

KIM HIN INDUSTRY BERHAD
(018203-V)



annual report 2002



beautiful tiles for life

V i s i o n

To be a world class ceramic tile producer and distributor
by providing products and services of superior values and
by sustaining consistent long term growth
in volume and profitability.

M i s s i o n

We shall strive to be a leader in the ceramic industry by

- achieving responsible and balanced commercial success
- satisfying our customers' needs
- giving maximum returns to our shareholders
- providing rewarding careers to our employees
- having mutually beneficial relationship with our business associates
- participating and contributing effectively towards nation building

C o r p o r a t e V a l u e s

1. A role model and a good corporate citizen.
2. Provide the highest quality products and values to our customers.
3. Commitment to our employees welfare and well being.
4. To instill a culture of discipline, integrity, teamwork and proactivity amongst our people.



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Notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of Members of KIM HIN INDUSTRY BERHAD will be held at the Kim Hin Conference Room, 4½ Mile, Kung Phin Road, off Penrissen Road, 93250 Kuching, Sarawak on Friday, 23 May 2003 at 2.00 p.m. for the following purposes:

ORDINARY BUSINESSES

1. To receive and adopt the audited financial statements and reports of Directors and Auditors for the financial year ended 31st December 2002. **ORDINARY RESOLUTION 1**
2. To approve a first and final dividend of 5% (tax exempt) for the year ended 31st December 2002. **ORDINARY RESOLUTION 2**
3. To approve the Directors' fees. **ORDINARY RESOLUTION 3**
4. To re-elect Directors
In accordance with Article 84 of the Company's Articles of Association, the following Directors retire by rotation from the Board and being eligible, offer themselves for re-election.

Ms. Chua Yew Lin **ORDINARY RESOLUTION 4**
Mr. Vincent Gerard Khoo **ORDINARY RESOLUTION 5**
Dato' Ibrahim bin Mahmud **ORDINARY RESOLUTION 6**
5. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **ORDINARY RESOLUTION 7**

AS SPECIAL BUSINESSES:-

To consider and, if thought fit, to pass the following as Ordinary Resolutions:-

6. Proposed Share Buy-Back

"THAT subject always to the Companies Act, 1965 ("the Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Listing Requirement of the Kuala Lumpur Stock Exchange ("KLSE") and any other relevant authority, the Directors of the Company be and are hereby authorised to purchase and hold on the market of the KLSE such number of ordinary shares of RM1.00 each ("Shares") in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company ("Directors") from time to time through the KLSE provided that the total aggregate number of Shares purchased and/or held or to be purchased and/or held pursuant to this resolution shall not exceed 14,580,000 Shares representing approximately ten percent (10%) of the total issued and paid-up share capital of 145,808,013 ordinary shares of RM1.00 each of the Company as at 31 March 2003 and an amount not exceeding RM20 million from retained profit reserve (as at 31 March 2003, the unaudited retained profit reserve amounted to RM119,436,752) and being an amount not exceeding the total of the Company's latest unaudited net cash resource of RM98 million as at 31 March 2003, be allocated by the Company for the Proposed Share Buy-Back **AND THAT**, such Shares purchased are to be retained as treasury shares and distributed as dividends and/or resold on the market of the KLSE, or subsequently may be cancelled **AND THAT** the Directors be and are hereby authorised and empowered to do all acts and things and to take all such steps and to enter into and execute all commitments, transactions, deeds, agreements, arrangements, undertakings, indemnities, transfers, assignments and/or guarantees as they may deem fit, necessary, expedient and/or appropriate in order to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments, as may be required or imposed by any relevant authority or authorities **AND FURTHER THAT** the authority hereby given shall commence immediately upon passing of this ordinary resolution and shall continue in force until :-

Notice of annual general meeting (cont.)

- (a) the conclusion of the first annual general meeting of the company following the general meeting at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next annual general meeting after that date is required by law to be held;
- (c) revoked or varied by ordinary resolution passed by the shareholders in general meeting;

whichever occurs first, in accordance with the provisions of the guidelines issued by the KLSE or any other relevant authorities.”

ORDINARY RESOLUTION 8

7. Proposed Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“Proposed Shareholders’ Mandate”)

“**THAT** approval be and is hereby given to the Company and its subsidiaries to enter into any of the category of recurrent related party transactions of a revenue or trading nature as set out in Paragraph 3.2 of the Circular to Shareholders dated 30 April 2003 with the specific related parties mentioned therein which are necessary for the Kim Hin Group’s day-to-day operations subject further to the following :-

- (a) the transactions are in the ordinary course of business and are on normal commercial terms and on terms which are not more favourable to the related parties than those available to the public and not to the detriment of the minority shareholders; and
- (b) disclosure is made in the annual report for the breakdown of the aggregate value of transactions conducted pursuant to the Proposed Shareholders’ Mandate during the financial year; amongst others, based on the following information:-
 - (i) the type of the recurrent transactions made; and
 - (ii) the names of the related parties involved in each type of the recurrent transactions made and their relationship with the listed issuer

AND THAT such approval shall continue to be in force until :-

- (a) the conclusion of the first Annual General Meeting (“AGM”) of the Company following the general meeting at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (b) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143 (1) of the Malaysian Companies Act, 1965 (the “Act”) (but shall not extend to such extension as may be allowed pursuant to Section 143 (2) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is the earlier;

FURTHER THAT the Directors of the Company be authorized to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the specified Proposed Shareholders’ Mandate.”

ORDINARY RESOLUTION 9

Notice of annual general meeting (cont.)

8. Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

“That subject always to the Companies Act 1965, Articles of Association of the Company and approvals from the relevant Stock Exchanges and other Governmental or regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act 1965 to issue shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Directors, may, in their discretion, deem fit including but not limited to such shares as may be issued pursuant to Kim Hin Industry Berhad new Executive Share Option Scheme as approved by the Ordinary Resolution passed at the Extraordinary General Meeting of the Company on 1 April 2002 .

ORDINARY RESOLUTION 10

BY ORDER OF THE BOARD

BONG SIU LIAN (MAICSA 7002221)
Company Secretary

Kuching, Sarawak
Dated this 30th day of April 2003

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. To be valid the Proxy Form duly completed must be deposited at the Registered Office of the Company at 4^{1/2} Mile, Kung Phin Road, off Penrissen Road, P.O. Box 1842, 93736 Kuching, Sarawak not less than forty-eight (48) hours before the time for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointer is a corporation, the Proxy Form must be executed under its common seal or under the hand of its attorney.
6. Please note that the interested directors, interested major shareholders or interested persons connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote in respect of their direct and/or indirect shareholdings on the resolution approving the Mandate.

Statement accompanying Notice of Annual General Meeting

Compliance to paragraph 8.28 of the Listing Requirements of the Kuala Lumpur Stock Exchange as set out as follows:-

1. THE DIRECTORS WHO ARE STANDING FOR RE-ELECTION ARE AS FOLLOWS:-

Ms. Chua Yew Lin
Mr. Vincent Gerard Khoo
Dato' Ibrahim bin Mahmud

Notice of annual general meeting (cont.)

2. THE DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS ARE AS FOLLOWS:-

The Board met seven (7) times during the financial year ended 31 December 2002.

Details of attendance of Directors at Board meetings during the year are as follows:-

Name of Directors	Date of appointment	Attendance at Board meetings during the year
Chua Seng Guan	22-10-1985	6/7
John Chua Seng Chai	2-10-1981	6/7
Chua Yew Lin	2-10-1981	6/7
Pauline Getrude Chua Hui Lin	1-1-1992	7/7
Vincent Gerard Khoo	14-7-1992	7/7
Yeo Yong Siang	9-8-1996	6/7
Dato' Ibrahim bin Mahmud	25-8-1999	5/7
Fong Tshu Kwong @ Fong Tshun Kwong	21-5-2001	5/7

3. DATE, TIME AND PLACE OF THE BOARD MEETINGS:-

Details of Board meetings held are as follows:-

Date	Time
26 February 2002	11.30 a.m.
1 April 2002	2.45 p.m.
23 May 2002	11.20 a.m.
6 June 2002	10 a.m.
28 August 2002	1.30 p.m.
25 November 2002	1.05 p.m.
13 December 2002	11.20 a.m.

All Board meetings were held at Kim Hin Conference Room, 4 1/2 Mile, Kung Phin Road, off Penrissen Road, 93250 Kuching, Sarawak.

4. DETAILS OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION:-

The Profile of the Directors standing for re-election are set out in pages 27 to 30 of the Annual Report.

Explanatory Notes on Special Businesses

Append hereunder is the Explanatory Notes on Special Businesses from Agenda 6 to 8.

Ordinary Resolution 8 - Proposed Share Buy-Back

The proposed resolution 8, if passed, will give the Directors of the Company from the date of the above General Meeting, authority to purchase shares, and/or held or to be purchased provided that the total aggregate number of shares purchased shall not exceed 10% of the total issued and paid-up share capital of the Company. The shares purchased may be retained as treasury shares and distributed as dividend and/or resold on the market or subsequently be cancelled. This authority will unless revoked or varied by the Company in General Meeting expire at the next Annual General Meeting of the Company.

For further information on the Proposed Share Buy-Back, please refer to the Circular to Shareholders dated 30 April 2003, enclosed herewith.

Notice of annual general meeting (cont.)

Ordinary Resolution 9 pursuant to the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

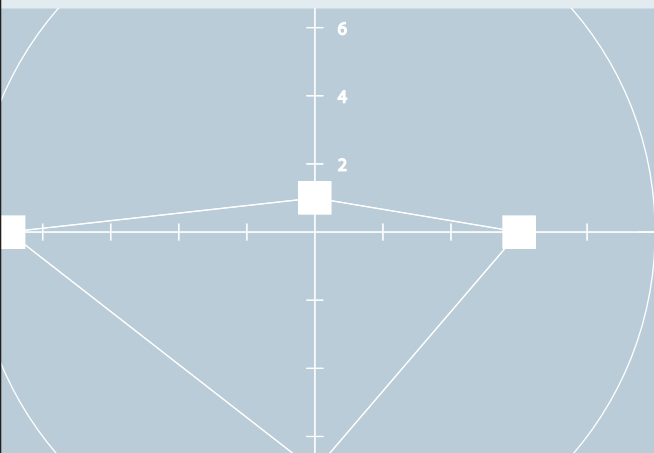
Pursuant to 10.09 of the Kuala Lumpur Stock Exchange which states that with regard to the related party transactions involving recurrent transactions of a revenue or trading nature which are necessary for its day-to-day operations, the public listed company may seek a Shareholders' Mandate.

The Ordinary Resolution 9, proposed and if passed, will authorise the Company and each of its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the mandated related parties of the Circular to Shareholders dated 30 April 2003, which are necessary for the Kim Hin Group's day-to-day operations, provided that such transactions are in the ordinary course of business and are on normal commercial terms and on terms which are not more favourable to the related parties than those available to the public and not to the detriment of the minority shareholders. This authority, unless revoked or varied by the Company at general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Please refer to Circular to Shareholders dated 30 April 2003 for further details.

Ordinary Resolution 10 - Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

The proposed resolution 10, if passed, will give the Directors of the Company from the date of the above General Meeting, authority to issue and allot Ordinary Shares from the unissued capital of the Company for such purposes as the Directors consider would be in the interest of the Company including but not limited to such shares as may be issued pursuant to Kim Hin Industry Berhad new Executive Share Option Scheme approved at the Extraordinary General Meeting held on 1 April 2002. This authority will unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting of the Company.



Corporate information

ADVISOR

Mr. Chua Chui Tham

BOARD OF DIRECTORS

Executive Chairman
Mr. Chua Seng Guan

Group Managing Director
Mr. John Chua Seng Chai

Executive Directors
Mdm. Chua Yew Lin
Mdm. Pauline Getrude Chua Hui Lin
Mr. Vincent Gerard Khoo

Non-Executive Independent Directors
Mr. Yeo Yong Siang
Dato' Ibrahim bin Mahmud
Mr. Fong Tshu Kwong @ Fong Tshun Kwong

COMPANY SECRETARY

Mdm. Bong Siu Lian (MAICSA 7002221)

REGISTRARS

Malaysian Share Registration Services Sdn. Bhd.
7th Floor Exchange Square,
Bukit Kewangan,
50200 Kuala Lumpur.
Tel: 03-20268099
Fax: 03-20263736

REGISTERED OFFICE

4½ Mile, Kung Phin Road,
Off Penrissen Road,
93250 Kuching, Sarawak.
Tel: 082-451567
Fax: 082-452135

SOLICITORS

Messrs Wong Lu Peen & Tunku Alina
21-6, Block B, The Boulevard,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur

AUDITORS

Ernst & Young
Chartered Accountants
3rd Floor, Wisma Bukit Mata Kuching,
Jalan Tunku Abdul Rahman,
93100 Kuching, Sarawak.

PRINCIPAL BANKERS

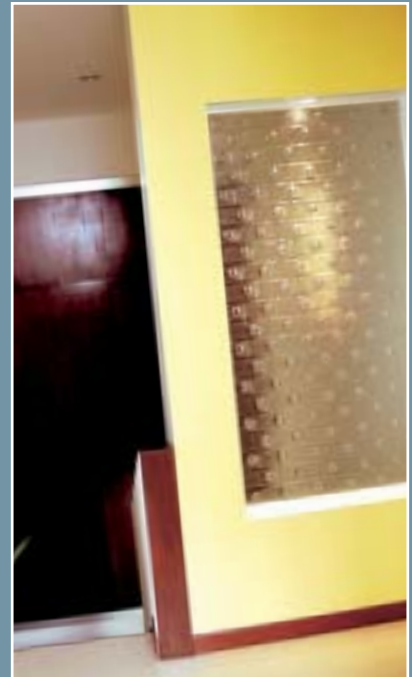
AmMerchant Bank Berhad
Lots 29-30, 1st Floor,
Jalan Chan Chin Ann,
93100 Kuching, Sarawak.

HSBC Bank Malaysia Berhad
Bangunan Binamas, Jalan Padungan,
93100 Kuching, Sarawak.

Standard Chartered Bank Malaysia Bhd
Wisma Bukit Mata Kuching,
Jalan Tunku Abdul Rahman,
93100 Kuching, Sarawak.

United Overseas Bank (Malaysia) Berhad
1-3 Main Bazaar,
93000 Kuching, Sarawak.





Chairman's statement

On behalf of the Board of Directors of Kim Hin Industry Berhad ("KHI"), it is my great pleasure to present the Annual Report and financial statements of KHI for the financial year ended 31 December 2002.

Financial Review

During the financial year ended 31 December, 2002 the Group achieved a record revenue of RM 222.4 million. Profit after tax and minority interest improved by 41% to RM 28.9 million from RM 20.6 million achieved in 2001.

The Group's performance was the result of on-going improvement programmes implemented by the Group through better sales mix and operational efficiencies. Profit on disposal of properties and foreign exchange gains from the appreciation of the Australia Dollar during the year also contributed to the greatly improved results.

This performance was achieved in the face of economic uncertainties prevalent during the year under review. Foreign direct investment in Malaysia, the lifeblood of the nation's mass manufacturing and export sectors, had shown little sign of recovering during the year after the sharp down turn in 2001. In the first half of 2002, the industry experienced positive growth. However, in the second half of 2002, the construction sector was affected by a number of factors, one of which was the deportation of illegal workers.

In spite of the lack lustre economic performance in 2002, the Group has performed admirably as evidenced from the strong financial position of the Group. The Group has increased its cash reserves from about RM74 million in 2001 to about RM115 million in 2002 while controlling its gearing to a minimal level. All in all, the shareholders' equity of the Group has improved from about RM339 million in 2001 to about RM359 million in 2002.

Industry outlook

Year 2003 has seen the arrival of the long waited AFTA which will witness the gradual dismantling of trade barriers and lowering of tariffs among Asean countries. During this transitional period, the marketplace is expected to be unsettled. The effects of free trade among Asean countries are uncertain. As it is expected that the Malaysian manufacturing cost is comparatively higher than those experienced in Indonesia, Vietnam, Philippines and China, the inflow of cheaper products especially from China, will create excess capacity in the domestic industry. The competitive global markets, the volatile prices of fuel, and the war between the US and Iraq are some of the major factors that would adversely affect the industry and the economy of the country. In view of the factors highlighted above, the Group expects that Year 2003 will indeed be a challenging year.

Strategies

With such expectations of the industry in mind, I am pleased to announced that it is part of the Group's strategies that we shall continue to focus on the Group's core competency and marketing strategy that is customer orientated and to continue with the production of customised designs and higher value-added products. At the same time, the Group will continue its efforts to enhance products mix, improve productivity and maximise cost efficiency in production to enable the Group to respond quickly to changes in the industry and economy. Faced with new challenges, the Group has taken the initiative to implement certain improvement programmes, namely the identification of the Group's Corporate Culture, Key Performance Indicators, major enhancements in technology innovation and improvements in Risk Management during the year. With these initiatives in place, the Group looks forward to scaling greater heights.

Corporate Culture

The Group's Corporate Culture is to improve customer service. In order to improve customer service, the Group identifies that the cultivation of innovation is an essential make-up of the culture. Innovation is a means towards achieving customer satisfaction. In this regard, numerous training sessions for existing staff and induction sessions for new staff were conducted to educate the workforce on the understanding of the corporate objectives, mission and vision of the Group. The cultivation of the Group's Corporate Culture and Innovation will therefore be an on-going process.



Chairman's statement (cont.)

Key Performance Indicators (KPI)

KPI is a rating system to measure or benchmark performance of employees or employers towards meeting the expectations of customers. KPI was implemented throughout the Group with the primary objective of improving customers' satisfaction coupled with a reward system to encourage positive results.

Technology

During the year, the Group embarked on its initiative to replace the old manual systems in all of its supplies, production planning, production control, inventory, sales and distributions as well as the administration functions with the fully integrated Enterprise Resource Planning (SAP) system. Implementing the SAP system not only standardize the business processes but it also serves as an effective system of internal control throughout the Group. The SAP will allow authorised personnel to access important data easily and speedily thereby assist to reducing the time taken to make decisions and improve efficiency throughout the organisation. The SAP also speeds up financial reporting giving online real-time figures and it integrates all business processes giving management a system to work with. The link provides fast and accurate information for management to harness for execution and measurement of the Group's strategies.

Risk Management

The Group affirms that an important element for a sound system of internal control is to have in place a risk management and control system to identify and assess the significant risks to the existing business processes of the Group and implement appropriate controls to manage such risks. To this end, I am pleased to announce that the Board has established its Risk Management Committee to oversee and manage the Group's risk management process which incorporates a Corporate Risk Scorecard system to facilitate management in methodically identifying and assessing any emerging new risks, updating the business risks profiles that have previously been identified, and following up with the implementation of the control plans.

Dividends

The Board of Directors has recommended a dividend of 5% (tax exempt) for the financial year ended 31 December 2002.

Appreciation

On behalf of the Board of Directors, I would like to thank our shareholders, valued customers and business associates for their continued support. The Board would also like to record its appreciation to the management and employees of the Group for their loyalty and dedication in carrying out their duties.

Lastly, I would also like to take this opportunity to thank my fellow Directors for their invaluable advice and contributions to the Group.

CHUA SENG GUAN
Executive Chairman

Dated this 30th day of April 2003



Corporate Governance

The Board of Directors of the Company is committed to comply with the highest standards of corporate governance in discharging its responsibilities to enhance shareholders' value. The Company has consistently been strengthening corporate governance in a continuous process.

The Board of Directors

The composition and category of Board as of April 30, 2003 are as follows:

Category	No. of directors	Percentage
Non-executive, independent directors	3	37.5%
Executive Directors	5	62.5%
Total	8	100%

The Board comprises 8 directors of which 3 are independent non-executive directors and 5 executive directors. The biographical details of the Board members are set out on pages 27 to 30. The roles of the Directors depends on the needs of the Company and the talent and experience of the individuals. The independent insight, advice and counsel from each non-executive Director ensures a balanced decision making process by the Board.

Board functions

Apart from reviewing its corporate performance, the Board undertakes the following functions:

- The Board is run by the chairman who is responsible for the board agenda, conduct of meetings and the preparation of correct minutes.
- The Board formulates corporate aims that are acceptable to a spread of shareholders who may not have common objectives. Some may be long-term investors who do not mind whether dividend payouts are subordinated to creating long-term cash flow; others may be short-term investors who wish to maximize their return.
- The Board ensures that a sound future strategy and plan are established to manage the business in line with these aims.
- The Board watches out for early warning of changing business conditions or competitive pressures that may require changes to the plan.
- The Board ensures that the Company has sufficient resources, particularly money and people to implement the various strategies.
- The Board ensures that financial systems are accurate and timely, deter possible fraud, and represent assets at their correct value.
- The Board monitors performance against the plan, and takes preventive and corrective action where necessary.
- As well as its prime obligation to the company and trusteeship for shareholders, the board fulfils its obligations towards employees, customers, suppliers and the community.
- Elect officers of the Company.
- Review and confirm basic Company objectives.
- Approve major policy and management decisions.
- Adopt or change the Articles of Association of the Company.
- Approve changes in policies of the Company and its subsidiaries.

The Board believes that the exercise of its responsibilities do not compromise the independence of the Board of Directors.

Corporate Governance (cont.)

Chairman and Group Managing Director

There is also a clear division of responsibilities between the Chairman and the Group Managing Director. The Chairman heads the Board and leads the planning and policies formulation at the Board level, while the Managing Director is responsible for the implementation of the policies and the executive decision making.

Meetings of the Board of Directors

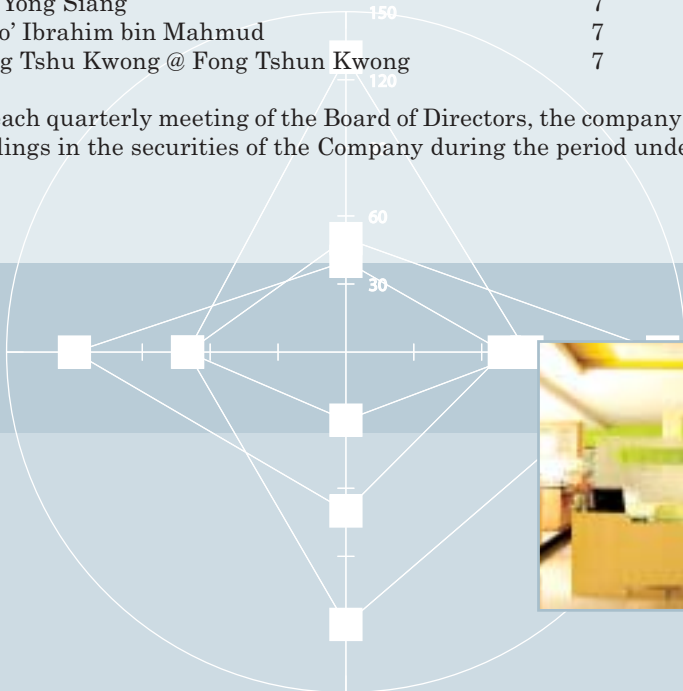
Board meets on a quarterly basis and additional meetings are convened as and when necessary. The Board met for a total of seven (7) times during the financial year ended 31 December 2002. The dates of the board meetings are as follows:-

26 February 2002
 1 April 2002
 23 May 2002
 6 June 2002
 28 August 2002
 25 November 2002
 13 December 2002

The attendance of the Directors at the Board Meetings are as follows:-

Directors	Board Meetings		
	Held	Attended	Percentage of attendance
Chua Seng Guan	7	6	86%
John Chua Seng Chai	7	6	86%
Chua Yew Lin	7	6	86%
Pauline Getrude Chua Hui Lin	7	7	100%
Vincent Gerard Khoo	7	7	100%
Yeo Yong Siang	7	6	86%
Dato' Ibrahim bin Mahmud	7	5	71%
Fong Tshu Kwong @ Fong Tshun Kwong	7	5	71%

At each quarterly meeting of the Board of Directors, the company secretary reported none of the Directors have any dealings in the securities of the Company during the period under review.



Corporate Governance (cont.)

Shareholders' Meeting

2 shareholders' meetings were convened during the year and details of the meetings are as follows:-

Date	Type of Meeting	Agenda
1 April 2002	Extraordinary General Meeting	To approve the following Proposals:- Proposed termination of the existing Executive Share Option Scheme And Proposed establishment and implementation of the new Executive Share Option Scheme
23 May 2002	Annual General Meeting	Ordinary businesses of Annual General Meeting and 4 Special businesses as follows:- 1) Proposed amendments to the Company's Articles of Association; 2) Proposed amendments to the Memorandum of Association of the Company; 3) Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature; 4) Proposed Share Buy-Back

Directors' attendance at the shareholders' meetings are as follows:-

Directors	No. of Shareholders' Meetings held	No. of Shareholders' Meetings attended	Percentage of attendance
Chua Seng Guan	2	2	100%
John Chua Seng Chai	2	2	100%
Chua Yew Lin	2	2	100%
Pauline Getrude Chua Hui Lin	2	2	100%
Vincent Gerard Khoo	2	2	100%
Yeo Yong Siang	2	2	100%
Dato' Ibrahim bin Mahmud	2	1	50%
Fong Tshu Kwong @ Fong Tshun Kwong	2	2	100%

DIRECTORSHIPS OF BOARD MEMBERS

The directorships held by members of the Board are as follows:-

Directors	No. of directorships in companies other than listed issuers	No. of directorships in listed issuers
Chua Seng Guan	15	2
John Chua Seng Chai	15	1
Chua Yew Lin	2	1
Pauline Getrude Chua Hui Lin	2	1
Vincent Gerard Khoo	0	1
Yeo Yong Siang	2	1
Dato' Ibrahim bin Mahmud	12	1
Fong Tshu Kwong @ Fong Tshun Kwong	1	2

Corporate Governance (cont.)

APPOINTMENTS OF THE BOARD AND RE-ELECTION

The appointment of any new director undergoes a process of evaluation and assessment by the Nomination Committee. However, during the year, no new Director was appointed.

All directors including the Group Managing Director, are subject to retirement and re-election by the shareholders at least once every 3 years in accordance with the Company's Articles of Association.

SUPPLY OF INFORMATION

At the beginning of every year, a yearly timetable of meetings are scheduled and circulated in advance, in order to ensure that adequate information is circulated in a timely manner. Due notice is given for all scheduled meetings.

Prior to all meetings, the Directors are given an agenda and a full set of board papers. The board papers provide updates on the business, operational and corporate developments and it also contains explanatory notes and other useful information to be discussed at the meeting.

Members of the Board have access to all information within the Company as well as advice and services of the company secretary.

Directors may seek independent professional advice and any such request is forwarded to the Executive Director or the company secretary and presented to the Board for approval. During the year, one request was recorded from members of the Audit Committee, seeking independent professional advice from property valuer in the case of rental of properties from a related party.

Investor Relation and Shareholder Communication

Discussions were held with analysts and investors by Executive Directors. Only permissible disclosures were made during the discussions.

The shareholders' meetings are the principal forum for dialogue with shareholders. During the general meetings, shareholders were given the opportunities to raise questions pertaining to the business activities of the Group.

Directors' Remuneration

Details of the nature and amount of directors' remuneration for the year 2002 are as follows:-

Director	Fee ^{&}	Emolument	Share Options	Benefits in kind
Chua Seng Guan	RM25,000	RM700,000-RM750,000	1,000,000	RM45,122
John Chua Seng Chai	RM25,000	RM750,000-RM800,000	1,000,000	RM48,852
Chua Yew Lin	RM25,000	RM300,000-RM350,000	830,000	RM33,067
Pauline Getrude Chua Hui Lin	RM25,000	RM300,000-RM350,000	830,000	RM45,843
Vincent Gerard Khoo	RM25,000	RM50,000-RM100,000	250,000	RM23,192
Yeo Yong Siang	RM25,000	-	-	-
Dato' Ibrahim bin Mahmud	RM25,000	-	-	-
Fong Tshu Kwong @ Fong Tshun Kwong	RM25,000	-	-	-

Note:

& To be approved by shareholders at the forthcoming Annual General Meeting.

Corporate Governance (cont.)

STATEMENT OF DIRECTORS' RESPONSIBILITY IN PREPARING ANNUAL AUDITED FINANCIAL STATEMENTS

(Pursuant to paragraph 15.27(a) of the Kuala Lumpur Stock Exchange Listing Requirements)

In the course of preparing the annual financial statements of the Group and of the Company, the Directors are collectively responsible as follows:-

- 1) in ensuring that the financial statements are prepared in accordance with the requirements of the Malaysian Accountant Standards Board, the provisions of the Companies Act, 1965 and the Listing Requirements of the Kuala Lumpur Stock Exchange.
- 2) in ensuring that the financial statements for each financial year, gives a true and fair view of the state of the affairs of the Group and the Company at the end of the financial year.
- 3) the adoption of suitable and relevant accounting policies on a consistent basis supported by reasonable and prudent judgements.
- 4) maintaining adequate accounting records and internal controls to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

STATEMENT ON INTERNAL CONTROL

(Pursuant to para 15.27(b) of the KLSE Revamped Listing Requirements)

The Board of Directors acknowledges its responsibility for the Group's system of internal control that aims to safeguard shareholders' investments and the Group's assets. The Board recognises that it is their responsibility for reviewing the adequacy and integrity of system of internal control, which is designed to manage rather than eliminate the risk of failure to achieve business objectives and accordingly, such a system by its nature, can only provide reasonable but not absolute assurance against material misstatement or loss.

During the financial year, the Board has undertaken steps in reviewing the Group's system of internal control against the requirements outlined in the Statement on Internal Control: Guidance for Directors of Public Listed Companies'(the Guidance) issued by the Kuala Lumpur Stock Exchange's (KLSE) Task Force on Internal Control. The Board confirms that there is an on-going process for identifying, evaluating, managing and reporting the significant risks faced by the Group as follows:

Risk Assessment

The Board affirms that an important element for a sound system of internal control is to have in place a risk management and control system to identify and assess the significant risks to the existing business processes of the Group and implement appropriate controls to manage such risks. Since the establishment of the Risk Management Committee (RMC) in 2001, RMC was working in achieving the following objectives:

- (a) To be at the forefront of the Group wide risk programme and ensure that a risk management structure is embedded throughout the Group;
- (b) To ensure that the risk management structure is consistently adopted throughout the Group and is within the parameters established by the Board; and
- (c) To ensure compliance with external requirements such as the KLSE's Statement on Internal Control – Guidance for Directors of Public Listed Companies.

In November 2002, another risk assessment workshop was conducted after the strategic planning for 2003 was carried out. New risks were identified, analysed and evaluated on their possibility and impact, controls were also been identified to mitigate the risks with risk owners assigned to manage these risks.

Corporate Governance (cont.)

Control Environment and Activities

During the financial year, the Group has set up a Corporate Risk Scorecard (“CRS”) system to facilitate Management in methodically identifying and assessing any emerging new risks, updating the business risks profiles that have previously been identified, and following up with the implementation of the control plans.

Besides, a Risk Manager was appointed to co-ordinate all the risk management activities. Two Risk Management Committee meetings were held during the year and Risk Management Policy was also established and approved. Training to all the top management and risk owners on the use of Corporate Risk Scorecards were conducted in the initial installation of the software and whenever there are new risk owners.

Internal Audit

The Group’s Internal Audit function is outsourced to an independent party, which reviews the effectiveness of the system of internal control in managing the key risks and report accordingly to the Audit Committee. In carrying out its work, Internal Audit focuses on areas of priority as determined by risk assessment and in accordance with the annual audit plan approved by the Audit Committee. Where any significant weaknesses have been identified as a result of the reviews, improvement measures are recommended to strengthen controls, with follow-up audits by Internal Audit to assess the status of implementation thereof by Management.

During the financial year, the internal auditors have performed operational audits covering the following organisational operations of various business units of the Group:

- (a) Implementation of SAP system
- (b) Production planning and quality assurance
- (c) Accounting for and safeguarding of property, plant and equipment
- (d) Human resources and payroll function
- (e) Marketing and logistics management

Board Review.

The Board of Directors is taking continuous steps to assess and enhance the effectiveness of the system of internal control and risk management. The Risk Management Committee reviews the reports from the Risk Management functions and report to the Board on the risk profile and the progress of action plan to monitor significant risks identified. The Audit Committee reviews the reports from the Internal Audit function and reports to the Board on key audit findings, recommendations of action plans and implementation status of corrective actions.

The Board is pleased to report that there were no significant material internal control weaknesses noted during the period under review and to the date of approval of the annual report and financial statements.

The Board of Directors Kim Hin Industry Berhad

Dated this 30th day of April 2003



Corporate Governance (cont.)

The Board Committees

The Board has established the following committees:-

1. Nomination Committee
2. Remuneration Committee
3. Executive Share Option Scheme Committee (“Option Committee”)
4. Risk Management Committee
5. Audit Committee

The respective Committees are delegated with specific authority and they operate under approved terms of reference.

Nomination Committee

The composition and category of directors in the nomination committee are as follows:-

Category	No. of directors	Percentage
Non-executive, independent directors	2	100%
Executive Director	0	0
Total	2	100%

The duties of the Nomination Committee are as follows:-

- (a) Nomination and screening of board member candidates
- (b) Review of required mix of skills and experience and other qualities required for the Board to function completely and efficiently
- (c) Evaluation of the performance of the Board, committees and its members. The Nomination Committee takes into account the review of the audit committee as specified in the KLSE Listing Requirements 15.21.
- (d) Termination of membership of individual directors in accordance with policy, for cause or other appropriate reasons
- (e) Coordination of Board Agenda and Meeting Schedules
- (f) Assignment of Committee membership
- (g) Training and Orientation of directors
- (h) In conjunction with the Group Managing Director (“GMD”) and the Remuneration Committee, development of the GMD’s mission and objectives, succession for GMD and other senior executives, officers and key group managers, including annual evaluation of the performance of GMD.

During the year, 1 Nomination Committee Meeting was convened and 100% attendance was recorded at the Meeting held on 13 December 2002.

Remuneration Committee

The composition and category of directors in the Remuneration Committee are as follows:-

Category	No. of directors	Percentage
Non-executive, independent directors	2	67%
Executive Director	1	33%
Total	3	100%

Corporate Governance (cont.)

The duties of the Remuneration Committee are as follows:-

- (1) Establish a compensation strategy,
- (2) Establish compensation policies and programs,
- (3) Establish compensation levels of directors, managing director, presidents, top officers and management group,
- (4) Establish succession planning process,
- (5) Establish management development plans,
- (6) Establish compensation and employee benefit plans,
- (7) Administration of stock bonus plans, stock option plans, and
- (8) Establishment of other executive and director compensation arrangements.

The Remuneration Committee met once during the year on 13 December 2002 and 100% attendance was recorded.

Executive Share Option Scheme Committee (“Option Committee”)

The Option Committee was established on 19 April 2002.

The composition of the Option Committee are as follows:-

Category	No. of directors	Percentage
Non-Executive Independent Directors	2	67%
Executive Director	1	33%
Total	3	100%

The duty of the Option Committee is to administer the Executive Share Option Scheme of the Company in accordance to its Bye-Laws.

One meeting was convened during the year and 100% attendance was recorded.

Risk Management Committee

The composition of the Risk Management Committee are as follows:-

Category	No. of directors/staff	Percentage
Non-executive Independent Director	1	14%
Executive Directors	2	29%
Management Staff	4	57%
Total	7	100%

Corporate Governance (cont.)

The duties of the Risk Management Committee are as follows:-

- review and recommend overall risk management policies and processes; risk management tolerances and parameters used in establishing these tolerances;
- review the Company's risk profile and the mitigation plans to address significant residual risks;
- monitor significant risks through review of risk-related performance measures, and progress on action plans; and
- review the Corporate Risk Management Policy and Risk Management Framework annually to ensure that they are both relevant and viable in providing context for risk management activities at all levels of the Group.

Specific Duties:-

- Act as an agent of the Board to ensure that all decisions relating to risk activities taken by the Board are implemented and monitored throughout the Group;
- Design and implement an appropriate and robust Group Governance infrastructure and ensure it reflects the risk appetite set by the Board;
- Monitor the effectiveness of the Group Governance infrastructure (including the internal control environment) as a whole and make recommendations on improvements, to the Board where necessary;
- Ensure mitigation strategies/action plans have been enacted by relevant business units and are operating effectively;
- Align and promulgate policy guidelines with the business objectives set by the Board;
- Ensure that risk responsibility is being correctly transacted throughout the Group;
- Ensure that changing risk circumstances within the Group are communicated to the Board;
- Communicate and advise on expected standards in risk management and decisions taken to all areas of the business;
- Approve policy framework, set by relevant sub-committees, for measuring the controlling Group market, liquidity, credit and operational risks;
- Review all Group compliance monitoring reports on the members of the Group to ensure that requisite action is taken promptly to correct any deficiencies and report exceptions to the Board;
- Provide a quarterly report for the Board on the effectiveness of the risk management.

Other miscellaneous activities;

- Risk management training
- Publishing risk management policies and procedures
- Risk management communication with the business
- Technology to support Group Governance infrastructure

2 Risk Management Committee Meetings and 1 workshop were held during the year under review on the following dates:-

- 1) 21 May 2002
- 2) 28 August 2002
- 3) 29 November 2002 (workshop)

Corporate Governance (cont.)

Audit Committee

Composition of the Audit Committee

The audit committee comprises the following, three are non-executive independent directors and one executive director:-

Yeo Yong Siang
Chairman of the Audit Committee
(Non-Executive Independent Director)

Dato' Ibrahim bin Mahmud
Member of the Audit Committee
(Non-Executive Independent Director)

Fong Tshu Kwong @ Fong Tshun Kwong
Member of the Audit Committee
(Non-Executive Independent Director and a member of the Malaysian Institute of Accountants)

Chua Seng Guan
Member of the Audit Committee
(Executive Director)

Internal Auditor : Ernst & Young

The Audit Committee met 6 times during the year on the following dates:-

- 1) 26 February 2002
- 2) 23 May 2002 (meeting between external auditors and Independent Directors excluding the attendance of the executive member of the Committee.)
- 3) 23 May 2002
- 4) 28 August 2002
- 5) 25 November 2002
- 6) 13 December 2002

Details of attendance at the Audit Committee Meetings are as follows:-

Name of Audit Committee member	No. of Audit Committee meetings held	No. of Audit Committee meetings attended	Percentage of attendance
Yeo Yong Siang	6	6	100%
Dato' Ibrahim bin Mahmud	6	3	50%
Fong Tshu Kwong @ Fong Tshun Kwong	6	5	83%
Chua Seng Guan	5	5	100%

The activities of the audit committee for the financial year under review are as follows:-

- 1) review the external audit plan and the reporting requirements pursuant to Malaysian Accounting Standards Board.
- 2) review with external auditor, his audit report
- 3) review with external auditor, his evaluation of the system of internal controls
- 4) review the assistance given by the employees to the external auditor and internal auditor;
- 5) review the scope and functions of internal audit;
- 6) review the internal audit plan, the results of the findings or investigation undertaken and whether or not appropriate action has been taken based on the recommendations of the internal auditor;

Corporate Governance (cont.)

- 7) review related party transactions and share buy-back;
- 8) review internal auditor's fees.

During the year, the Audit Committee sought independent professional advice from a property valuer in order to determine a fair rental value for rental of property from a related party.

The meetings of the Audit Committee were attended by internal auditors, external auditors, General Manager, Group Financial Controller and the Company Secretary, who acts as Secretary of the Audit Committee.

Year 2002 Internal Audit Plan was drawn up in accordance with the high risk areas identified as a result of the risk assessment carried out.

Work Period Ending	Scope of review	Tabling at Audit Committee Meeting
Quarter 1, 2002	Production <ul style="list-style-type: none"> • Production planning conducted in Kuching (for Australia and Kuching market) • Conversion process (for products shipped to Australia) • Quality assurance (for products shipped to Australia) 	May 2002
Quarter 2, 2002	SAP Post Implementation Review <ul style="list-style-type: none"> • Segregation of duties (based on user access matrix for FI, SD and PP) • Basic system parameters and security settings • End-user feedback (system functionality and user friendliness) 	August 2002
Quarter 3, 2002	Retail Outlets <ul style="list-style-type: none"> • Distribution (Kuching, Petaling Jaya, Bangsar and Johor Bahru) • After sales service • Product performance tracking • Collection 	November 2002
Quarter 4, 2002	Follow up review on implementation of action plans for the following internal audit reports:- <ul style="list-style-type: none"> • Report 4, Year 2001 pertaining to Human Resources and Fixed Assets • Report 1, Year 2002 pertaining to production planning and conversion process 	February 2003

The overall review of the internal control system for the above areas covered, reveals that controls and policies are generally adequate and functioning satisfactory. On-going reviews were being carried out continuously to ensure the effectiveness of the system. Although the group's internal control system has been evaluated satisfactory, it can only provide reasonable but not absolute assurance in the event of material error or loss.

YEO YONG SIANG
Chairman of Audit Committee

Dated this 30th day of April 2003

TERMS OF REFERENCE

The Audit Committee of Kim Hin Board of Directors operates under the Terms of Reference as follows:-

1. Composition

An audit committee shall be appointed by the Board of Directors from amongst its directors and shall compose of the following:-

- a) no fewer than 3 members;
- b) majority of the audit committee must be independent directors;
- c) at least one member of the audit committee:-
 - i) must be a member of the Malaysian Institute of Accountants; or
 - ii) if he is not a member of the Malaysian Institute of Accountant, he must have at least 3 years' working experience and:-
 - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- d) no alternate director is to be appointed member of the audit committee;
- e) in the event of any vacancy in an audit committee resulting in the non-compliance of the above, the Company must fill the vacancy within 3 months; and
- f) the Board of Directors must review the term of office and performance of an audit committee and each of its members at least once every 3 years to determine whether such audit committee and members have carried out their duties in accordance with the terms of reference.

2. Chairman of the Audit Committee

The members of the audit committee shall elect a chairman from among their number who shall be an independent director.

3. Functions of the Audit Committee

The functions of the audit committee shall be as follows:-

- (1) review the following and report the same to the board of directors:-
 - (a) with the external auditor, the audit plan;
 - (b) with the external auditor, his evaluation of the system of internal controls;
 - (c) with the external auditor, his audit report;
 - (d) the assistance given by the employees to the external auditor;
 - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (f) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (g) the quarterly results and year end financial statements, prior to the approval by the Board of directors, focusing particularly on:-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant and unusual events; and
 - (iii) compliance with accounting standards and other legal requirements.

Corporate Governance (cont.)

- (h) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises question of management integrity;
- (i) any letter of resignation from the external auditors;
- (j) whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment and

(2) recommend the nomination of a person or persons as external auditors.

4. Rights of the Audit Committee

- A The duties of the audit committee shall be in accordance with the procedure determined by the Board of Directors and at the cost of the Company:-
- (a) have authority to investigate any matter within its terms of reference;
 - (b) have the resources which are required to perform its duties;
 - (c) have full and unrestricted access to any information pertaining the Company;
 - (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
 - (e) be able to obtain independent professional or other advice; and
 - (f) be able to convene meetings with the external auditors, excluding the attendance of the executive member of the committee, at least once a year.
- B Where any audit committee is of the view that a matter report by it to the Board of Directors has not been satisfactorily received resulting in a breach of these Requirements, the audit committee must promptly report such matter to the Exchange.



5. Procedure of Audit Committee Meetings

Calling a Meeting

- a. Any member may call a meeting.
- b. Upon the request of external auditor, the Chairman of the audit committee shall convene a meeting of the committee.

Notice of Meeting

Notice of meeting shall be circulated to members one week in advance. In case of shorter notice by majority in number of the members, the accidental omission to give notice of a meeting to, or the non-receipt of such notice of a Meeting, by any member shall not invalidate proceedings of a meeting.

Quorum

To form a quorum of an audit committee meeting, the majority of members present must be independent directors.

Attendance of other Directors and Employees

The other directors and employees may be invited to attend the audit committee meeting, specific to the relevant meeting.

Voting and Proceedings

Questions arising of any audit committee meeting shall be decided by a majority of votes, each member having one (1) vote and in the case of equality of votes the Chairman shall have a second or casting vote.

Minutes

The Secretary shall be responsible for the custody, production and inspection of the audit committee minutes.

6. Audit Committee Report

The audit committee must prepare a report at each of the financial year that complies with subparagraphs (a) and (b) below.

- (a) The audit committee report must be clearly set out in the annual report of the Company.
- (b) The audit committee report shall include the following:-
 - (i) the composition of the audit committee, including the name, designation (indicating the Chairman) and directorship of the members (including whether the directors are independent or otherwise)
 - (ii) the terms of reference of the audit committee;
 - (iii) the number of audit committee meeting held during the financial year and details of attendance of each committee member ; a summary of the activities of the audit committee in the discharge of its functions and duties for that financial year; and the existence of the internal audit function or activity and where there is such a function or activity; a summary of the activities of the function or activity. Where such a function or activity does not exist, an explanation of the mechanisms that exist to enable the audit committee to discharge its functions effectively.

Profile of Directors

CHUA SENG GUAN

Executive Chairman

Aged 45, Chua Seng Guan, a Malaysian, graduated with a Bachelor of Arts, Honours degree in Business Law from the City of London Polytechnic, United Kingdom and was called to the Bar at Gray's Inn at the end of 1983. After he had chambered and worked at Gray's Inn and Inner Temple, he returned to Malaysia and joined the Company as a Marketing Director on 22 October 1985. He is a member of the Audit Committee, Remuneration Committee and Risk Management Committee.

He is also a director of Webspay Limited, a public listed company in Australia.

Chua Seng Guan is the brother of John Chua Seng Chai, Chua Yew Lin and Pauline Getrude Chua Hui Lin who are also the Directors of the Company.

Chua Seng Guan attended six (6) of the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2002.

Securities holdings

Name of Company	Ordinary Shares of RM1.00 each		ESOS Options
	Direct shareholding	Indirect shareholding	
Kim Hin Industry Berhad	Nil		1,000,000
Major shareholder:- Kim Hin (Malaysia) Sdn. Bhd.		62,254,025	

JOHN CHUA SENG CHAI

Group Managing Director

Aged 44, a Malaysian, obtained his Bachelor of Arts (Economics) Honours degree from the University of Warwick, United Kingdom. He was appointed to the Board as a Production Director on 2 October 1981. He is a member of the Risk Management Committee and Option Committee.

John Chua Seng Chai has a direct shareholding of 24,650 ordinary shares of RM1.00 each in the Company and has an indirect shareholding of 62,254,025 ordinary shares of RM1.00 each in the Company.

John Chua Seng Chai is the brother of Chua Seng Guan, Chua Yew Lin and Pauline Getrude Chua Hui Lin who are also the Directors of the Company.

He attended six (6) of the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2002.

Securities holdings

Name of Company	Ordinary Shares of RM1.00 each		ESOS Options
	Direct shareholding	Indirect shareholding	
Kim Hin Industry Berhad	24,650		1,000,000
Major shareholder:- Kim Hin (Malaysia) Sdn. Bhd.		62,254,025	

Profile of Directors (cont.)

CHUA YEW LIN

Finance Director

Aged 40, a Malaysian, completed her secondary education in Kuching. She joined the Company in 1980 as Office Manager and was promoted to the Board as Director on 2 October 1981. She became the Finance Director in 1985 and was responsible for the overall financial and treasury operations of the Group.

Chua Yew Lin is the sister of Chua Seng Guan, John Chua Seng Chai and Pauline Getrude Chua Hui Lin who are also the Directors of the Company.

She attended six (6) of the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2002.

Securities holdings

Name of Company	Ordinary Shares of RM1.00 each		ESOS Options
	Direct shareholding	Indirect shareholding	
Kim Hin Industry Berhad	17,400		830,000
Major shareholder:- Kim Hin (Malaysia) Sdn. Bhd.		62,254,025	

PAULINE GETRUDE CHUA HUI LIN

Administration Director

Aged 41, a Malaysian, completed her secondary education in Kuching. She joined the Company in 1980, initially serving in the Accounts Department and was appointed to the Board of Director of Kim Hin Industry Berhad in 1981 and later as Alternate Director of Chua Seng Guan in 1985. She was later re-appointed as Director of Kim Hin Industry Berhad on 1 January 1992. She is currently the Administration Director of the Company responsible for the day-to-day administration and operating procedures of the Group.

Pauline is the sister of Chua Seng Guan, John Chua Seng Chai and Chua Yew Lin who are also the Directors of the Company.

She attended all seven (7) of the Board Meetings held during the financial year ended 31 December 2002.

Securities holdings

Name of Company	Ordinary Shares of RM1.00 each		ESOS Options
	Direct shareholding	Indirect shareholding	
Kim Hin Industry Berhad	2,900		830,000
Major shareholder:- Kim Hin (Malaysia) Sdn. Bhd.		62,254,025	

Profile of Directors (cont.)

VINCENT GERARD KHOO (JSM, JBK, KMN, PBS, AMN)
Security Director

Aged 67, a Malaysian, completed his secondary education in Kuching. He joined the Sarawak Constabulary on 1 June 1956 as probationary inspector and rose through the inspectorate and gazetted ranks to Senior Assistant Commissioner of Police before his retirement on 17 July 1992. During his service he had gone through the mill of CID Investigation Officer, Prosecutor, Special Branch Officer, General Duty Police and Administrator. He was actively involved and participated in the fight against the communist insurgency and the Indonesian confrontation. He joined Kim Hin Industry Berhad on 14 July 1992 as Security Director.

He attended all seven (7) of the Board Meetings held during the financial year ended 31 December 2002.

Securities holdings

Name of Company	Ordinary Shares of RM1.00 each		ESOS Options
	Direct shareholding	Indirect shareholding	
Kim Hin Industry Berhad	Nil	Nil	250,000

YEO YONG SIANG (PPT)
Independent Non-Executive Director

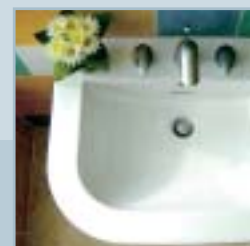
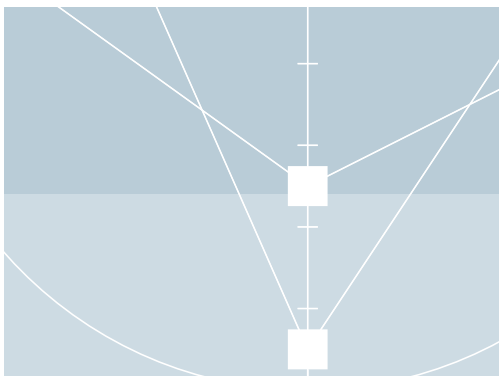
Aged 64, a Malaysian, completed his secondary education in Kuching. He joined the Sarawak Land and Survey Department in early January 1960. He served as an Accounts Assistant in the Land Office, Valuation, Registry Office and retired on 10 June 1994 as an Enforcement Officer. He was appointed as Independent Non-Executive Director of Kim Hin Industry Berhad on 9 August 1996. He is the Chairman of the Audit Committee, member of the Remuneration Committee, Nomination Committee and Option Committee.

He attended six (6) of the seven (7) Board Meetings held during the financial year ended 31 December 2002.

DATO' IBRAHIM BIN MAHMUD (PPB, PPP, DIMP)
Independent Non-Executive Director

Aged 60, a Malaysian, completed his secondary education in Kuching. Dato' Ibrahim joined the Sarawak Constabulary on 12 March 1964 as Constable and he retired as Divisional Superintendent from the Police Field Force on 1 March 1998. He joined Kim Hin Industry Berhad on 25 August 1999 as an Independent Non-Executive Director. He is also member of the Audit Committee, Remuneration Committee, Nomination Committee and Option Committee.

He attended five (5) of the seven (7) Board Meetings held during the financial year ended 31 December 2002.



Profile of Directors (cont.)

FONG TSHU KWONG @ FONG TSHU KWONG

Independent Non-Executive Director

Aged 44, a Malaysian, Fong Tshu Kwong is a Chartered Accountant (Malaysia) and is a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and Malaysian Institute of Corporate Governance.

He started his career in Ernst & Young and has over 18 years of professional experience in accounting, secretarial, assurance and advisory business services, taxation, management consultancy and corporate advisory services in the London and Malaysian offices. Since April 1996, he has been the Managing Director of OMG Fidelity (Malaysia) Sdn Bhd, a wholly-owned subsidiary of OM Group Inc., USA, a NYSE listed company.

Fong Tshu Kwong was appointed to the Board as an Independent Non-Executive Director on 21 May 2001. He is a member of the Audit Committee and Risk Management Committee.

Fong Tshu Kwong is also an Independent Non-Executive Director of Sarawak Oil Palms Berhad.

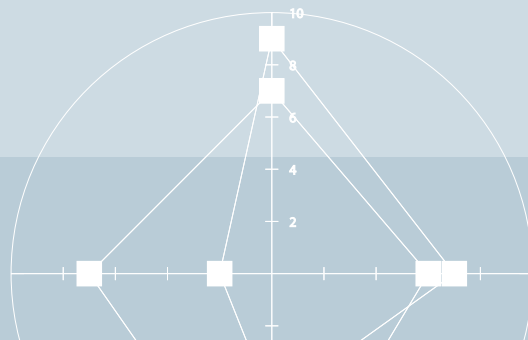
Fong Tshu Kwong attended five (5) of the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2002.

Securities holdings

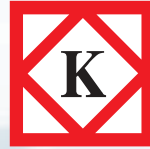
Name of Company	Ordinary Shares of RM1.00 each		ESOS Options
	Direct shareholding	Indirect shareholding	
Kim Hin Industry Berhad	20,000	Nil	Nil

Save as disclosed, none of the Directors has

- (i) any interest in the Company or its subsidiaries;
- (ii) any family relationship with any Director and/or major shareholder of the Company;
- (iii) any conflict of interest with the Company; and
- (iv) any conviction of offences within the past 10 years other than traffic offences



Management team & corporate structure

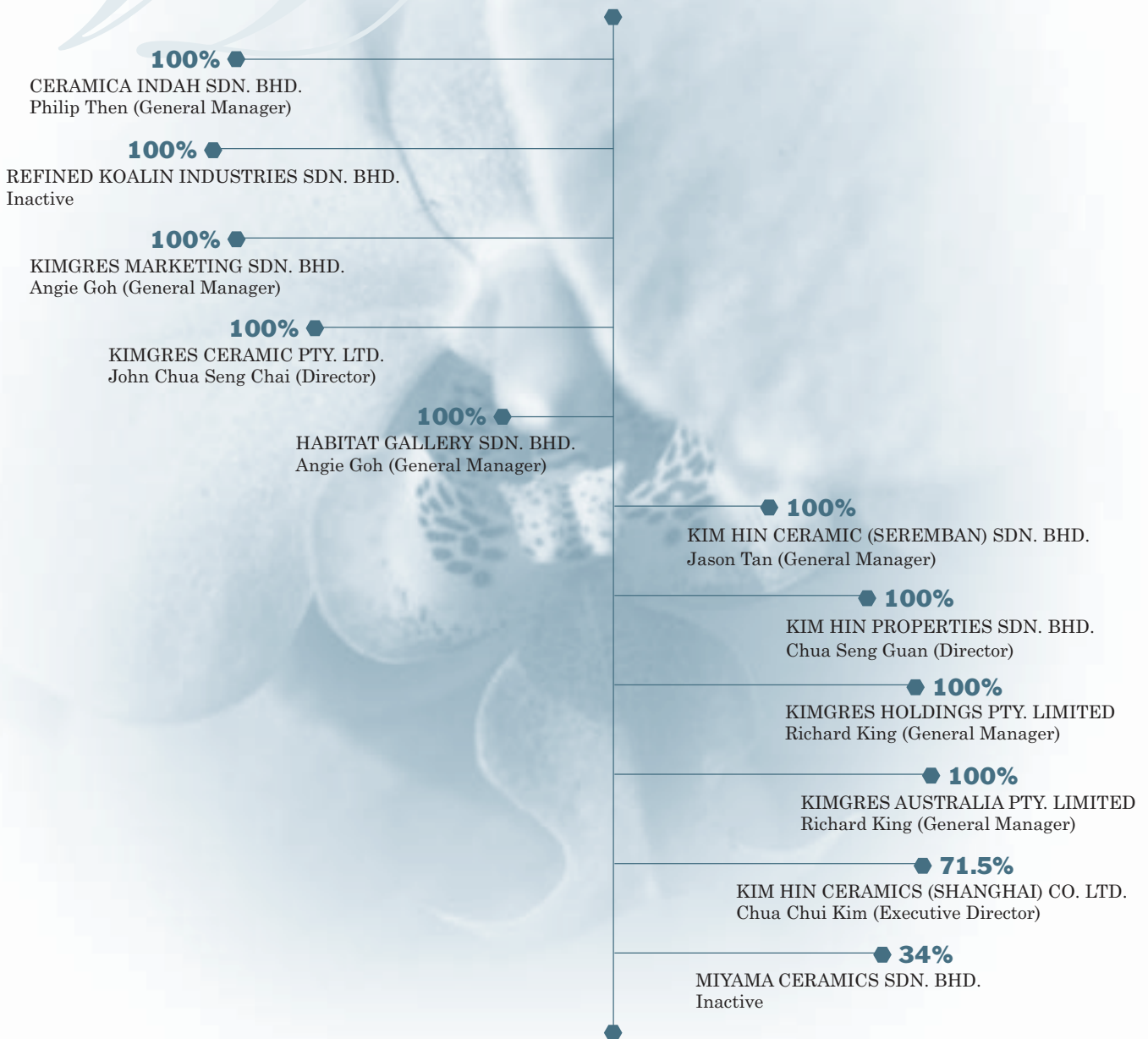


KIM HIN INDUSTRY BERHAD

(018203-V)

Chua Seng Guan
(Executive Chairman)

John Chua Seng Chai
(Group Managing Director)



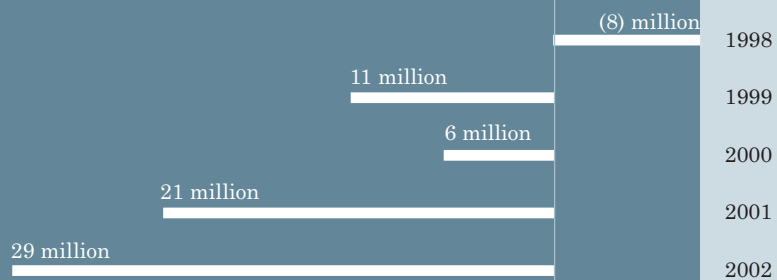
Financial highlights

TURNOVER (RM)



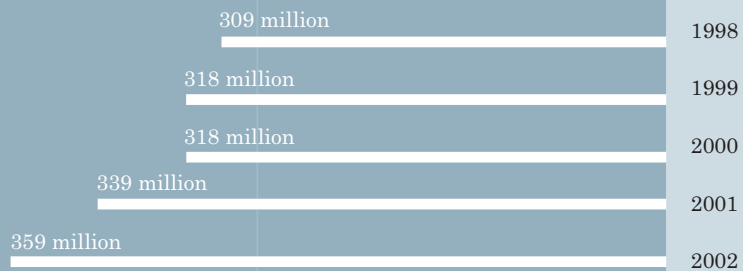
200 Million

PROFIT AFTER TAXATION (RM)



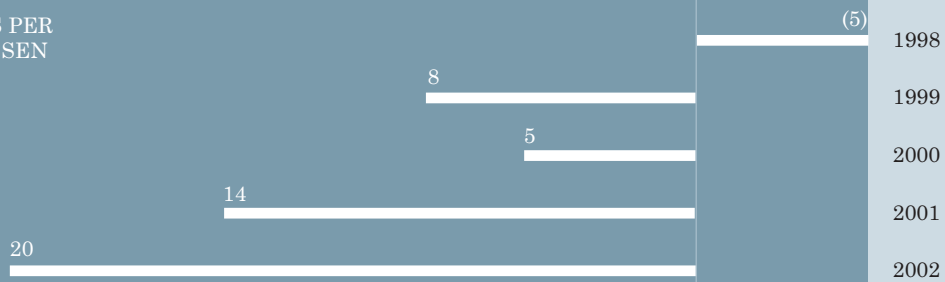
0 Million

SHAREHOLDERS' FUND (RM)



300 Million

NET EARNINGS PER SHARE (BASIC) SEN



0 Sen

Financial highlights



Directors' Report

The Directors present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31st December, 2002.

Principal activities

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiary and associated companies are set out in Note 2 to the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit after taxation	29,498	7,281
Minority interests	(551)	-
	<u>28,947</u>	<u>7,281</u>
Net profit for the year	<u>28,947</u>	<u>7,281</u>

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

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

Share buy-backs

During the year, pursuant to the authorities granted by the shareholders of the Company to the Directors at the Annual General Meeting held on 23rd May, 2002, the Company purchased during the year a total of 1,643,000 of its issued shares from the open market for a total cost of RM3,274,239. The average cost paid for the shares purchased during the current financial year was RM1.99 per share. Subsequent to the balance sheet date and up to 7th April, 2003, being the last practicable date prior to the printing of this report, the Company purchased an additional 341,000 shares for a total cost of RM630,097. The average cost paid for the share purchased during the period was RM1.85 per share.

The above purchases were financed from the Company's internal funds. The shares purchased are held as treasury shares. As at 7th April, 2003, the issued and paid up capital of the Company comprises 145,808,013 ordinary shares of RM1.00 each, of which 1,984,000 ordinary shares are held as treasury shares.

Movements on share buy-backs

	Number of shares	RM'000	Average price per share RM
Purchased during the year ended 31st December, 2002	1,643,000	3,274,239	1.99
As at 31st December, 2002	1,643,000	3,274,239	1.99
Purchased subsequent to 31st December, 2002	341,000	630,097	1.85
As at 7th April, 2003	<u>1,984,000</u>	<u>3,904,336</u>	<u>1.97</u>

The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the share buy-backs plan can be applied in the best interests of the Company and its shareholders.

Directors' Report (contd.)**Dividends**

During the year, the Company paid a first and final dividend of 5%, tax exempt, amounting to RM7,194,201 in respect of the financial year ended 31st December, 2001.

The directors now recommend the payment of a first and final dividend of 5%, tax exempt, amounting to RM7,285,501, in respect of the year under review, which shall be subject to the approval of shareholders at the forthcoming Annual General Meeting.

Share capital

During the current financial year, the issued and paid-up share capital of the Company was increased from RM145,199,013 to RM145,710,013 by the issuance of 511,000 new ordinary shares of RM1.00 each on the conversion of 511,000 options granted under the Executive Share Option Scheme at the exercise price of RM1.60 each.

Significant events

The Company has on 22nd April, 2002, further subscribed to the allotment of 499,998 ordinary shares of RM1.00 each by its wholly-owned subsidiary, Habitat Gallery Sdn. Bhd., at par for cash.

During the year, the Company has also acquired an additional 1.5% equity interest in its subsidiary company, Kim Hin Ceramics (Shanghai) Co. Ltd. for a cash consideration of RM671,707. The Company now holds 71.5% equity interest in Kim Hin Ceramics (Shanghai) Co. Ltd.

Executive share option scheme

The Company has on 1st April, 2002 terminated the previous Executive Share Option Scheme (ESOS), which commenced on 21st February, 2000, and established the current ESOS based on the guidelines issued by the Securities Commissioner on 10th May, 2001.

Pursuant to the Company's ESOS which came into effect on 23rd April, 2002, 1,000 options were approved under the ESOS and offered to an Executive Director of the Company at the offer price of RM1.76 per share.

A second offer of 14,518,000 options was approved to be offered to eligible employees and Executive Directors of the Company and its subsidiary companies on 24th May, 2002 at the offer price of RM1.60 per share.

As the Company has obtained approval from the Commissioner of Companies Malaysia to be exempted from disclosing details of eligible employees who have been granted options during the current financial year under ESOS, no disclosure is made pursuant to Section 169 (11) and 169A of the Companies Act, 1965.

The main features of the ESOS are:

- (a) Eligible employees are all executives and Executive Directors of the Company or of the Group who have been confirmed in the employment of the Group for a continuous period of one year prior to the offer or who are on contract of not less than three years with the Group and have served for a continuous period of one year prior to the offer.
- (b) The total number of new shares to be offered under the Scheme shall not exceed 10% of the issued share capital of the Company at any point in time during the existence of the ESOS.
- (c) The option period is for five years from 23rd April, 2002, being the date on which the last of the requisite approvals was obtained.
- (d) The option price for each RM1.00 share shall be the average of the mean market quotation of the shares as shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the five days immediately preceding the date of offer of the option.
- (e) The option granted under the ESOS shall be capable of being exercised on any market day during the option period. The option may be exercised in full or in any lesser number provided the number shall be in multiples of 1,000 shares subject to 25%, 30% or 50% of the allocation per annum depending on the number of options granted.

Executive share option scheme (contd.)

(f) The number of options offered shall not be less than 1,000 shares and shall be in the multiples of 1,000 shares.

The status of the scheme at the end of the current financial year was as follows:

A.	Total options approved for ESOS on 23rd April, 2002	14,519,000
B.	Total options offered on 23rd April, 2002	1,000
C.	Total options offered under the second offer of ESOS	14,518,000
D.	Total options rejected in 2002	5,000
E.	Total options forfeited in 2002 upon resignation	145,000
F.	Total options exercised in 2002	511,000
G.	Balance of options available for exercise as at the close of business on 31st December, 2002 [G = B + C – D - E - F]	13,858,000

Directors

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Chua Seng Guan	(Executive Chairman)
John Chua Seng Chai	(Group Managing Director)
Chua Yew Lin	
Pauline Getrude Chua Hui Lin	
Vincent Gerard Khoo	
Yeo Yong Siang	
Dato' Ibrahim Bin Mahmud	
Fong Tshu Kwong @ Fong Tshun Kwong	

At the forthcoming Annual General Meeting of the Company, Chua Yew Lin, Vincent Gerard Khoo and Dato' Ibrahim bin Mahmud shall retire in accordance with Article 84 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company is a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, and/or debentures of the Company or any other body corporate other than the options over shares granted by the Company to eligible employees, including Executive Directors of the Company, pursuant to the Company's Executive Share Option Scheme.

Directors' interests in shares

The following Directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act, 1965, an interest in shares and/or options of the Company as stated below:

(a) Shareholdings registered in the name of Directors:

	Number of ordinary shares of RM1.00 each			As at 31.12.2002
	As at 1.1.2002	During the year	As at	
		Bought	Sold	
John Chua Seng Chai	24,650	-	-	24,650
Chua Yew Lin	17,400	-	-	17,400
Pauline Getrude Chua Hui Lin	2,900	-	-	2,900
Fong Tshu Kwong @ Fong Tshun Kwong	20,000	-	-	20,000

Directors' Report (contd.)

Directors' interests in shares (contd.)

(b) Shareholdings in which Directors are deemed to have an interest:

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2002	During the year		As at 31.12.2002
		Bought	Sold	
Chua Seng Guan	62,254,025	-	-	62,254,025
John Chua Seng Chai	62,254,025	-	-	62,254,025
Chua Yew Lin	62,254,025	-	-	62,254,025
Pauline Getrude Chua Hui Lin	62,254,025	-	-	62,254,025

(c) Number of options granted to Directors under Executive Share Option Scheme:

	Options over ordinary share of RM1.00 each			
	Exercise price	As at date of offers	Exercise of options	As at 31.12.2002
Chua Seng Guan	1.60	1,000,000	-	1,000,000
John Chua Seng Chai	1.76	1,000	-	1,000
	1.60	999,000	-	999,000
Chua Yew Lin	1.60	830,000	-	830,000
Pauline Getrude Chua Hui Lin	1.60	830,000	-	830,000
Vincent Gerard Khoo	1.60	250,000	-	250,000

By virtue of their indirect interest in shares of Kim Hin Industry Berhad and Section 6A of the Companies Act, 1965, Chua Seng Guan, John Chua Seng Chai, Chua Yew Lin and Pauline Getrude Chua Hui Lin are also deemed interested in the shares of the subsidiary companies of Kim Hin Industry Berhad to the extent that Kim Hin Industry Berhad has an interest.

None of the other Directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act, 1965, an interest in shares and options in the Company or its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest required to be disclosed by Section 169(8) of the Companies Act, 1965 except as disclosed in Note 27 to the financial statements.

Directors' remuneration

The Group's remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting personnel of an appropriate quality. Accordingly, the remuneration paid or payable to Executive Directors and Non-Executive Directors of the Company are disclosed as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Executive Directors				
Fees	125	136	125	136
Salaries and bonuses	1,913	1,846	1,250	1,076
Employees Provident Fund	323	347	212	206
Benefits in kind	196	124	149	73
	<u>2,557</u>	<u>2,453</u>	<u>1,736</u>	<u>1,491</u>

Directors' Report (contd.)

Directors' remuneration (contd.)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Non-Executive Directors				
Fees	<u>75</u>	<u>65</u>	<u>75</u>	<u>65</u>

The remuneration paid to Executive Directors and Non-Executive Directors of the Company are further analysed as follows:

Bands of remuneration	Number of Directors			
	Executive 2002	2001	Non-Executive 2002	2001
Nil - RM50,000	-	-	3	3
RM50,001 - RM100,000	-	-	-	-
RM100,001 - RM150,000	1	1	-	-
RM150,001 - RM200,000	-	-	-	-
RM200,001 - RM250,000	-	-	-	-
RM250,001 - RM300,000	-	-	-	-
RM300,001 - RM350,000	-	3	-	-
RM350,001 - RM400,000	2	-	-	-
RM400,001 - RM450,000	-	-	-	-
RM450,001 - RM500,000	-	-	-	-
RM500,001 - RM550,000	-	-	-	-
RM550,001 - RM600,000	-	1	-	-
RM600,001 - RM650,000	-	-	-	-
RM650,001 - RM700,000	-	1	-	-
RM700,001 - RM750,000	-	-	-	-
RM750,001 - RM800,000	-	-	-	-
RM800,001 - RM850,000	2	-	-	-

Other statutory information

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report of financial statements of the Group and of the Company which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Directors' Report (contd.)**Other statutory information (contd.)**

- (c) At the date of this report, the Directors are not aware of circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements and consolidated financial statements misleading.
- (e) As at the date of this report there does not exist:
- (i) 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 liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent liability or other liability of the Group and of the Company 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 affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and
 - (ii) 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.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

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

John Chua Seng Chai
Group Managing Director

Chua Yew Lin
Director

Kuching, Malaysia

Date: 15 April 2003

Statement by directors pursuant to Section 169(15) of the Companies Act, 1965

We, **John Chua Seng Chai** and **Chua Yew Lin**, being two of the Directors of **Kim Hin Industry Berhad**, do hereby state that in the opinion of the Directors, the accompanying financial statements set out on pages 42 to 77 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of:

- (i) the financial position of the Group and of the Company as at 31st December, 2002 and of the results of the Group and of the Company for the year then ended; and
- (ii) the cash flows of the Group and of the Company for the year ended on 31st December, 2002.

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

John Chua Seng Chai
Group Managing Director

Chua Yew Lin
Director

Date: 15 April 2003

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Loi Pui Khim**, being the officer primarily responsible for the financial management of **Kim Hin Industry Berhad**, do hereby solemnly and sincerely declare that the accompanying financial statements set out on pages 42 to 77 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 relevant legislation governing statutory declarations in Malaysia.

Loi Pui Khim (MIA 7259)

Subscribed and solemnly declared by
the abovenamed **Loi Pui Khim**
at Kuching in the State of Sarawak
on 15 April 2003

Before me,

Voon Wui Tat
Commissioner for Oaths

Report of the auditors to the members of Kim Hin Industry Berhad

We have audited the accompanying financial statements set out on pages 42 to 77. 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 have conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31st December, 2002 and of the results and cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 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 its subsidiaries 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 the auditors' reports of the subsidiaries of which we have not acted as auditors, as indicated in Note 2 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 subsidiaries 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 required by us for those purposes.

The auditors' reports on the financial statements in respect of the subsidiaries were not subject to any qualification material to the consolidated financial statements and in respect of subsidiary companies incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Companies Act, 1965.

ERNST & YOUNG

AF: 0039

Chartered Accountants

YONG VOON KAR

1769/04/04 (J/PH)

Partner

Kuching, Malaysia.

Date : 15 April 2003

Income Statements

for the year ended 31st December, 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue	3	222,396	203,584	264	264
Cost of sales		(152,093)	(140,825)	-	-
Gross profit		70,303	62,759	264	264
Other operating income		9,724	3,974	13,585	12,891
Selling and distribution expenses		(17,161)	(17,998)	-	-
Administrative expenses		(31,433)	(25,460)	(6,420)	(5,795)
Other operating expenses		(246)	(2,741)	(148)	(658)
Profit from operations		31,187	20,534	7,281	6,702
Finance cost		(212)	(268)	-	-
Share of associate's result		(78)	(152)	-	-
Profit before taxation	4	30,897	20,114	7,281	6,702
Taxation	5	(1,399)	(951)	-	-
Profit after taxation		29,498	19,163	7,281	6,702
Minority interest		(551)	1,424	-	-
Net profit for the year		<u>28,947</u>	<u>20,587</u>	<u>7,281</u>	<u>6,702</u>
Earnings per share (sen)	6				
- basic		20.0	14.2		
- diluted		<u>19.6</u>	<u>14.2</u>		
Dividends per share (sen)	7				
- tax exempt		<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>

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

Balance Sheets

as at 31st December, 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Non-current assets					
Property, plant and equipment	8	155,121	169,387	29,887	31,255
Investments in subsidiary companies	9	-	-	71,110	69,938
Investments in an associated company	10	261	340	261	340
Other investments	11	1,535	5,057	1,535	5,057
Goodwill on consolidation		10,380	10,397	-	-
Current assets					
Inventories and work-in-progress	12	61,271	72,844	-	-
Trade receivables	13	52,855	56,392	-	-
Other receivables, deposits and prepayments		6,112	4,382	2,304	2,165
Amount due from related companies	14	222	298	120,896	157,145
Fixed deposits with licensed banks		109,461	69,664	85,028	47,506
Cash and bank balances		5,553	4,419	43	14
		<u>235,474</u>	<u>207,999</u>	<u>208,271</u>	<u>206,830</u>
Current liabilities					
Short term borrowings	15	2,522	3,934	-	39
Trade payables	16	18,694	23,661	-	-
Other payables and accruals	17	8,055	12,150	1,198	1,146
Tax payable		321	856	-	-
		<u>29,592</u>	<u>40,601</u>	<u>1,198</u>	<u>1,185</u>
Net current assets		<u>205,882</u>	<u>167,398</u>	<u>207,073</u>	<u>205,645</u>
		<u>373,179</u>	<u>352,579</u>	<u>309,866</u>	<u>312,235</u>
Financed by:					
Share capital	18	145,710	145,199	145,710	145,199
Treasury shares		(3,274)	-	(3,274)	-
Reserves	19	216,123	193,341	167,430	167,036
Shareholders' equity		<u>358,559</u>	<u>338,540</u>	<u>309,866</u>	<u>312,235</u>
Minority interest		13,587	13,590	-	-
Long term and deferred liabilities					
Long term liabilities	20	779	299	-	-
Deferred taxation	21	254	150	-	-
		<u>373,179</u>	<u>352,579</u>	<u>309,866</u>	<u>312,235</u>

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

Consolidated Statement of Changes in Equity

for the year ended 31st December, 2002

Group	Distributable		Non-Distributable			Total RM'000		
	Share capital RM'000	Treasury shares RM'000	Revenue reserve RM'000	Share premium reserve RM'000	Revaluation reserve RM'000		Reserve fund and enterprise expansion fund RM'000	Translation adjustment account RM'000
Balance at 1st January, 2001	145,199	-	114,863	45,050	140	899	12,038	318,189
Net profit for the year	-	-	20,587	-	-	-	-	20,587
Transfer between reserves	-	-	(160)	-	160	-	-	-
Currency translation differences	-	-	-	-	-	-	(236)	(236)
Balance at 31st December, 2001	145,199	-	135,290	45,050	300	899	11,802	338,540
Issuance of shares under ESOS	511	-	-	-	-	-	-	511
Premium on shares issued	-	-	-	307	-	-	-	307
Purchase of treasury shares	-	(3,274)	-	-	-	-	-	(3,274)
Net profit for the year	-	-	28,947	-	-	-	-	28,947
Dividend paid	-	-	(7,194)	-	-	-	-	(7,194)
Currency translation differences	-	-	-	-	-	-	722	722
Balance at 31st December, 2002	145,710	(3,274)	157,043	45,357	300	899	12,524	358,559

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

Statement of Changes in Equity

for the year ended 31st December, 2002

Company	Share capital RM'000	Treasury shares RM'000	Distributable		Non-Distributable		Total RM'000
			Revenue reserve RM'000	Share premium reserve RM'000	Revaluation reserve RM'000		
Balance at 1st January, 2001	145,199	-	113,098	45,050	2,186	305,533	
Net profit for the year	-	-	6,702	-	-	6,702	
Transfer between reserves	-	-	(160)	-	160	-	
Balance at 31st December, 2001	145,199	-	119,640	45,050	2,346	312,235	
Issuance of shares under ESOS	511	-	-	-	-	511	
Premium on shares issued	-	-	-	307	-	307	
Purchase of treasury shares	-	(3,274)	-	-	-	(3,274)	
Net profit for the year	-	-	7,281	-	-	7,281	
Dividend paid	-	-	(7,194)	-	-	(7,194)	
Balance at 31st December, 2002	145,710	(3,274)	119,727	45,357	2,346	309,866	

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

Consolidated Cash Flow Statement

for the year ended 31st December, 2002

	2002 RM'000	2001 RM'000
Cash flows from operating activities		
Profit before taxation	30,897	20,114
Adjustments for:		
Allowance for diminution in value of investment	1	3
Allowance for doubtful debts less allowance no longer required	(421)	828
Allowance for inventories obsolescence	-	703
Bad debts written off	182	52
Depreciation of property, plant and equipment	23,922	23,590
Dividend income	(227)	(57)
Gain on disposal of property, plant and equipment	(1,631)	(966)
Interest expense	212	268
Interest income	(3,078)	(2,491)
Inventories written off	33	40
Loss on disposal of investment	33	4
Share of associate's results	78	152
Unrealised (gain)/loss on foreign exchange	(2,302)	120
Operating profit before working capital changes	47,699	42,360
Changes in working capital:		
Inventories	12,336	(9,978)
Receivables	3,347	(6,451)
Payables	(9,612)	(2,139)
Cash generated from operations	53,770	23,792
Interest paid	(212)	(268)
Interest received	254	195
Income tax paid net of refund	(2,575)	53
Net cash generated from operating activities	51,237	23,772
Cash flows from investing activities		
Acquisition of property, plant and equipment	(10,155)	(8,261)
Acquisition of quoted investment	(227)	(5,057)
Acquisition of treasury shares	(3,274)	-
Additional investment in subsidiary companies	(672)	-
Dividend received	227	57
Interest received	2,824	2,296
Proceeds from disposal of investment	3,716	3
Proceeds from disposal of property, plant and equipment	4,169	1,569
Repayment of advances to an associated company	8	-
Net cash used in investing activities	(3,384)	(9,393)

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

Consolidated Cash Flow Statement (contd.)

for the year ended 31st December, 2002

	2002 RM'000	2001 RM'000
Cash flows from financing activities		
Dividend paid	(7,194)	(7,260)
Dividend paid to minority shareholders	(98)	-
Proceeds from issuance of shares	818	-
Repayment of term loan	(84)	(2,428)
Repayment of lease payables	(300)	(179)
Term loan obtained	-	2,295
	<u> </u>	<u> </u>
Net cash used in financing activities	(6,858)	(7,572)
	<u> </u>	<u> </u>
Net increase in cash and cash equivalents	40,995	6,807
Effects of exchange rate changes on cash and cash equivalents	1,267	155
Cash and cash equivalents at the beginning of the year	72,752	65,790
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the year	<u>115,014</u>	<u>72,752</u>

Analysis of acquisition of property, plant and equipment:

During the year, the Group acquired property, plant and equipment by the following means:

Cash	10,155	8,261
Lease instalment arrangement	672	279
	<u> </u>	<u> </u>
	<u>10,827</u>	<u>8,540</u>

Analysis of cash and cash equivalents:

Cash and bank balances	5,553	4,419
Fixed deposits with licensed banks	109,461	69,664
Bank overdrafts, unsecured (Note 15)	-	(1,331)
	<u> </u>	<u> </u>
	<u>115,014</u>	<u>72,752</u>

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

Cash Flow Statement

for the year ended 31st December, 2002

	Note	2002 RM'000	2001 RM'000
Cash flows from operating activities			
Operating profit before taxation		7,281	6,702
Adjustments for:			
Allowance for diminution in value of investment		79	340
Allowance for doubtful debts		68	116
Depreciation of property, plant and equipment		1,562	1,582
Dividend income		(11,073)	(10,557)
Gain on disposal of property, plant and equipment		(1)	(326)
Interest income		(1,986)	(1,680)
Loss on disposal of investment		33	-
Unrealised (gain)/loss on foreign exchange		(242)	202
Operating loss before working capital changes		<u>(4,279)</u>	<u>(3,621)</u>
Changes in working capital:			
Receivables		(139)	46
Payables		52	93
Amount due from related companies		36,415	(4,327)
Net cash generated from/(used in) operating activities		<u>32,049</u>	<u>(7,809)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(194)	(120)
Acquisition of quoted investments		(227)	(5,057)
Acquisition of treasury shares		(3,274)	-
Additional investment in subsidiary companies		(1,172)	-
Dividends received		11,073	10,557
Interest received		1,986	1,680
Investment in a subsidiary company	22(c)	-	*
Proceeds from disposal of investment		3,716	-
Proceeds from disposal of property, plant and equipment		1	746
Repayment of advances to an associated company		8	-
Net cash generated from investing activities		<u>11,917</u>	<u>7,806</u>
Cash flows from financing activities			
Proceeds from issuance of shares		818	-
Dividend paid		(7,194)	(7,260)
Net cash used in financing activities		<u>(6,376)</u>	<u>(7,260)</u>
Net increase/(decrease) in cash and cash equivalents		37,590	(7,263)
Cash and cash equivalents at the beginning of the year		47,481	54,744
Cash and cash equivalents at the end of the year		<u><u>85,071</u></u>	<u><u>47,481</u></u>

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

Cash Flow Statement (contd.)

for the year ended 31st December, 2002

	2002 RM'000	2001 RM'000
Analysis on acquisition of property, plant and equipment:		
During the year, the Company acquired property, plant and equipment by the following mean:		
Cash	<u>194</u>	<u>120</u>
Analysis of effect of acquisition of a subsidiary company:		
* The cash outflow on investment in a subsidiary company was RM2. The details of the effect of acquisition of a subsidiary company are set out in Note 22 to the financial statements.		
Analysis of cash and cash equivalents:		
Cash and bank balances	43	14
Fixed deposits with licensed banks	85,028	47,506
Bank overdrafts, unsecured (Note 15)	-	(39)
	<u>85,071</u>	<u>47,481</u>

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

Notes to the financial statements

31st December, 2002

1. Significant accounting policies

(a) Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention, modified to include the revaluation of certain property, plant and equipment and investments in certain subsidiary companies and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

In the financial year ended 31st December, 2002, the Group and the Company continued to apply certain transitional provisions of the MASB Approved Accounting Standard IAS16, Property, Plant and Equipment, announced by the MASB, by virtue of which a reporting enterprise is allowed to retain carrying amounts on the basis of their previous revaluation (subject to continuity in depreciation policy and requirement to write an asset down to its recoverable amount) if it does not further revalue its property, plant and equipment.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies for the year ended 31st December, 2002. The results of subsidiary companies acquired or disposed during a year are included in or excluded from the consolidated financial statements from the respective dates of acquisition or disposal, as applicable. All inter-company transactions, balances and unrealised surpluses and deficits on transactions with and between group companies are eliminated.

Goodwill or reserve on consolidation represents the difference between the consideration paid for the shares in the subsidiary companies and the value of attributable net assets acquired, as applicable. Goodwill is not amortised but write-offs are made where, in the opinion of the Directors, a permanent diminution in value has occurred.

A list of the Group's subsidiary companies is shown in Note 2 to the financial statements.

(c) Subsidiary companies

Investments in subsidiary companies, which are eliminated on consolidation, are stated at cost or valuation in the Company's financial statements.

Investments in subsidiary companies are revalued, where market conditions indicate that the fair values of the revalued investment materially differ from the underlying net tangible values of the subsidiary companies. The investment will be written down to recognise the variations in value of the underlying net tangible assets when in the opinion of the Directors, there has been a permanent diminution in value.

On the disposal of investments in subsidiary companies, the difference between the carrying amount and the proceeds, net of expenses, is recognised as the gain or loss on disposal in the income statement. Where the investment has previously been revalued, or was carried at market value and the increase in carrying amount has been credited to, and still remains in, a revaluation surplus within shareholders' equity, the amount of the increase is transferred either to income or to revenue reserve.

Dividend income from subsidiary companies is included in the income statement of the Company when the shareholders' right to receive the payment is established.

(d) Associated companies

An associated company is defined as a company, not being a subsidiary, in which the Group has a long-term equity interest of not less than 20% and not exceeding 50% of the equity capital and in whose financial and operating policy decisions the Group exercises significant influence. A list of the Group's associated companies is shown in Note 2 to the financial statements.

Investment in associated companies is stated at cost unless, in the opinion of the Directors, there has been a permanent diminution in value in which case allowance is made for the diminution in value.

Notes to the financial statements (contd.)

31st December, 2002

1. Significant accounting policies (contd.)**(d) Associated companies (contd.)**

Investment in associated companies is accounted for in the consolidated financial statements using equity method.

The Group's share of the results of associated companies acquired or disposed off are included in the consolidated income statements from the date of acquisition or up to the date of disposal. The Group's share of the post-acquisition reserves or losses of associated companies is included in the investments in the consolidated balance sheet.

Premium on acquisition of associated companies represents the difference between the consideration paid for the shares in the associated companies over the value of attributable net assets acquired. Premium on acquisition is not amortised.

Dividend income is accrued on the basis of dividends paid by the investee companies up to the date of the Directors' Report.

(e) Investments

Investments are stated at cost unless, in the opinion of the Directors, there has been a permanent diminution in value, in which case allowance is made for the diminution in value.

Income arising on these investments is included in the income statement when the shareholders' right to receive the payment is established.

(f) Cash and cash equivalents

Cash and cash equivalents in the Cash Flow Statements represent short-term highly liquid investments that are readily convertible to cash with an insignificant risk of changes in value less short-term borrowings repayable on demand.

For the purpose of the Cash Flow Statements, cash and cash equivalents include cash and bank balances, fixed deposits with licensed banks not pledged and bank overdrafts.

(g) Property, plant and equipment and depreciation

Leasehold land and buildings are stated at cost or valuation less accumulated depreciation and impairment losses (if any) whilst other assets are stated at cost less accumulated depreciation and impairment losses (if any). The policy for recognition and measurement of impairment losses is in accordance with Note 1(m).

Certain land and buildings of the Group and of the Company were revalued in 1992 based on independent professional valuations using open market values on an existing use basis. As permitted by the MASB, where such revaluation was an one-off isolated event prior to the adoption of the applicable approved accounting standard by the MASB (MASB Standard 15, 'Property, Plant and Equipment', and International Accounting Standard 16 (Revised), the predecessor standard), and provided no further revaluations have been adopted in the preparation of the financial statements, these assets have continued to be stated on the basis of their 1992 valuation (subject to continuity in depreciation policy and the requirement to write the asset down to its recoverable amount).

No amortisation is made for freehold land. Leasehold land is amortised over the remaining term of the respective leases.

1. Significant accounting policies (contd.)

(g) Property, plant and equipment and depreciation (contd.)

All other property, plant and equipment are depreciated on a straight-line basis to write off the cost or valuation of the assets over their estimated useful lives. The principal annual rates used are as follows:

Buildings, drainage and roads	2 to 10%
Plant, machinery and equipment	5 to 30%
Steel moulds	50%
Motor vehicles and diesel tank	20%
Furniture, fittings and office equipment	8 to 30%

Capital work-in-progress is not depreciated until the property, plant and equipment are fully completed and brought into use.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(h) Inventories and work-in-progress

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis or standard cost, which approximates actual cost, and include cost of purchase and other directly attributable costs of acquisition. In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow-moving items.

Cost of finished goods and work-in-progress include cost of raw materials, direct labour and an appropriate proportion of fixed and variable factory overheads.

(i) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) Finance leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for lease assets is consistent with that for depreciable property, plant and equipment as described in Note 1(g).

(ii) Operating leases

Operating lease payments are charged to the income statement on a straight-line basis over the term of the relevant lease.

Notes to the financial statements (contd.)

31st December, 2002

1. Significant accounting policies (contd.)**(j) Deferred taxation**

Deferred taxation is provided for by the liability method for all timing differences except when there is reasonable evidence that these timing differences will not reverse in the foreseeable future. No account is taken of any debit balances arising on deferred taxation account.

(k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transactions will flow to the company and the amount can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue relating to the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

(ii) Interest

Revenue is recognised as the interest accrues unless collectibility is in doubt.

(iii) Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(iv) Management fees

Revenue is recognised as the management fees accrues unless collectibility is in doubt.

(l) Foreign currencies*(i) Foreign currency transactions*

Transactions in foreign currencies are initially converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward foreign exchange contracts. The accounting policy for these contracts is further described in Note 1(n) (vi).

(ii) Foreign entities

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the translation adjustment accounts in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

31st December, 2002

1. Significant accounting policies (contd.)**(l) Foreign currencies (contd.)****(ii) Foreign entities (contd.)**

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	2002	2001
	RM	RM
Australian Dollar	2.1380	1.9385
China Renminbi	0.4690	0.4590
Euro Dollar	3.9600	3.3700
Singapore Dollar	2.1920	2.0500
United States Dollar	3.8005	3.7995

(m) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories and deferred tax assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

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

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(n) Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liability in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Other non-current investments

Non-current investments other than investments in subsidiaries and associated companies are stated at cost less allowance for any permanent diminution in value. Such allowance is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred.

Notes to the financial statements (contd.)

31st December, 2002

1. Significant accounting policies (contd.)

(n) Financial instruments (contd.)

(i) Other non-current investments (contd.)

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(ii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iii) Payables

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

(iv) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(v) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

When the share capital of the Company is repurchased, the consideration paid, including any attributable transaction costs is presented as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. Consideration received is presented in the income statements as a change in equity.

(vi) Derivative financial instruments

The Group uses derivative financial instruments such as forward foreign exchange contracts, to hedge its exposure to interest rate risks and foreign exchange arising from operational activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are not recognised in the financial statements on inception.

Forward foreign exchange contracts

The underlying foreign currency assets or liabilities are translated at their respective hedged exchange rate and all exchange gains or losses are recognised as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gains and losses arising on contracts entered into as hedges of anticipated future transactions are deferred until the date of such transaction, at which time they are included in the measurement of such transactions.

Notes to the financial statements (contd.)

31st December, 2002

2. General

The Company is a public limited liability company, incorporated and domiciled in Malaysia with its registered office located at 4^{1/2} Mile, Kung Phin Road, off Penrissen Road, 93250 Kuching. Its principal activities are that of investment holding and the provision of management services.

The financial statements of the Group and of the Company are expressed in Ringgit Malaysia.

The details of the Group's subsidiary and associated companies as at 31st December, 2002 are as follows:

Name of company	Principal activities	Country of incorporation	Effective Group interest	
			2002	2001
Subsidiary companies				
Ceramica Indah Sdn. Bhd.	Manufacture and sale of ceramic floor, homogeneous and monoporosa tiles	Malaysia	100%	100%
Kingres Marketing Sdn. Bhd.	Trading in building materials	Malaysia	100%	100%
Kim Hin Ceramic (Seremban) Sdn. Bhd.	Manufacture and sale of ceramic tiles	Malaysia	100%	100%
Kim Hin Ceramics (Shanghai) Co. Ltd. (+)	Manufacture and sale of ceramic tiles	People's Republic of China	71.5%	70%
Habitat Gallery Sdn. Bhd.	Operation of chain store, handling and dealing in building materials	Malaysia	100%	100%
Kim Hin Properties Sdn. Bhd.	Property and investment holding	Malaysia	100%	100%
Refined Kaolin Industries Sdn. Bhd.	Inactive	Malaysia	100%	100%
Kingres Ceramic Pty. Ltd. (+)	Inactive	Australia	100%	100%
Subsidiary companies of Ceramica Indah Sdn. Bhd.				
Kingres Holdings Pty. Limited (+)	Property letting	Australia	100%	100%
Kingres Australia Pty. Limited (+)	Wholesaler and retailer of ceramic tiles	Australia	100%	100%
Associated company				
Miyama Ceramics Sdn. Bhd.	Manufacture and sale of ceramic wares	Malaysia	34%	34%

All companies are audited by Ernst & Young, Malaysia except for those marked (+) which are audited by other firms.

Notes to the financial statements (contd.)

31st December, 2002

3. Revenue

Revenue of the Group represents invoiced trading sales of tiles, net of sales tax and after allowance for goods returned and trade discounts.

Revenue of the Company represents management fees received.

The significant categories of revenue during the year are analysed as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Sale of goods to external customers	222,396	203,584	-	-
Management fees from a subsidiary company	-	-	264	264
	<u>222,396</u>	<u>203,584</u>	<u>264</u>	<u>264</u>

4. Profit before taxation

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
(a) This is stated after charging:				
Auditors' remuneration				
- statutory audit	178	173	45	45
- (over)/under provision in prior year	(3)	4	-	-
- other services	213	187	72	66
Allowance for doubtful debts				
less allowance no longer required	-	828	68	116
Allowance for diminution in value of investment	1	3	79	340
Allowance for inventories obsolescence	-	703	-	-
Bad debts written off	182	52	-	-
Depreciation of property, plant and equipment	23,922	23,590	1,562	1,582
Directors' remuneration				
- Directors of the company (Note 4(c))	2,632	2,518	1,811	1,556
- Other directors of a subsidiary				
- other emoluments	49	31	-	-
Hire of plant and machinery	53	39	-	-
Interest expenses				
- Loan interest	146	171	-	-
- Bank overdraft interest	23	32	-	-
- Other interest expenses	43	65	-	-
Inventories written off	33	40	-	-
Lease rental	1,983	396	99	20
Loss on disposal of investment	33	4	33	-
Loss on foreign exchange				
- realised	-	1,080	-	-
- unrealised	-	120	-	202
Rental expenses	1,331	1,372	60	87
	<u>1,331</u>	<u>1,372</u>	<u>60</u>	<u>87</u>

Notes to the financial statements (contd.)

31st December, 2002

4. Profit before taxation (contd.)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
and crediting:				
Allowance for doubtful debts no longer required	421	-	-	-
Dividend income received from				
- subsidiary companies	-	-	10,846	10,500
- other investments	227	57	227	57
Gain on disposal of property, plant and equipment	1,631	966	1	326
Gain on foreign exchange				
- realised	1,305	-	-	-
- unrealised	2,302	-	242	-
Interest income	3,078	2,491	1,986	1,680
Rental income	95	144	282	327
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(b) Employee information

Staff costs	27,807	25,585	3,068	2,554
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	2002	2001	2002	2001
Number of employees as at 31st December	1,510	1,630	27	32
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(c) Directors' remuneration

The aggregate remuneration of the Directors of the Company categorised into appropriate components for the financial year ended 31st December, 2002 are further analysed as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Executive Directors				
Fees	125	136	125	136
Salaries and bonuses	1,913	1,846	1,250	1,076
Employees Provident Fund	323	347	212	206
Benefits in kind	196	124	149	73
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	2,557	2,453	1,736	1,491
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-Executive Directors				
Fees	75	65	75	65
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the financial statements (contd.)

31st December, 2002

4. Profit before taxation (contd.)

(c) Directors' remuneration (contd.)

The remuneration paid to Executive Directors and Non-Executive Directors of the Company are further analysed as follows:

Bands of remuneration	Number of Directors			
	Executive		Non-Executive	
	2002	2001	2002	2001
Nil - RM50,000	-	-	3	3
RM50,001 - RM100,000	-	-	-	-
RM100,001 - RM150,000	1	1	-	-
RM150,001 - RM200,000	-	-	-	-
RM200,001 - RM250,000	-	-	-	-
RM250,001 - RM300,000	-	-	-	-
RM300,001 - RM350,000	-	3	-	-
RM350,001 - RM400,000	2	-	-	-
RM400,001 - RM450,000	-	-	-	-
RM450,001 - RM500,000	-	-	-	-
RM500,001 - RM550,000	-	-	-	-
RM550,001 - RM600,000	-	1	-	-
RM600,001 - RM650,000	-	-	-	-
RM650,001 - RM700,000	-	1	-	-
RM700,001 - RM750,000	-	-	-	-
RM750,001 - RM800,000	-	-	-	-
RM800,001 - RM850,000	2	-	-	-

5. Taxation

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Based on results for the year:				
Malaysian taxation	(981)	(760)	-	-
Foreign taxation	(319)	(52)	-	-
Over provision in prior year:				
Malaysian taxation	5	11	-	-
Deferred taxation	(104)	(150)	-	-
	<u>(1,399)</u>	<u>(951)</u>	<u>-</u>	<u>-</u>

- (a) Estimated tax losses and capital allowances carried forward as at 31st December, 2002 available to be set-off against the Company's future business profit amounted to RM9.5 million (2001: RM8.2 million) and RM2.8 million (2001: RM2.4 million) respectively.
- (b) As at 31st December, 2002, the Group has unabsorbed tax losses, unutilised capital allowances, reinvestment allowances and investment tax allowances which are available for set-off against future chargeable income amounted to approximately RM42.3 million (2001: RM60.7 million) subject to agreement by the Inland Revenue Board.
- (c) The effective tax rate for the Group for the current year is lower than the statutory rate of 28% due to the availability of tax losses, capital allowances, reinvestment allowances and investment tax allowances brought forward. The tax savings for which credit was taken during the year as a result of the utilisation of tax losses, capital allowances, reinvestment allowances and investment tax allowances brought forward amounted to RM5.3 million (2001: RM9.1 million).
- (d) Subject to the agreement by the Inland Revenue Board, the tax exempt account of the Company as at 31st December, 2002 amounted to RM164.9 million (2001: RM161.6 million).

Notes to the financial statements (contd.)

31st December, 2002

6. Earnings per share (sen)

The basic earnings per share has been calculated based on the Group's consolidated profit after taxation and minority interest of RM28,947,434 (2001: RM20,587,426) and the weighted average number of ordinary shares in issue during the year of 144,620,291 (2001: 145,199,013), excluding the number of shares purchased and held as treasury shares.

The diluted earnings per share has been calculated based on the Group's consolidated profit after taxation and minority interest of RM28,947,434 (2001: RM20,587,426) and the enlarged weighted average number of ordinary shares in issue during the year of 147,818,214 (2001: 145,199,013) as follows:

	Group	
	2002	2001
Weighted average number of ordinary shares in issue	144,620,291	145,199,013
Adjustment for Executive Share Option Scheme	3,197,923	-
	<u>147,818,214</u>	<u>145,199,013</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>147,818,214</u>	<u>145,199,013</u>

In the diluted earnings per share calculation in relation to the ESOS, a calculation is made to determine the number of shares that could have been acquired at the respective exercise prices. This calculation serves to determine the "unpurchased" shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to the profit for the year for the share option calculation.

The diluted earnings per share for the previous year is the same as the basic earnings per share since the options granted pursuant to the previous ESOS has anti dilutive effect.

7. Dividends per share (sen)

	Group and Company			
	2002			2001
	Sen per share (gross)	RM'000 (net)	Sen per share (gross)	RM'000 (net)
Proposed final dividend				
- tax exempt	5.0	7,286	5.0	7,194
	<u>5.0</u>	<u>7,286</u>	<u>5.0</u>	<u>7,194</u>

At the forthcoming Annual General Meeting, a first and final dividend of 5% less taxation amounting to RM7,285,501 in respect of the current financial year under review will be proposed for shareholders' approval. The financial statements do not reflect this final dividend, which will be accrued as a liability when approved by the shareholders.

Notes to the financial statements (contd.)

31st December, 2002

8. Property, plant and equipment

Group	Land, buildings, drainage and roads RM'000	Plant, machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Total RM'000
Cost/valuation					
At 1.1.2002	116,846	271,408	9,064	10,711	408,029
Additions	2,608	4,497	1,067	2,110	10,282
Disposals/written off	(2,262)	(2,624)	(1)	(226)	(5,113)
Translation differences	803	4,297	71	(74)	5,097
At 31.12.2002	<u>117,995</u>	<u>277,578</u>	<u>10,201</u>	<u>12,521</u>	<u>418,295</u>
Accumulated depreciation					
Charge for 2001	<u>3,146</u>	<u>18,852</u>	<u>706</u>	<u>886</u>	<u>23,590</u>
At 1.1.2002	23,929	201,454	6,953	7,268	239,604
Charge for the year	3,450	18,774	712	986	23,922
Disposals	-	(159)	(1)	(209)	(369)
Translation differences	193	1,371	(15)	(25)	1,524
At 31.12.2002	<u>27,572</u>	<u>221,440</u>	<u>7,649</u>	<u>8,020</u>	<u>264,681</u>
Net book value					
At 31.12.2002	<u>90,423</u>	<u>56,138</u>	<u>2,552</u>	<u>4,501</u>	153,614
Add: Construction work-in-progress					<u>1,507</u>
					<u>155,121</u>
At 31.12.2001	<u>92,917</u>	<u>69,954</u>	<u>2,111</u>	<u>3,443</u>	168,425
Add: Construction work-in-progress					<u>962</u>
					<u>169,387</u>

Notes to the financial statements (contd.)

31st December, 2002

8. Property, plant and equipment (contd.)

Company	Land, buildings, drainage and roads RM'000	Plant, machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Total RM'000
Cost/valuation					
At 1.1.2002	35,136	1,070	3,351	5,545	45,102
Additions	80	-	-	114	194
Disposals	-	-	-	(1)	(1)
At 31.12.2002	<u>35,216</u>	<u>1,070</u>	<u>3,351</u>	<u>5,658</u>	<u>45,295</u>
Accumulated depreciation					
Charge for 2001	<u>784</u>	<u>78</u>	<u>225</u>	<u>495</u>	<u>1,582</u>
At 1.1.2002	6,904	842	2,890	3,892	14,528
Charge for the year	827	73	180	482	1,562
Disposals	-	-	-	(1)	(1)
At 31.12.2002	<u>7,731</u>	<u>915</u>	<u>3,070</u>	<u>4,373</u>	<u>16,089</u>
Net book value					
At 31.12.2002	<u>27,485</u>	<u>155</u>	<u>281</u>	<u>1,285</u>	29,206
Add: Construction work-in-progress					681
					<u>29,887</u>
At 31.12.2001	<u>28,232</u>	<u>228</u>	<u>461</u>	<u>1,653</u>	30,574
Add: Construction work-in-progress					681
					<u>31,255</u>

Analysis of land and buildings, drainage and roads:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Freehold land	9,925	11,884	4,029	4,029
Long term leasehold land	3,463	3,463	3,463	3,463
Short term leasehold land	19,884	19,804	16,208	16,128
Buildings and improvements	77,524	74,496	10,811	10,811
Drainage and roads	7,199	7,199	705	705
	<u>117,995</u>	<u>116,846</u>	<u>35,216</u>	<u>35,136</u>

Notes to the financial statements (contd.)

31st December, 2002

8. Property, plant and equipment (contd.)

Included in property, plant and equipment of the Group is a total net book value of RM1,254,725 (2001: RM46,035) representing assets acquired on instalment payment arrangement.

Certain property, plant and equipment of the Group's China subsidiary company with a net book value of RM16,017,882 (2001: RM16,616,276) are pledged as security for short term loan obtained.

The short term borrowings of the Group's Australian subsidiary companies are secured over a piece of land held by one of the Australian subsidiary companies with a net book value of RM951,104 (2001: RM862,355). The borrowings are also secured by a first registered mortgage over all of the assets of the Australian subsidiary companies.

The valuation for 1992 were adopted by the Directors based on professional appraisals by independent valuers. The valuations were on the basis of open market value for land and buildings. The resultant revaluation surplus was credited to the revaluation reserve.

The tax effects in respect of the surplus that arose upon revaluation of leasehold land and buildings had not been accounted for in view of there being no intention to dispose off these properties in the foreseeable future.

Analysis of cost:

	Land and buildings, drainage and roads RM'000	Plant, machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Construction work-in-progress RM'000	Total RM'000
Group						
2002						
At valuation in 1992	21,074	-	-	-	-	21,074
At cost	96,921	277,578	10,201	12,521	1,507	398,728
	<u>117,995</u>	<u>277,578</u>	<u>10,201</u>	<u>12,521</u>	<u>1,507</u>	<u>419,802</u>
2001						
At valuation in 1992	21,074	-	-	-	-	21,074
At cost	95,772	271,408	9,064	10,711	962	387,917
	<u>116,846</u>	<u>271,408</u>	<u>9,064</u>	<u>10,711</u>	<u>962</u>	<u>408,991</u>
Company						
2002						
At valuation in 1992	15,584	-	-	-	-	15,584
At cost	19,632	1,070	3,351	5,658	681	30,392
	<u>35,216</u>	<u>1,070</u>	<u>3,351</u>	<u>5,658</u>	<u>681</u>	<u>45,976</u>
2001						
At valuation in 1992	15,584	-	-	-	-	15,584
At cost	19,552	1,070	3,351	5,545	681	30,199
	<u>35,136</u>	<u>1,070</u>	<u>3,351</u>	<u>5,545</u>	<u>681</u>	<u>45,783</u>

Notes to the financial statements (contd.)

31st December, 2002

9. Investments in subsidiary companies

	Company	
	2002	2001
	RM'000	RM'000
Unquoted shares:		
- at cost	36,208	35,036
- at Directors' valuation, 1992	34,902	34,902
	71,110	69,938
	71,110	69,938

The investment in certain subsidiary companies was revalued by the Directors in 1992 to reflect their respective net tangible assets values in conjunction with the listing of and quotation for the Company's entire issued and paid up share capital on the Main Board of the Kuala Lumpur Stock Exchange in 1992.

10. Investments in an associated company

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	1,928	1,928	1,928	1,928
Allowance for diminution in value	(33)	(32)	(1,667)	(1,588)
	1,895	1,896	261	340
Share of post-acquisition losses	(1,634)	(1,556)	-	-
	261	340	261	340
	261	340	261	340

The Group's interest in the associated company is represented by:

	Group	
	2002	2001
	RM'000	RM'000
Share of net assets	278	356
Premium on acquisition	16	16
Allowance for diminution in value	(33)	(32)
	261	340
	261	340

11. Other investments

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Quoted securities in Malaysia:				
Shares, at cost	1	1	-	-
Unit trusts, at cost	1,535	5,057	1,535	5,057
	1,536	5,058	1,535	5,057
Allowance for diminution in value	(1)	(1)	-	-
	1,535	5,057	1,535	5,057
	1,535	5,057	1,535	5,057
Market value	1,538	5,052	1,538	5,052
	1,538	5,052	1,538	5,052

Notes to the financial statements (contd.)

31st December, 2002

12. Inventories and work-in-progress

	Group	
	2002 RM'000	2001 RM'000
Raw materials	10,615	16,914
Work-in-progress	2,477	3,548
Finished goods	42,399	47,701
Packing materials	286	189
Spare parts and stores	6,994	6,212
	<u>62,771</u>	<u>74,564</u>
Allowance for inventories obsolescence	(1,500)	(1,720)
	<u>61,271</u>	<u>72,844</u>

The carrying amount of inventories is stated as follows:

At cost	<u>61,271</u>	<u>72,844</u>
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13. Trade receivables

Trade receivables	57,555	63,256
Allowance for doubtful debts	(4,700)	(6,864)
	<u>52,855</u>	<u>56,392</u>

The Group has significant exposures to certain debtors. However, the Board does not consider this to pose significant credit risks to the Group.

The Group's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

Trade debts which were fully provided for in previous year of RM1,702,660 (2001: RM1,278,301) were written off during the current financial year against the allowance made.

14. Amount due from related companies

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Amount due from subsidiary companies	-	-	120,674	156,847
Amount due from an associated company	406	414	406	414
	<u>406</u>	<u>414</u>	<u>121,080</u>	<u>157,261</u>
Allowance for doubtful debts	(184)	(116)	(184)	(116)
	<u>222</u>	<u>298</u>	<u>120,896</u>	<u>157,145</u>

Amount due from related companies is unsecured, interest free and has no fixed term of repayments.

Notes to the financial statements (contd.)

31st December, 2002

15 Short term borrowings

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Bank overdrafts, unsecured	-	1,331	-	39
Term loan, secured				
- portion repayable within twelve months	2,345	2,373	-	-
Lease payables (Note 23)				
- portion repayable within twelve months	177	230	-	-
	<u>2,522</u>	<u>3,934</u>	<u>-</u>	<u>39</u>

The Group's bank overdrafts bear interest rates, which vary according to the prevailing base lending rates, and corporate guarantees have been granted to the banks for these facilities.

The term loan of the Group's China subsidiary company is secured by way of a pledge against certain property, plant and equipment of the subsidiary company with a net book value of RM16,017,882 (2001: RM16,616,276).

The Australian subsidiary companies' bank borrowings are secured by a first registered mortgage on a piece of land held by one of the Australian subsidiary companies with a net book value of RM951,104 (2001: RM862,355), a first registered equitable mortgage by the Australian subsidiary companies over the whole of assets and undertakings including uncalled capital and a corporate guarantee from the holding company limited to A\$1,150,000.

The weighted average effective interest rates during the financial year for borrowings, excluding lease payables, were as follows:

	Group		Company	
	2002	2001	2002	2001
Term loan	<u>5.8%</u>	<u>5.5%</u>	<u>-</u>	<u>-</u>

16. Trade payables

The Group's normal trade credit term ranges from 30 to 120 days.

17. Other payables and accruals

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Other payables	2,231	1,849	184	128
Electricity charges accrued	496	679	-	-
Sales tax payable	406	1,784	3	-
Rebates and incentive	1,550	1,767	-	-
Payroll expenses accrued	2,581	2,328	904	782
Other accruals	791	1,276	107	236
Amount owing to a related party	-	2,467	-	-
	<u>8,055</u>	<u>12,150</u>	<u>1,198</u>	<u>1,146</u>

Notes to the financial statements (contd.)

31st December, 2002

18. Share capital

	Group and Company	
	2002	2001
	RM'000	RM'000
Ordinary shares of RM1 each:		
Authorised:		
500,000,000 (2001: 500,000,000) ordinary shares	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
Balance at 1st January	145,199	145,199
Allotted during the year	511	-
Balance at 31st December	<u>145,710</u>	<u>145,199</u>

During the current financial year, the issued and paid-up share capital of the Company was increased from RM145,199,013 to RM145,710,013 by the issuance of 511,000 new ordinary shares of RM1.00 each on the conversion of 511,000 options granted under the ESOS at the exercise price of RM1.60 each.

As at 31st December, 2002, the number of options offered under ESOS and granted to eligible employees and Executive Directors of the Group to subscribe for ordinary shares of RM1.00 each in the Company remaining unexercised was 13,858,000 (2001: 12,078,000 under the previous ESOS which was terminated on 1st April, 2002).

The options granted under ESOS established are effective for a period of five years from 23rd April, 2002 onwards.

Share buy-backs

During the year, pursuant to the authorities granted by the shareholders of the Company to the Directors at the Annual General Meeting held on 23th May, 2002, the Company purchased during the year a total of 1,643,000 of its issued shares from the open market for a total cost of RM3,274,239. The average cost paid for the shares purchased during the current financial year was RM1.99 per share. Subsequent to the balance sheet date and up to 7th April, 2003, being the last practicable date prior to the printing of this report, the Company purchased an additional 341,000 shares for a total cost of RM630,097. The average cost paid for the share purchased during the period was RM1.85 per share.

The above purchases were financed from the Company's internal funds. The shares purchased are held as treasury shares. As at 7th April, 2003, the issued and paid up capital of the Company comprises 145,808,013 ordinary shares of RM1.00 each, of which 1,984,000 ordinary shares are held as treasury shares.

Movements on share buy-backs

	Number of shares	RM'000	Average price per share RM
Purchased during the year ended 31st December, 2002	<u>1,643,000</u>	<u>3,274,239</u>	1.99
As at 31st December, 2002	1,643,000	3,274,239	1.99
Purchased subsequent to 31st December, 2002	<u>341,000</u>	<u>630,097</u>	1.85
As at 7th April, 2003	<u>1,984,000</u>	<u>3,904,336</u>	1.97

Notes to the financial statements (contd.)

31st December, 2002

19. Reserves

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Non-distributable:				
Revaluation reserve				
Balance at 1st January	300	140	2,346	2,186
Transfer from revenue reserve	-	160	-	160
Balance at 31st December	<u>300</u>	<u>300</u>	<u>2,346</u>	<u>2,346</u>
Share premium reserve				
Balance at 1st January	45,050	45,050	45,050	45,050
Premium on shares issued	307	-	307	-
Balance at 31st December	<u>45,357</u>	<u>45,050</u>	<u>45,357</u>	<u>45,050</u>
Reserve Fund and Enterprise Expansion Fund				
Balance at 1st January and 31st December	<u>899</u>	<u>899</u>	<u>-</u>	<u>-</u>

The Reserve Fund and Enterprise Expansion Fund are transferred from revenue reserve based on 10% and 9% of the current year's profit of the Group's China subsidiary company for the purpose of working capital and expansion respectively. These funds are maintained in compliance with the governing authority of the People's Republic of China.

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Translation adjustment account				
Balance at 1st January	11,802	12,038	-	-
Translation difference in subsidiary companies	722	(236)	-	-
Balance at 31st December	<u>12,524</u>	<u>11,802</u>	<u>-</u>	<u>-</u>
Distributable:				
Revenue reserve				
Balance at 1st January	135,290	114,863	119,640	113,098
Transfer from income statement	28,947	20,587	7,281	6,702
Dividends paid	(7,194)	-	(7,194)	-
Transfer to revaluation reserve	-	(160)	-	(160)
Balance at 31st December	<u>157,043</u>	<u>135,290</u>	<u>119,727</u>	<u>119,640</u>
Total reserves	<u>216,123</u>	<u>193,341</u>	<u>167,430</u>	<u>167,036</u>

Notes to the financial statements (contd.)

31st December, 2002

19. Reserves (contd.)

(a) Unappropriated profits are retained by:

	Group	
	2002	2001
	RM'000	RM'000
Holding company	119,727	119,640
Subsidiary companies	38,950	17,206
Associated companies	(1,634)	(1,556)
	<u>157,043</u>	<u>135,290</u>

(b) Based on the estimated tax exempt income and the Section 108 tax credits available, the whole of the revenue reserve of the Company is available for distribution by way of dividends without incurring additional tax liability.

20. Long term liabilities

	Group	
	2002	2001
	RM'000	RM'000
Lease payables (Note 23)		
- portion repayable after twelve months	<u>779</u>	<u>299</u>
Ageing analysis:		
Amount repayable between one and two years	147	93
Amount repayable after two years but within five years	<u>632</u>	<u>206</u>
	<u>779</u>	<u>299</u>

21. Deferred taxation

	Group	
	2002	2001
	RM'000	RM'000
At 1st January	150	-
Transfer from income statement	<u>104</u>	<u>150</u>
At 31st December	<u>254</u>	<u>150</u>

Deferred taxation of the Group is in respect of excess of capital allowances over book depreciation.

Notes to the financial statements (contd.)

31st December, 2002

22. Effect on acquisition of a subsidiary company

The effects of the acquisition of the new subsidiary company, Habitat Gallery Sdn. Bhd., on the consolidated results and the consolidated financial position for the previous financial year are as follows:

(a) *Effect on consolidated results*

	Group	
	2002 RM'000	2001 RM'000
Revenue	-	1,787
Cost of sales	-	(1,461)
	<u> </u>	<u> </u>
Gross profit	-	326
Other operating income	-	13
Administrative expenses	-	(598)
Other operating expenses	-	(29)
	<u> </u>	<u> </u>
Loss from operations	-	(288)
	<u> </u>	<u> </u>

(b) *Effect on consolidated financial position*

Property, plant and equipment	-	635
Current assets	-	613
Current liabilities	-	(1,536)
	<u> </u>	<u> </u>
	-	(288)
	<u> </u>	<u> </u>

(c) *Effect on consolidated cash flow statement*

The fair value of net assets of the subsidiary company acquired were as follows:

	Group	
	2002 RM	2001 RM
Net assets acquired	-	2
	<u> </u>	<u> </u>
Purchase consideration	-	2
Cash and cash equivalents of the subsidiary company acquired	-	(2)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

Notes to the financial statements (contd.)

31st December, 2002

23. Lease payables

	Group	
	2002 RM'000	2001 RM'000
Repayable within twelve months (Note 15)	177	230
Repayable after twelve months (Note 20)	779	299
	<u>956</u>	<u>529</u>
Minimum lease payment:		
Not later than one year	157	268
Later than one year but not later than five years	827	351
	<u>984</u>	<u>619</u>
Future finance charges on finance leases	(28)	(90)
	<u>956</u>	<u>529</u>

24. Capital commitments

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Capital expenditure not provided for in the financial statements:				
Authorised and contracted for	2,142	387	35	35
Authorised and not contracted for	-	249	-	-
	<u>2,142</u>	<u>636</u>	<u>35</u>	<u>35</u>

Operating lease commitment

Future minimum rentals as at 31st December under non-cancellable operating lease for the acquisition and installation of Enterprise Resource Planning (ERP) Business Application System are as follows:

	Group/Company	
	2002 RM'000	2001 RM'000
Not later than one year	1,491	1,164
Later than one year but not later than five years	1,255	2,258
	<u>2,746</u>	<u>3,422</u>

25. Contingent liabilities, unsecured

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Corporate guarantees to financial institutions in respect of banking facilities granted to subsidiaries	-	-	32,664	32,664
	<u>-</u>	<u>-</u>	<u>32,664</u>	<u>32,664</u>

Notes to the financial statements (contd.)

31st December, 2002

26. Segmental reporting

Segmental information is presented based on geographical locations only as the Group operates principally in one industry.

	Malaysia operation RM'000	China operation RM'000	Australia operation RM'000	Total RM'000
31.12.2002				
<i>Revenue</i>				
Total sales	199,115	19,756	12,268	231,139
Less: Inter-segment sales	(6,515)	(2,228)	-	(8,743)
	<u>192,600</u>	<u>17,528</u>	<u>12,268</u>	<u>222,396</u>
<i>Results</i>				
Segment operating profit	26,939	2,034	2,214	31,187
Finance cost	(34)	(145)	(33)	(212)
Share of associate's result	(78)	-	-	(78)
	<u>26,827</u>	<u>1,889</u>	<u>2,181</u>	<u>30,897</u>
Profit before taxation	26,827	1,889	2,181	30,897
Taxation	(1,080)	-	(319)	(1,399)
	<u>25,747</u>	<u>1,889</u>	<u>1,862</u>	<u>29,498</u>
Profit after taxation	25,747	1,889	1,862	29,498
Minority interest	-	(551)	-	(551)
	<u>25,747</u>	<u>1,338</u>	<u>1,862</u>	<u>28,947</u>
Net profit for the year	<u>25,747</u>	<u>1,338</u>	<u>1,862</u>	<u>28,947</u>
<i>Other information</i>				
Segment assets	318,210	52,809	16,878	387,897
Associated company	483	-	-	483
Other investments	1,535	-	-	1,535
Goodwill on consolidation	10,380	-	-	10,380
Current tax assets	2,476	-	-	2,476
	<u>333,084</u>	<u>52,809</u>	<u>16,878</u>	<u>402,771</u>
Total assets	<u>333,084</u>	<u>52,809</u>	<u>16,878</u>	<u>402,771</u>
Segment liabilities	23,167	3,390	192	26,749
Bank borrowings	297	2,345	659	3,301
Tax payable	6	-	315	321
Deferred taxation	254	-	-	254
	<u>23,724</u>	<u>5,735</u>	<u>1,166</u>	<u>30,625</u>
Total liabilities	<u>23,724</u>	<u>5,735</u>	<u>1,166</u>	<u>30,625</u>
Depreciation	<u>20,718</u>	<u>2,910</u>	<u>293</u>	<u>23,922</u>

Notes to the financial statements (contd.)

31st December, 2002

26. Segmental reporting (contd.)

	Malaysia operation RM'000	China operation RM'000	Australia operation RM'000	Total RM'000
31.12.2001				
<i>Revenue</i>				
Total sales	183,610	15,127	10,528	209,265
Less: Inter-segment sales	(4,291)	(1,390)	-	(5,681)
	<u>179,319</u>	<u>13,737</u>	<u>10,528</u>	<u>203,584</u>
<i>Results</i>				
Segment operating profit/(loss)	25,297	(4,603)	(160)	20,534
Finance cost	(42)	(146)	(80)	(268)
Share of associate's result	(152)	-	-	(152)
	<u>25,103</u>	<u>(4,749)</u>	<u>(240)</u>	<u>20,114</u>
Profit/(loss) before taxation	25,103	(4,749)	(240)	20,114
Taxation	(899)	-	(52)	(951)
	<u>24,204</u>	<u>(4,749)</u>	<u>(292)</u>	<u>19,163</u>
Profit/(loss) after taxation	24,204	(4,749)	(292)	19,163
Minority interest	-	1,424	-	1,424
	<u>24,204</u>	<u>(3,325)</u>	<u>(292)</u>	<u>20,587</u>
Net profit/(loss) for the year	<u>24,204</u>	<u>(3,325)</u>	<u>(292)</u>	<u>20,587</u>
<i>Other information</i>				
Segment assets	312,090	51,428	11,785	375,303
Associated company	638	-	-	638
Other investments	5,057	-	-	5,057
Goodwill on consolidation	10,397	-	-	10,397
Current tax assets	1,785	-	-	1,785
	<u>329,967</u>	<u>51,428</u>	<u>11,785</u>	<u>393,180</u>
Total assets	<u>329,967</u>	<u>51,428</u>	<u>11,785</u>	<u>393,180</u>
Segment liabilities	31,833	3,834	144	35,811
Bank borrowings	1,093	2,295	845	4,233
Tax payable	598	-	258	856
Deferred taxation	150	-	-	150
	<u>33,674</u>	<u>6,129</u>	<u>1,247</u>	<u>41,050</u>
Total liabilities	<u>33,674</u>	<u>6,129</u>	<u>1,247</u>	<u>41,050</u>
Depreciation	<u>20,458</u>	<u>2,913</u>	<u>219</u>	<u>23,590</u>

Notes to the financial statements (contd.)

31st December, 2002

27. Significant related party transactions

During the financial year, the Group and the Company had entered into the following significant related party transactions:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
(a) Transactions with directors and/or companies in which certain directors and their close family members have substantial financial interest:				
Income:				
(i) Sale of goods:				
Pan Chyi Construction and Development Sdn. Bhd.	1	11	-	-
Kim Hin (Malaysia) Sdn. Bhd.	-	10	-	-
	<u>1</u>	<u>21</u>	<u>-</u>	<u>-</u>
Expenditure:				
(i) Rental of office and warehouses:				
Kim Hin (Malaysia) Sdn. Bhd.	1,913	2,085	30	54
Kimmui Investments Pty. Ltd.	213	79	-	-
(ii) Rental of residential houses for use by consultant:				
John Chua Seng Chai & Chua Seng Huat	12	15	12	15
(iii) Purchases of sanitaryware for resale:				
Kam Kam Sanitaryware Sdn. Bhd.	6,370	6,009	-	-
(iv) Renovation and maintenance costs:				
Pan Chyi Construction and Development Sdn. Bhd.	2,107	1,183	14	35
(v) Legal services:				
SG Chua Advocates	3	-	3	-
(vi) Insurance commission earned as insurance agent:				
Kim Hin (Malaysia) Sdn. Bhd.	111	122	10	16
(vii) Freight and handling charges:				
Sinar Mekar Sdn. Bhd.	823	1,105	-	-
(viii) Flower arrangement and gift services:				
Liz Petals and Gifts	60	36	46	3
(ix) Cost of raw materials, spare parts and diesel supplied to reimbursed by:				
Kam Kam Sanitaryware Sdn. Bhd.	117	51	-	-
(x) Cost of raw materials supplied by:				
Kam Kam Sanitaryware Sdn. Bhd.	18	35	-	-
(xi) Provision of crushing services to:				
Kam Kam Sanitaryware Sdn. Bhd.	7	11	-	-
	<u>7</u>	<u>21</u>	<u>-</u>	<u>-</u>

Notes to the financial statements (contd.)

31st December, 2002

27. Significant related party transactions (contd.)

	Company	
	2002 RM'000	2001 RM'000
(b) Transactions with subsidiary companies:		
Income		
Dividend income	10,847	10,500
Management fees	264	264
Rental income	227	227
	<u> </u>	<u> </u>

The Directors of the Company are of the opinion that the above transactions were entered into in the normal course of business and under normal commercial terms.

Sales and purchases were entered into by the Group under terms that are no less favourable than those arranged with third parties. The rental paid to companies controlled by the directors is under terms which is determined by reference to the prevailing market rates for comparable buildings. Other related party transactions were entered into under normal commercial terms during the normal course of business.

(c) Directors' remuneration:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Executive Directors				
Fees	125	136	125	136
Salaries and bonuses	1,913	1,846	1,250	1,076
Employees Provident Fund	323	347	212	206
Benefits in kind	196	124	149	73
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>2,557</u>	<u>2,453</u>	<u>1,736</u>	<u>1,491</u>
Non-Executive Directors				
Fees	75	65	75	65
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The remuneration paid to Executive Directors and Non-Executive Directors of the Company are further analysed as follows:

Bands of remuneration	Number of Directors			
	Executive		Non-Executive	
	2002	2001	2002	2001
Nil - RM50,000	-	-	3	3
RM50,001 - RM100,000	-	-	-	-
RM100,001 - RM150,000	1	1	-	-
RM150,001 - RM200,000	-	-	-	-
RM200,001 - RM250,000	-	-	-	-
RM250,001 - RM300,000	-	-	-	-
RM300,001 - RM350,000	-	3	-	-
RM350,001 - RM400,000	2	-	-	-
RM400,001 - RM450,000	-	-	-	-
RM450,001 - RM500,000	-	-	-	-
RM500,001 - RM550,000	-	-	-	-
RM550,001 - RM600,000	-	1	-	-
RM600,001 - RM650,000	-	-	-	-
RM650,001 - RM700,000	-	1	-	-
RM700,001 - RM750,000	-	-	-	-
RM750,001 - RM800,000	-	-	-	-
RM800,001 - RM850,000	2	-	-	-

28. Financial instruments

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest-bearing assets as at 31st December 2002. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits.

(c) Foreign exchange risk

Apart from exporting to overseas market, the Group also has operation in China and Australia and is exposed to various currencies, mainly United States Dollar, Euro Dollar, Singapore Dollar, Chinese Renminbi and Australian Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

(d) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

(e) Credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's association to business partners with good creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

(f) Fair values

In the opinion of the Directors, it is not practical to estimate the fair values of amount due from subsidiary companies and the associated company due principally to a lack of fixed repayment term. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received.

The carrying amounts of short-term financial assets and liabilities approximate their fair values due principally to the relatively short maturity of these financial instruments.

29. Significant events

The Company has on 22nd April, 2002, further subscribed to the allotment of 499,998 ordinary shares of RM1.00 each by its wholly-owned subsidiary, Habitat Gallery Sdn. Bhd., at par for cash.

During the year, the Company has also acquired an additional 1.5% equity interest in its subsidiary company, Kim Hin Ceramics (Shanghai) Co. Ltd. for a cash consideration of RM671,707. The Company now holds 71.5% equity interest in Kim Hin Ceramics (Shanghai) Co. Ltd.

Notes to the financial statements (contd.)

31st December, 2002

30. Comparatives

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except for the change in the presentation and classification of items in the segment information (Note 26) of the previous financial year to comply with the requirements of MASB Standard 22, Segment Reporting, which was adopted during the year.

Comparatives are not disclosed for certain information relating to financial instruments as permitted by MASB Standard 24 – Financial Instruments: Disclosure and Presentation, upon first application.

31. Authorisation for issue of financial statements

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28th March, 2003.

Particulars of Group's Properties

Details of the properties of the Group as at 31 st December 2002, all of which are leasehold/freehold properties, set out below

No	Location	Description / Existing Use	Year of Revaluation/ Acquisition	Approximate Age of Building (Year)	Land Area M ²	Leasehold Expiry Date	NBV RM'000
1	Lot 2124 Block 226 Kuching North Land District (KNLD) * Lot 96, 929 & 930 * Block 226 KNLD	Country Land/Mixed Zone Land 3 storeys Old Office Block & factory building, worker quarters warehouse , 3 storeys new Office	1992 1992	18 11,11 11,7	60,187 65,356	13/7/2057)) 31/12/2038)	39,092
2	Lot 931 Block 226 KNLD	Country Land/Mixed Zone Land	1991	-	8,551	31/12/2038	223
3	Lot 932 Block 226 KNLD	Country Land/Mixed Zone Land	1993	-	7,988	31/12/2038	180
4	Lot 313 Block 226 KNLD	Country Land/Mixed Zone Land	1992	-	11,655	30/3/2038	342
5	Lot 335 Block 226 KNLD *	Country Land/Mixed Zone Land (Clay Storage)	1992	-	5,423	31/12/2038	137
6	Lot 315 Block 226 KNLD	Country Land/Mixed Zone Land (Clay Storage)	1991	-	5,504	30/3/2038	190
7	Lot 505 Block 226 KNLD	Country Land/Mixed Zone Land (Container Yard)	1995	-	8,458	31/12/2038	482
8	Lot 506 Block 226 KNLD	Country Land/Mixed Zone Land (Container Yard)	1998	-	7,689	31/12/2038	698
9	Lot 754 Block 226 KNLD	Country Land/Mixed Zone Land (Container Yard)	1995	-	2,792	31/12/2038	194
10	Lot 679 Block 226 KNLD *	Country Land/Mixed Zone Land (Clay Storage)	1992	-	10,592	31/12/2038	282
11	Lot 1641 Block 226 KNLD	Country Land/Mixed Zone Land	1995	-	4,405	31/12/2038	190
12	Lot 316 Block 225 KNLD	Country Land/Mixed Zone Land 1 dwelling house	1994	17	2,495	31/12/2038	89
13	Lot 698 Block 225 KNLD *	Country Land/Mixed Zone Land (Clay Storage)	1992	-	11,676	31/12/2038	258
14	Lot 1789 Block 225 KNLD	Vacant Country Land / Mixed Zone Land (Clay Storage)	1992	-	4,048	31/12/2038	186
15	Lot 1790 Block 225 KNLD	Vacant Country Land / Mixed Zone Land (Clay Storage)	1992	-	4,787	31/12/2038	121
16	Lot 1791 Block 225 KNLD	Country Land/Mixed Zone Land (Clay Storage)	1994	-	3,744	31/12/2038	128
17	Lot 1792 Block 225 KNLD (906/1042 Share)	Country Land/Mixed Zone Land 3 dwelling houses	1992	12	3,666	31/12/2038	267

Particulars of Group's Properties (contd.)

No	Location	Description / Existing Use	Year of Revaluation/ Acquisition	Approximate Age of Building (Year)	Land Area M ²	Leasehold Expiry Date	NBV RM'000
18	Lot 1802 Block 225 KLND	Vacant Country Land / Mixed Zone Land	1993	-	8,067	31/12/2038	267
19	Lot 1803 Block 225 KLND	Vacant Country Land / Mixed Zone Land (Clay Storage)	1993	-	8,051	31/12/2038	296
20	Lot 1808 Block 225 KLND	Vacant Country Land / Mixed Zone Land (Clay Storage)	1993	-	8,121	31/12/2038	298
21	Lot 1809 Block 225 KLND	Vacant Country Land / Mixed Zone Land (Clay Storage)	1993	-	8,719	31/12/2038	320
22	Lot 1810 Block 225 KLND	Vacant Country Land / Mixed Zone Land	1993	-	8,374	31/12/2038	308
23	Lot 1804 Block 225 KNLD	Country Land/Mixed Zone Land (Clay Container)	1997	-	8,239	31/12/2038	454
24	Lot 1805 Block 225 KNLD	Country Land/Mixed Zone Land (Clay Storage)	1997	-	8,042	31/12/2038	454
25	Lot 1806 Block 225 KNLD	Country Land/Mixed Zone Land (Clay Storage)	1997	-	7,882	31/12/2038	454
26	Lot 1807 Block 225 KNLD	Country Land/Mixed Zone Land (Clay Storage)	1997	-	7,996	31/12/2038	454
27	Lot 1812 Block 225 KNLD *	Country Land/Mixed Zone Land Double storey detached house	1992	16	3,376	31/12/2038	401
28	Lot 1813 Block 225 KLND * (580/1050share)	Country Land/Mixed Zone Land Single-storey detached house	1992	15	2,707	31/12/2038	203
29	Lot 1814 Block 225 KNLD	Country Land/Mixed Zone Land & 3 storeys building plus store	1995	19	3,268	31/12/2038	472
30	Lot 339 Block 4 Matang Land District (MLD)	Vacant Country Land/Mixed Zone Land with white clay deposits	1992	-	19,466	31/12/2018	77
31	Lot 605 Block 4 MLD	Vacant Country Land / Mixed Zone Land	1994	-	11,250	3/1/2011	28
32	Lot 606 Block 4 MLD	Vacant Country Land/Mixed Zone Land with white clay deposits	1994	-	11,493	3/1/2011	28
33	Lot 710 Block 4 MLD	Vacant Country Land with white clay deposits	1994	-	22,056	4/2/2014	33
34	Lot 794 Block 4 MLD *	Vacant Country Land/Mixed Zone Land with white clay deposits	1992	-	19,304	12/7/2017	80
35	Lot 803 Block 4 MLD *	Vacant Country Land/Mixed Zone Land with white clay deposits	1992	-	23,513	23/8/2016	95

Particulars of Group's Properties (contd.)

No	Location	Description / Existing Use	Year of Revaluation/ Acquisition	Approximate Age of Building (Year)	Land Area M²	Leasehold Expiry Date	NBV RM'000
36	Lot 3, 20, 21, 29, 30, 31 32, & 33 Block 1, Pangkalan Ampat Land District (PALD) *	Vacant Country Land with white clay deposits	1992	-	347,961	31/12/2018	581
37	Lot 2 Block 1 PALD	Vacant Country Land with white clay deposits	1992	-	121,127	31/12/2018	188
38	Lot 4 Block 1 PALD	Vacant Country Land with white clay deposits	1992	-	40,632	31/12/2018	58
39	Lot 966, Block 31, Kemena Land District *	Country Land/Mixed zone Land 4 storey intermediate shophouse	1992	16	182	28/12/2043	439
40	Lot 164, Block 11, Salak Land District *	Country Land/Mixed zone land with white clay deposits suitable for ceramics	1992	-	28,213	12/2/2012	64
41	Bau Lease of Crown Land No 5822 of 1952	Vacant Country Land with clay deposits	1994	-	5,099	29/3/2037	15
42	Bau Occupation ticket No 73	Vacant Country Land with clay deposits	1994	-	46,540	31/12/2029	114
43	WP 12-08, 12 th floor, West Peak De Summit Lot 2855 Muara Tebas Land District	Condominium	1999	3	1,812		420
44	Commercial Shop Lot N2-G-7(D) MJC	4 storey shophouse cum with walk-up-apartment	2002	1	96.51		265
Sabah							
45	1 unit No D09-03, 9th floor, Block D Marina Court, Kota Kinabalu	Condominium	1998	3	1,216		271
Johor							
46	Lot 46974 PTD, HS (D) 162781 (Asiatic) Mukim Senai-Kulai, Indahpura Industrial Park	Industrial Land	1997	-	15,829		3,842
Negeri Sembilan							
47	HS(D) 43950 to HS(D) 43963 Lot Nos 10807 to 10820 Mukim Rentau District Of Seremban	Industrial Freehold Land, Factory/Office building, new office building	1989	13 5	61,495		17,764
Selangor							
48	C-3-2 of block No C, 2nd floor, Centrepoin Business Park, Mukim of Damansara, P.J. Selangor	Multi - Storey shopoffice	1998	4	1,287		156

Particulars of Group's Properties (contd.)

No	Location	Description / Existing Use	Year of Revaluation/ Acquisition	Approximate Age of Building (Year)	Land Area M ²	Leasehold Expiry Date	NBV RM'000
The People Republic of China							
49	Land in China Zhujing Development Area Jinshan Country, Shanghai	Industrial Land, Factory/ Office building	1992	8	230,932	5/11/2042	16,018
Australia							
50	19 Little Street Camden, Australia	Freehold Land with Office Building & warehouse	1995	8	19,790		2,447

Landed properties of the Group marked with "" were revalued in 1992.*

Statistics on Shareholdings

as at 7 April 2003

Analysis by Size of Shareholdings as at 7 April 2003

Authorised share Capital : RM500,000,000
 Issued and fully paid-up capital : RM145,808,013
 Class of shares : Ordinary share of RM1 each fully paid

Category	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 1,000	623	11.59	200,287	0.14
1,000 - 10,000	4,309	80.17	12,655,153	8.68
10,001 - 100,000	390	7.25	9,717,748	6.66
100,001 to less than 5% of issued shares	52	0.97	60,980,800	41.82
5% and above of issued shares	1	0.02	62,254,025	42.70
Total	5,375	100.00	145,808,013	100.00

List of Thirty (30) Largest Shareholders as at 7 April 2003

No.	Name	No. of Shares	%
1.	Kim Hin (Malaysia) Sdn. Bhd.	62,254,025	42.70
2.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Public Growth Fund)	6,604,000	4.53
3.	Mayban Nominees (Tempatan) Sdn. Bhd. (Mayban Trustees Berhad for Public Regular Savings Fund)	4,610,000	3.16
4.	Permodalan Nasional Berhad	4,136,850	2.84
5.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Public Savings Fund)	4,041,000	2.77
6.	Galister International Ltd	3,900,000	2.67
7.	Mint Victor (M) Sdn. Bhd.	2,673,000	1.83
8.	UOBM Nominees (Asing) Sdn. Bhd. (United Overseas Bank Nominees (Pte) Ltd for China Cruise Company Ltd)	2,582,400	1.77
9.	Mayban Nominees (Tempatan) Sdn. Bhd. (Mayban Trustees Berhad for Public Balanced Fund)	2,503,000	1.72
10.	Mayban Nominees (Tempatan) Sdn. Bhd. (Great Eastern Life Assurance (Malaysia) Berhad)	2,471,000	1.69
11.	HSBC Nominees (Tempatan) Sdn. Bhd. (HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust)	2,023,000	1.39
12.	Citicorp Nominees (Asing) Sdn. Bhd. (CB GW Spore for Jacobson Associates SA)	2,000,000	1.37
13.	Kim Hin Industry Berhad (Share Buy Back Account)	1,984,000	1.36
14.	Mayban Nominees (Tempatan) Sdn. Bhd. (Mayban Trustees Berhad for Public Ittikal Fund)	1,971,000	1.35
15.	Mayban Nominees (Tempatan) Sdn. Bhd. (Mayban Trustees Berhad for Public Aggressive Growth Fund)	1,970,000	1.35
16.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Public Equity Fund)	1,652,000	1.13
17.	Mayban Nominees (Tempatan) Sdn. Bhd. (Mayban Trustees Berhad for Public Industry Fund)	1,603,000	1.10
18.	Universal Trustee (Malaysia) Berhad (Mayban Balanced Trust Fund)	1,440,000	0.99

Statistics on Shareholdings (contd.)

as at 7 April 2003

No.	Name	No. of Shares	%
19.	Employees Provident Fund Board	1,245,800	0.85
20.	Huang Jay Chia-Yi	1,206,850	0.83
21.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Public Index Fund)	1,014,000	0.70
22.	PAB Nominee (Tempatan) Sdn. Bhd. (Account for Permodalan Terengganu Berhad)	816,000	0.56
23.	Chua Ban Choon @ Chua Chui Kim	803,700	0.55
24.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (Public Smallcap Fund)	717,000	0.49
25.	Universal Trustee (Malaysia) Berhad (Mayban Unit Trust Fund)	681,000	0.47
26.	Lembaga Tabung Haji	668,000	0.46
27.	Nican Asia Limited	650,000	0.45
28.	Malaysia Nominees (Tempat) Sendirian Berhad (Great Eastern Life Assurance (Malaysia) Berhad)	441,000	0.30
29.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. (PB Balance Fund)	394,000	0.27
30.	RHB Nominees (Tempatan) Sdn. Bhd. (Account for Too Boon Cheng@Toh Boon Chin)	331,600	0.23

List of Directors' Shareholdings as at 7 April 2003

No.	Name	Direct	Indirect
1.	Chua Seng Guan	-	62,254,025*
2.	John Chua Seng Chai	24,650	62,254,025*
3.	Chua Yew Lin	17,400	62,254,025*
4.	Pauline Getrude Chua Hui Lin	2,900	62,254,025*
5.	Vincent Gerard Khoo	-	-
6.	Yeo Yong Siang	-	-
7.	Dato' Ibrahim bin Mahmud	-	-
8.	Fong Tshu Kwong @ Fong Tshun Kwong	20,000	-

* Shares held through Corporation of which the director has substantial interest.

List of Substantial Shareholders as at 7 April 2003

No.	Name	No. of shares	%
1.	Kim Hin (Malaysia) Sdn. Bhd.	62,254,025	42.7

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Form of Proxy

The Company Secretary,
Kim Hin Industry Berhad (018203-V)
 4 1/2 Mile, Kung Phin Road, off Penrissen Road,
 P.O. Box 1842, 93736 Kuching, Sarawak.

I/We _____
 of _____ being a member/members of
 KIM HIN INDUSTRY BERHAD hereby appoint _____
 of _____
 or falling whom, _____
 of _____
 of _____

as my/our proxy to vote for me/us and on my/our behalf at the Thirtieth Annual General Meeting to be held at Kim Hin Conference Room, 4 1/2 Mile, Kung Phin Road, off Penrissen Road, 93250 Kuching, Sarawak, on Friday, 23 May 2003, at 2.00 p.m. and, at every adjournment thereof in the manner indicated below:-

	For	Against		For	Against
Ordinary Resolution 1	<input type="checkbox"/>	<input type="checkbox"/>	Ordinary Resolution 6	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 2	<input type="checkbox"/>	<input type="checkbox"/>	Ordinary Resolution 7	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 3	<input type="checkbox"/>	<input type="checkbox"/>	Ordinary Resolution 8	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 4	<input type="checkbox"/>	<input type="checkbox"/>	Ordinary Resolution 9	<input type="checkbox"/>	<input type="checkbox"/>
Ordinary Resolution 5	<input type="checkbox"/>	<input type="checkbox"/>	Ordinary Resolution 10	<input type="checkbox"/>	<input type="checkbox"/>

(Please indicate with a cross (X) in the space provided whether you wish your votes to be cast for or against the Resolution. In the absence of specific directions, your Proxy will vote or abstain as he/she thinks fit)

Dated day of 2003.

No. of shares held

 Signature / Seal of Shareholder(s)

NOTES:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. To be valid this form duly completed must be deposited at the Registered Office of the Company at 4 1/2 Mile, Kung Phin Road, off Penrissen Road, P.O. Box 1842, 93736 Kuching, Sarawak not less than forty-eight (48) hours before the time for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointer is a corporation, this form must be executed under its common seal or under the hand of its attorney.
6. Please note that the interested directors, interested major shareholders or interested persons connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote in respect of their direct and/or indirect shareholdings on the resolution approving the Mandate.



Kim Hin Industry Berhad (018203-V)

4 1/2 Mile, Kung Phin Road,
Off Penrissen Road,
P.O. Box 1842,
93736 Kuching, Sarawak.

