires on 2082)	27 Mar 1993	n/a	978
Vacant land held for development	P.T. Nos. 277 to 279 Mukim of Paya Rumpit Daerah Melaka Tengah, Melaka	n/a	203,510	Freehold	31 May 1993	n/a	9,055
Vacant land held for development	P.T. Nos. 3407 to 3478 Mukim Bukit Rambai Daerah Melaka Tengah, Melaka	n/a	22,611	Leasehold 99 years (Expires on 2101)	1 Dec 1997	n/a	1,200
2 lot of 1 1/2 storey semi-detached factory	Shah Alam Technology Park, Seksyen 33, Shah Alam	3	1,637	Freehold	19 Jan 2001	n/a	1,678
Mlle 2 Ranau Lease residential houses	CI065312834 Ranau, Sabah	28	365,148	Leasehold 31 years (Expires on 2003)	1 Jan 1973	n/a	–
Lohan Tailing Dam Lease	CI065315826 Ranau, Sabah	n/a	3,883,974	Leasehold 30 years (Expires on 2004)	22 Nov 1975	n/a	–
Tailing Pipeline Lease	CI065316083 Ranau, Sabah	n/a	112,867	Leasehold 15 years (Expires on 2003)	1 Jan 1989	n/a	–
Usukan Port Lease	CI035314044	n/a	256,000	Leasehold 30 years (Expires on 2004)	1 Jan 1975	n/a	–

\* Revalued before BEL became a subsidiary of MFCB



**STATISTICS ON SHAREHOLDINGS**

AS AT 5 SEPTEMBER 2003

**ANALYSIS OF SHAREHOLDINGS**

Authorised Capital : RM500,000,000 divided into 500,000,000 ordinary shares of RM1.00 each.

Issued and Paid-up Capital : RM236,000,000 divided into 236,000,000 ordinary shares of RM1.00 each fully paid-up.

Size of Holdings	No. of Holders	Total Holdings	%
Less than 100	798	46,812	0.02
100 to 1,000	8,441	7,980,815	3.38
1,001 to 10,000	14,222	55,952,357	23.71
10,001 to 100,000	1,847	46,903,339	19.87
100,001 to less than 5% of issued shares	110	62,424,197	26.45
5% and above of issued shares	2	62,692,480	26.57
<b>Total</b>	<b>25,420</b>	<b>236,000,000</b>	<b>100.00</b>

**NOTE:**

There is only one class of shares in the issued and paid-up share capital of the Company, that is Ordinary Shares of RM1.00 each. Each share entitles the holder to one vote.

**THIRTY-ONE LARGEST SHAREHOLDERS**

As at 5 September 2003

No.	Name of Securities Account Holder	No. of shares held	%
1)	Amsec Nominees (Tempatan) Sdn. Bhd. - A/C for Rubber Thread Industries (M) Sdn Bhd	47,905,000	20.30
2)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	6.27
3)	PRT Capital Pte Ltd	5,688,500	2.41
4)	HLB Nominees (Tempatan) Sdn Bhd - A/C for Bonanza Resources Sdn Bhd	5,000,000	2.12
5)	Lembaga Tabung Angkatan Tentera	5,000,000	2.12
6)	Lembaga Tabung Haji	5,000,000	2.12
7)	Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	4,730,000	2.00
8)	Shoptra Jaya (M) Sdn Bhd	1,782,000	0.76
9)	Tiah Thee Seng	1,624,000	0.69
10)	Kumpulan Y.R. Sdn Bhd	1,544,000	0.65
11)	Zulkifli Bin Hussain	1,515,000	0.64
12)	AMMB Nominees (Tempatan) Sdn Bhd - A/C for Bonanza Resources Sdn Bhd	1,500,000	0.64
13)	TCL Nominees (Tempatan) Sdn Bhd - A/C for Sanjeev a/I Sivalingam	1,000,000	0.42
14)	Lim Seng Chee	999,000	0.42
15)	Juwitawan Sdn Bhd	974,000	0.41
16)	Grand United Holdings Bhd	960,272	0.41
17)	Poh Tak Kiau @ Poo Tak Kiau	874,000	0.37
18)	Menteri Kewangan Malaysia - Section 29 (SICDA)	747,285	0.32
19)	Kong Aliong @ Kong Foo Liong	715,500	0.30
20)	Goh Nan Kioh	703,600	0.30
21)	Ching Soo Moi	700,000	0.30
22)	Kah Hin Loong Sdn Bhd	677,000	0.29
23)	Tan Chin Yong	600,000	0.25
24)	Cartaban Nominees (Asing) Sdn Bhd - A/C for West Water Ltd	595,000	0.25
25)	Lanai Etika Sdn Bhd	595,000	0.25
26)	Warren Securities Limited	562,000	0.24
27)	JMF Asset Management Sdn Bhd - A/C for Mohammed Razif Bin Mohd Yusof	555,666	0.24
28)	Oh Kim Sun	550,000	0.23
29)	Muhammad Fariz Bin Zulkifli	509,000	0.22
30)	Lim Bee Ting	480,000	0.20
31)	PM Nominees (Tempatan) Sdn Bhd - A/C for Kong Aliong @ Kong Foo Liong	480,000	0.20
<b>Total</b>		<b>109,353,303</b>	<b>46.34</b>

**SUBSTANTIAL SHAREHOLDERS**

As at 5 September 2003

No.	Name of Substantial Shareholder	← Direct Interest →		← Deemed Interest →	
		Shares	%	Shares	%
1)	Goh Nan Kioh	703,600	0.30	54,517,500 (a)	23.10
2)	Rubber Thread Industries (M) Sdn Bhd	48,500,000	20.55	–	–
3)	Dr. Lim Thian Soo	24,000	0.01	48,500,000 (b)	20.55
4)	Lim Thiam Cheok	10,000	–	48,500,000 (b)	20.55
5)	Lim Yam Poh	–	–	48,500,000 (b)	20.55
6)	Cambrew (Malaysia) Sdn Bhd	–	–	48,500,000 (b)	20.55
7)	Laju Riang Sdn Bhd	–	–	48,500,000 (b)	20.55
8)	Kema Development Sdn Bhd	–	–	48,500,000 (b)	20.55
9)	Perbadanan Pembangunan Ekonomi Sabah (SEDCO)	14,787,480	6.27	–	–

**DIRECTORS' INTEREST**

As at 5 September 2003

**Shares in the Company**

Name of Director	← Direct Interest →		← Deemed Interest →	
	Shares	%	Shares	%
Goh Nan Kioh	703,600	0.30	54,517,500 (a)	23.10
Dato' Haji Abu Hanifah bin Noordin	–	–	–	–
Dr. Lim Thian Soo	24,000	0.01	48,500,000 (b)	20.55
Chew Wei Keong	5,000	–	–	–
Yong Fook Shin	60,000	0.03	–	–
Michael Yee Kim Shing	50,000	0.02	–	–
Sivalingam s/o Munusamy	157,000	0.07	–	–
Lim Boon Seh	–	–	–	–
Maisuri bin Besri	–	–	–	–
Lim Si Boon	–	–	6,500,000 (c)	2.75
Goh Nan Yang (Alternate to Goh Nan Kioh)	–	–	–	–

**DIRECTORS' INTEREST (cont'd)**
**Share Options in the Company**

Name of Director	Options Granted	Option Price RM	Options Exercised	Balance of Options
Goh Nan Kioh	–	–	–	–
Dato' Haji Abu Hanifah bin Noordin	–	–	–	–
Dr. Lim Thian Soo	–	–	–	–
Chew Wei Keong	280,000	1.00	–	280,000
Yong Fook Shin	–	–	–	–
Michael Yee Kim Shing	–	–	–	–
Sivalingam s/o Munusamy	–	–	–	–
Lim Boon Seh	–	–	–	–
Maisuri bin Besri	–	–	–	–
Lim Si Boon	–	–	–	–
Goh Nan Yang (Alternate to Goh Nan Kioh)	–	–	–	–

**Notes:**

- (a) Deemed interest by virtue of his interest in Rubber Thread Industries (M) Sdn. Bhd., Lanai Etika Sdn. Bhd., PRT Capital Pte. Ltd. and Keen Capital Investments Limited.
- (b) Deemed interest by virtue of their interest in Rubber Thread Industries (M) Sdn. Bhd. and Lanai Etika Sdn. Bhd.
- (c) Deemed interest by virtue of his interest in Bonanza Resources Sdn. Bhd.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Seventh Annual General Meeting of the Company will be held at the Banquet Hall, Kuala Lumpur Golf and Country Club, No. 10 Jalan 1/70D, Off Bukit Kiara, 60000 Kuala Lumpur on Thursday, 30 October 2003 at 10:00 a.m. for the following purposes:-

### AGENDA

- 1) To receive and consider the Directors' Report and Audited Accounts for the year ended 30 June 2003. (Resolution 1)
- 2) To declare a first and final dividend of 1% less income tax, in respect of the year ended 30 June 2003. (Resolution 2)
- 3) To approve the payment of Directors' fees amounting to RM133,048 (2002: RM137,500) in respect of the year ended 30 June 2003. (Resolution 3)
- 4) To re-elect the following Directors who are retiring by rotation pursuant to Article 99 of the Company's Articles of Association, and being eligible, offer themselves for re-election:-
  - 4.1 Mr Chew Wei Keong (Resolution 4)
  - 4.2 Mr Sivalingam s/o Munusamy (Resolution 5)
- 5) To re-elect the following Directors who were appointed since the last annual general meeting and are retiring pursuant to Article 104 of the Company's Articles of Association:-
  - 5.1 Mr Goh Nan Kioh (Resolution 6)
  - 5.2 Dr. Lim Thian Soo (Resolution 7)
  - 5.3 Mr Lim Boon Seh (Resolution 8)
  - 5.4 Mr Lim Si Boon (Resolution 9)
  - 5.5 Encik Maisuri bin Besri (Resolution 10)
- 5) To appoint Messrs Horwath as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting, in place of the retiring auditors, Messrs Deloitte KassimChan who are not seeking re-appointment, and to authorise the Board of Directors to fix their remuneration. (Resolution 11)
- 6) By way of special business, to consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:-
  - 6.1 **Ordinary Resolution**  
**Authority to issue shares pursuant to Section 132D of the Companies Act, 1965**  
  
"THAT, subject always to the Companies Act, 1965 and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered and authorised, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person/persons or party/parties whomsoever the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being, and that such authority shall continue in force until the conclusion of the next Annual General Meeting." (Resolution 12)

**6.2 Ordinary Resolution****Authority to allot shares pursuant to the Employee Share Option Scheme**

"THAT, pursuant to the Company's Employee Share Option Scheme ("the Scheme") as approved at the Extraordinary General Meeting of the Company held on 30 October 2000, the Directors of the Company be and are hereby empowered and authorised, in accordance with Section 132D of the Companies Act, 1965, to allot and issue shares in the Company from time to time in accordance with the Scheme."

(Resolution 13)

- 7) To transact any other business that may be transacted at an Annual General Meeting, due notice of which shall have been previously given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

By Order of the Board

**YONG LAI SIM****Group Company Secretary**

7 October 2003

KUALA LUMPUR

**NOTES:**

- 1) A member of the Company entitled to attend and on a poll, vote at the meeting, is entitled to appoint a proxy or proxies to attend and to vote in his stead. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 are not applicable to the Company.
- 2) Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. In such instance, the member shall specify the securities account number for each appointment.
- 3) In the case of a corporate member, the instrument appointing a proxy or proxies shall be under its Common Seal or under the hand of its attorney duly authorised in writing.
- 4) Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- 5) The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company situated at 8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the meeting or any adjournment thereof, and in default, the instrument of proxy or proxies shall not be treated as valid.

**EXPLANATORY NOTE ON SPECIAL BUSINESS**

- a) Ordinary Resolution No: 12 if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot ordinary shares in the Company up to and not exceeding in total ten per centum (10%) of the issued share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.
- b) Ordinary Resolution No: 13 if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot ordinary shares in the Company to those employees who have exercised their options under the Employee Share Option Scheme. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

## **STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING**

### **1) Directors who are standing for re-election**

The Directors who are offering themselves for re-election at the Thirty-Seventh Annual General Meeting of the Company are as follows:-

1.1	Mr Chew Wei Keong	(Resolution 4)
1.2	Mr Sivalingam s/o Munusamy	(Resolution 5)
1.3	Mr Goh Nan Kioh	(Resolution 6)
1.4	Dr. Lim Thian Soo	(Resolution 7)
1.5	Mr Lim Boon Seh	(Resolution 8)
1.6	Mr Lim Si Boon	(Resolution 9)
1.7	Encik Maisuri bin Besri	(Resolution 10)

The details of the Directors standing for re-election can be found in the Profile of Directors and their interest in shares are disclosed under statistics on shareholdings in the Annual Report.

Save for Mr Goh Nan Kioh and Dr. Lim Thian Soo, none of the Directors standing for re-election have any family relationship with the other Directors or major shareholders of the Company.

Dr. Lim Thian Soo and Mr Lim Si Boon respectively are directors and substantial shareholders of certain other companies, which are involved in property development activities. Encik Maisuri bin Besri represents SEDCO on the Board. SEDCO has subsidiaries, which are involved in property development activities. Save as disclosed, none of the Directors standing for re-election have any conflict of interest with the Company.

None of the Directors standing for re-election have been convicted of offences within the past 10 years other than traffic offences, if any.

### **2) Details of attendance of Directors at Board meetings**

A total of five meetings of the Board of Directors were held during the financial year ended 30 June 2003 and the details of Directors' attendance at the meetings are set out in the Corporate Governance Statement section of the Annual Report.

## **NOTICE OF NOMINATION OF AUDITORS**

### **PRT CAPITAL PTE. LTD.**

(Company No. 208323)

Angkor House, 15 Bukit Ledang off Jalan Duta, 50490 Kuala Lumpur, Malaysia

Tel: 603-2094 3268 Fax: 603-2094 3188

19 September 2003

The Board of Directors  
MEGA FIRST CORPORATION BERHAD  
8-05, Level 8, Menara Milenium  
8 Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur

Dear Sirs

#### **NOTICE OF NOMINATION OF MESSRS HORWATH FOR APPOINTMENT AS AUDITORS**

We, being a member of your Company and entitled to attend and vote at general meetings, hereby give notice, pursuant to Section 172 sub-section 11 of the Companies Act, 1965, of our nomination of Messrs Horwath for appointment as Auditors of the Company in place of the retiring auditors, and of our intention to propose the following resolution as an ordinary resolution at the next Annual General Meeting of the Company:-

"That Messrs Horwath be appointed as Auditors of the Company to hold office until the conclusion of the next annual general meeting, in place of the retiring auditors, Messrs Deloitte KassimChan, and that the Board of Directors be authorised to fix their remuneration for the ensuing year."

Yours faithfully  
**PRT CAPITAL PTE. LTD.**

**Lim Loi Heng**  
Director



## NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN THAT a first and final dividend of 1% less income tax, in respect of the year ended 30 June 2003, if approved by the shareholders at the Thirty-Seventh Annual General Meeting, will be payable on 18 December 2003 to the Depositors whose names appear in the Record of Depositors of the Company at the close of business on 21 November 2003.

A depositor shall qualify for entitlement to the dividend only in respect of :-

- a) Shares transferred into the depositor's securities account before 4:00 p.m. on 21 November 2003 in respect of ordinary transfer;
- b) Shares deposited into the Depositor's Securities Account before 12:30pm in respect of shares exempted from mandatory deposit; and
- c) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

By Order of the Board  
YONG LAI SIM  
Group Company Secretary

7 October 2003  
KUALA LUMPUR

## DIRECTORY

No.	Company name & E-mail address	Address	Telephone no.	Facsimile no.	Person-to-contact
1.	Gombak Land Sdn. Bhd. <b>mfc.property@mega-first.com</b>	No. 1, Jalan PE 7, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
2.	Gombak Land Sdn. Bhd. <b>mfc.property@mega-first.com</b>	No. 12-1, Persiaran Greentown 10, Pusat Perdagangan Greentown, 30450 Ipoh, Perak Darul Ridzuan.	05-2433093/92	05-2433094	Mr. Ong Kiok Teng
3	Gombak Land Sdn. Bhd. <b>mfc.property@mega-first.com</b>	8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.	03-20938818	03-20937818/5818	Mr. Foo Kah Heng
4	Gombak Land Sdn. Bhd. <b>mfc.property@mega-first.com</b>	No. 64-1, Jalan 8/23E, Taman Danau Kola, Off Jalan Genting Klang, 53300 Kuala Lumpur.	03-41428898	03-41420898	Mr. Tay Hock Seng
5	Mega First Housing Development Sdn. Bhd. <b>mfc.property@mega-first.com</b>	No. 34 & 36, Jalan Mawar 1B, Taman Mawar, Bandar Baru Salak Tinggi, 43900 Selangor.	03-87060088/8800	03-87060808	Mr. Thien Tien Soong
6	Paya Emas Sdn. Bhd. <b>mfc.property@mega-first.com</b>	No. 1, Jalan PE 7, Taman Paya Emas, 76450 Melaka.	06-3122288	06-3124288	Mr. Steven Chu
7.	Bloxwich Engineering Limited <b>bloxwich@bloxwich.co.uk</b> <b>www.bloxwich.co.uk</b>	P O Box 4, Bell Lane, Bloxwich, Walsall, WS3 2JR, England.	00441922710510	00441922475830	Mr. Ron Baker
8.	Bloxwich Automotive Limited <b>automotive@bloxwich.co.uk</b> <b>www.bloxwich.co.uk</b>	P O Box 4, Bell Lane, Bloxwich, Walsall, WS3 2JR, England.	00441922710510	00441922495508	Mr. Ron Baker
9.	Hatherton Engineering Limited <b>sales@hatherton-eng.co.uk</b> <b>www.bloxwich.co.uk</b>	Unit 3, Robottom Close, Leamore, Walsall, WS2 7 EB, England.	004419224755031	00441922710272	Mr. Barry Downs
10.	Bloxwich Transportation Products Limited Truck & Container Products Division <b>container@bloxwich.co.uk</b> <b>www.bloxwich.co.uk</b>	Chase Park Industrial Estate, Ring Road, Burntwood, Staffs WS7 8JQ, England.	00441543673111	00441543676450	Mr. Paul Smith
11.	Bloxwich Transportation Products Limited Forged Products Division <b>forge@bloxwich.co.uk</b> <b>www.bloxwich.co.uk</b>	P O Box 4, Bell Lane, Bloxwich, Walsall, WS3 2JR, England.	00441922710510	00441922495508	Mr. B. Tranlor

No.	Company name & E-mail address	Address	Telephone no.	Facsimile no.	Person-to-contact
12.	Bloxwich Fabrications Limited <b>fabrications@bloxwich.co.uk</b> <b>www.bloxwich.co.uk</b>	Chase Park Industrial Estate, Ring Road, Burntwood, Staffs WS7 8JQ, England.	00441543687524	00441543687519	Mr. Paul Wise
13.	Bloxwich Security Products Limited <b>security@bloxwich.co.uk</b> <b>www.bloxwich.co.uk</b>	Chase Park Industrial Estate, Ring Road, Burntwood, Staffs WS7 8JQ, England.	00441543677256/7/8	00441543677259	Mr. Paul Smith
14.	Bloxwich (Malaysia) Sdn. Bhd. <b>bmsbip@tm.net.my</b>	Seri Iskandar Technology Park, 32600 Bota, Perak Darul Ridzuan	05-3711516/7/8	05-3711520	Mr. Jeffrey Leong
15.	Bloxwich Forgings (Pty) Limited <b>bloxwich@iafrica.com</b>	P O Box 229, Mondeni 4490, South Africa.	0027324592783	0027324592784	Mr. Coen Calitz
16.	Bloxwich Industries (Pty) Limited T/A Rockham Industries <b>info@rockham.co.za</b>	P O Box 32047, Mobeni 4060, Durban, South Africa.	0027314690441	0027314690443	Mr. M. Banks
17.	Bloxwich Tool & Die (Pty) Limited T/A Rockham Tool & Die <b>info@rockham.co.za</b>	P O Box 32047, Mobeni 4060, Durban, South Africa.	0027314690441	0027314690443	Mr. M. Banks
18.	Mega Fortris (Malaysia) Sdn. Bhd. <b>info@megafortris.com</b> <b>www.megafortris.com</b>	No. 6 & 8, Jalan Angklung 33/20, Shah Alam Technology Park, Seksyen 33, 40400 Shah Alam.	03-51226118	03-51217118	Mr. Nick Ng
19.	Mega First Power Services Sdn. Bhd.	KM-6, Jalan Kuhara Muhibbah Raya, 91000 Tawau, Sabah.	089-711566/568	089-711576	Mr. Wong Seow Kwang
20.	Shaoxing Mega Heat And Power Co. Ltd <b>smhp@mail.sxptt.zj.cn</b>	Qi Yang Gong Lu, Qi Xian Town, Shaoxing County, Zhejiang Province, 312065 China.	00865755181025	00865755182287	Mr. Liew Leong Teng
21.	Serudong Power Sdn. Bhd. <b>spowert@pd.jaring.my</b>	KM-6, Jalan Kuhara Muhibbah Raya, 91000 Tawau, Sabah.	089-711566/568	089-711576	Mr. Wong Seow Kwang
22.	Mega First Power Industries Sdn. Bhd.	8-05 Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur.	03-20938818	03-20937818	Mr. Chew Wei Keong
23.	Syarikat Cheng Sun Quarry Sdn. Bhd. <b>csquarry@tm.net.my</b>	Lot 67887, Mukim Sg. Raia, 31300 Keramat Pulai Ipoh, Perak Darul Ridzuan.	05-3571502/3	05-3571504	Mr. Woon Chin Keat
24.	Rock Chemical Industries (Malaysia) Berhad <b>info@rci.com.my</b>	Lot 45157, Gunong Panjang 31600 Gopeng Perak Darul Ridzuan	05-359 3188	05-359 3228	Mr. Lim Si Boon

**MFCB**  
**MEGA FIRST CORPORATION BERHAD**  
(Co. No: 6682-V)  
(Incorporated in Malaysia)

**PROXY FORM**

No. of Shares	CDS Account No.

\*I/\*We, \_\_\_\_\_  
of \_\_\_\_\_  
being a member of MEGA FIRST CORPORATION BERHAD, hereby appoint \_\_\_\_\_  
of \_\_\_\_\_  
or failing whom \_\_\_\_\_  
of \_\_\_\_\_

as \*my/\*our proxies to attend and, on a poll, to vote for \*me/\*us on \*my/\*our behalf at the Thirty-Seventh Annual General Meeting of the Company, to be held on 30 October 2003 and at any adjournment thereof.

# The proportion of \*my/\*our holding to be represented by First Proxy : \_\_\_\_\_ %  
\*my/\*our proxies are as follows :- Second Proxy : \_\_\_\_\_ %

\*My/\*Our proxy/proxies is/are to vote as indicated hereunder.

NO.	RESOLUTION	FOR	AGAINST
1)	Receive the Directors' Report and Audited Accounts for the year ended 30 June 2003.		
2)	Declare a final dividend of 1% less income tax at 28%.		
3)	Approve Directors' fees.		
4)	Re-elect Mr Chew Wei Keong as Director.		
5)	Re-elect Mr Sivalingam s/o Munusamy as Director.		
6)	Re-elect Mr Goh Nan Kioh as Director.		
7)	Re-elect Dr. Lim Thian Soo as Director.		
8)	Re-elect Mr Lim Boon Seh as Director.		
9)	Re-elect Mr Lim Si Boon as Director.		
10)	Re-elect Encik Maisuri bin Besri as Director.		
11)	Appoint auditors and to authorise the Board of Directors to fix their remuneration.		
12)	Grant authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
13)	Grant authority to issue shares pursuant to the Employee Share Option Scheme.		

Please indicate with an (X) in the spaces above how you wish your votes to be cast. If no specific direction as to voting is given, the proxy/proxies will vote or abstain at his/her discretion.

Dated this \_\_\_\_\_ day of October 2003.

\_\_\_\_\_  
[ Signature/Common Seal of Member(s) ]

**NOTES:**

- 1) A member of the Company entitled to attend and on a poll, vote at the meeting, is entitled to appoint a proxy or proxies to attend and to vote in his stead. A proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 are not applicable to the Company.
- 2) Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. In such instance, the member shall specify the securities account number for each appointment.
- 3) In the case of a corporate member, the instrument appointing a proxy or proxies shall be under its Common Seal or under the hand of its attorney duly authorised in writing.
- 4) Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- 5) The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company situated at 8-05, Level 8, Menara Milenium, 8 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for the meeting or any adjournment thereof, and in default, the instrument of proxy or proxies shall not be treated as valid.

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Postage  
stamp

*The Group Company Secretary*  
MEGA FIRST CORPORATION BERHAD  
8-05, Level 8, Menara Milenium  
8 Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Malaysia

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