



annual  
report 2004



beautiful tiles for life...

**KIM HIN INDUSTRY BERHAD**  
(018203-V)

# Vision

- 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.

# Mission

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

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

# Corporate Values

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

# C o n t e n t s

Notice of Annual General Meeting ))	02 - 06
Corporate Information ))	07
Chairman's Statement ))	09 - 11
Corporate Governance ))	12 - 23
Profile of Directors ))	24 - 27
Group Corporate Structure ))	28
Financial Highlights ))	29

# F i n a n c i a l S t a t e m e n t s

Financial Statements ))	31
Directors' Report ))	32 - 37
Statement by Directors ))	38
Report of the Auditors ))	39
Income Statements ))	40
Balance Sheets ))	41
Consolidated Statement of Changes in Equity ))	42
Statement of Changes in Equity ))	43
Consolidated Cash Flow Statement ))	44 - 45
Cash Flow Statement ))	46 - 47
Notes to the Financial Statements ))	48 - 75
Particulars of Group's Properties ))	76 - 78
Statistics on Shareholdings ))	79 - 80
Form of Proxy	

# [ Notice of annual general meeting

**NOTICE IS HEREBY GIVEN** that the Thirty-Second Annual General Meeting of Members of KIM HIN INDUSTRY BERHAD will be held at the Kim Hin Conference Room, 4 1/2 Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak on Wednesday, 25 May 2005 at 2.00 p.m. for the following purposes:

## AGENDA

1. To receive and adopt the audited financial statements and reports of Directors and Auditors for the financial year ended 31<sup>st</sup> December 2004.

**Resolution 1**

2. To approve a first and final dividend of 6.5% (tax exempt) for the financial year ended 31<sup>st</sup> December 2004.

**Resolution 2**

3. To approve the payment of Directors' fees amounting to RM240,000 for the financial year ended 31<sup>st</sup> December 2004 as recommended by the Directors.

**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:

Mr. Chua Seng Guan  
Mr. John Chua Seng Chai  
Mr. Vincent Gerard Khoo

**Resolution 4**

**Resolution 5**

**Resolution 6**

5. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

**Resolution 7**

6. As Special Businesses

To consider, and if though fit, pass the following resolutions as Special and Ordinary Resolutions:-

### **Special Resolution No. 1**

**Resolution 8**

#### **• Proposed amendment to the Company's Memorandum of Association**

"THAT, the words "the Kuala Lumpur Stock Exchange" in lines 2 and 5 of the existing Clause 3.37 of the Company's Memorandum of Association be deleted and replaced with the words "Bursa Malaysia Securities Berhad" and the new Clause 3.37 shall be read as follows:-

To acquire by purchase in good faith and in the best interest of the Company, the Company's own shares through Bursa Malaysia Securities Berhad on which the shares of the Company are quoted and will not become insolvent by incurring the debts involved in the obligation to pay for the shares so purchased and to deal in such shares in accordance with the provisions of the Companies Act, 1965 and any rules, regulations and guidelines thereunder issued by Bursa Malaysia Securities Berhad and any other relevant authorities thereof."

### **Special Resolution No. 2**

**Resolution 9**

#### **• Proposed amendment to the Company's Articles of Association**

- (i) "THAT, the following existing interpretation in Article 2 of the Company's Articles of Association be deleted in its entirety and replaced with the following new interpretation:-

AND THAT, all references to "Central Depository" and "Exchange" throughout the Company's whole Articles of Association be changed to "Depository" and "Bursa Securities" respectively.



## Notice of annual general meeting (Cont.)



EXISTING INTERPRETATION	NEW INTERPRETATION
"Central Depository" means Malaysian Central Depository Sdn. Bhd.	"Depository" means Bursa Malaysia Depository Sdn. Bhd. (formerly known as Malaysian Central Depository Sdn. Bhd.) (Company No. 165570-W)
"Exchange" means Kuala Lumpur Stock Exchange.	"Bursa Securities" means Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

**Ordinary Resolution No. 1****Resolution 10****• Proposed Renewal of Share Buy-Back Authority**

"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 Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authority, the Directors of the Company be and are hereby authorised to purchase and hold on the market of the Bursa Securities 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 Bursa Securities 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 15,487,000 Shares representing approximately ten percent (10%) of the total issued and paid-up share capital of 154,876,013 ordinary shares of RM1.00 each of the Company as at 31 March 2005 and an amount not exceeding RM40 million from the retained profit reserve (as at 31 March 2005, the unaudited retained profit reserve amounted to RM 120,550,336 ) and being an amount not exceeding the total of the Company's latest unaudited net cash resource of RM 142 million as at 31 March 2005, 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 Bursa Securities, 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:-

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming 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 AGM 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 Bursa Securities or any other relevant authorities."

**Ordinary Resolution No. 2****Resolution 11****• Proposed Renewal of Shareholders' Mandate and new 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 2005 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 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



## Notice of annual general meeting (Cont.)

(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 next Annual General Meeting ("AGM") of the Company following the forthcoming 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;
- (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;

**AND THAT** the Directors of the Company be authorised 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 No. 3

### Resolution 12

#### • 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 authorities, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue shares in 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."

### BY ORDER OF THE BOARD

**LOI PUI KHIM** (MIA 7259)

**LOW WAI SEE** (MAICSA 7051463)

**Company Secretaries**

Kuching, Sarawak

Dated this 30<sup>th</sup> day of April 2005





## Notice of annual general meeting (Cont.)

### 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, the Proxy Form duly completed must be deposited at the Registered Office of the Company at 4 $\frac{1}{2}$  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.

### Explanatory Notes on Special Business

1. Special Resolutions on proposed amendments to the Company's Memorandum and Articles of Association

The proposed Resolutions No. 8 and 9 are to be in line with the demutualisation of Kuala Lumpur Stock Exchange and in compliance with Listing Requirements of Bursa Malaysia Securities Berhad.

2. Ordinary Resolution on Proposed Renewal of Share Buy-Back Authority

The proposed resolution 10, 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 Share Buy-Back Statement dated 30 April 2005, enclosed herewith.

3. Ordinary Resolution on Proposed Renewal of Shareholders' Mandate and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (*"Proposed Shareholders' Mandate"*)

Pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Malaysia Securities Berhad 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 proposed resolution 11, 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 2005, 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 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 shall continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following the forthcoming 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;
- (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.



Please refer to Circular to Shareholders dated 30 April 2005 for further details.

4. Ordinary Resolution on Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

The proposed resolution 12, 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<sup>st</sup> 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.

### Statement accompanying Notice of Annual General Meeting

#### 1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION

The following Directors are standing for re-election at the 32<sup>nd</sup> Annual General Meeting of the Company pursuant to Article 84 of the Company's Articles of Association:

- i) Mr. Chua Seng Guan
- ii) Mr. John Chua Seng Chai
- iii) Mr. Vincent Gerard Khoo

#### 2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

There were six (6) Board Meetings held during the financial year ended 31 December 2004. The details of attendance of the Directors are set out on Page 12 on Corporate Governance in the Annual Report.

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

#### 3. DETAILS OF DIRECTORS WHO ARE STANDING FOR RE-ELECTION

The Profile of the Directors standing for re-election are set out in pages 24 and 26 of the Annual Report.

#### 4. PLACE, DATE AND TIME OF THE THIRTY-SECOND ANNUAL GENERAL MEETING

The 32<sup>nd</sup> Annual General Meeting of the Company will be held at the Kim Hin Conference Room, 4 1/2 Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching, Sarawak on Wednesday, 25 May 2005 at 2.00 p.m.



# [ Corporate Information



## ADVISOR

Chua Chui Tham

## BOARD OF DIRECTORS

Chua Seng Guan (*Executive Chairman*)

John Chua Seng Chai (*Group Managing Director*)

Pauline Getrude Chua Hui Lin

Chua Yew Lin

Vincent Gerard Khoo

(*Executive Directors*)

Yeo Yong Siang

Dato' Ibrahim bin Mahmud

Fong Tshu Kwong @ Fong Tshun Kwong

(*Non-Executive Independent Directors*)

## COMPANY SECRETARIES

Loi Pui Khim (MIA 7259)

Low Wai See (MAICSA 7051463)

## SHARE REGISTRARS

Symphony Share Registrars Sdn. Bhd.

Level 26, Menara Multi Purpose,

Capital Square, No. 8, Jalan Munshi Abdullah

50100 Kuala Lumpur

Tel : 03-27212222

Fax : 03-27212530

## REGISTERED OFFICE

4 1/2 Mile, Kung Phin Road,

Off Penrissen Road,

93250 Kuching, Sarawak.

Tel : 082-451567

Fax : 082-452135

## WEBSITE

[www.kimhin.com.my](http://www.kimhin.com.my)

## ADVOCATES & 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

3<sup>rd</sup> Floor, Wisma Bukit Mata Kuching,

Jalan Tuanku Abdul Rahman,

93100 Kuching, Sarawak.

## PRINCIPAL BANKERS

AmMerchant Bank Berhad

HSBC Bank Malaysia Berhad

Standard Chartered Bank Malaysia Bhd

United Overseas Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

## STOCK NAME

KIMHIN (Stock Code : 5371)







## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Kim Hin Industry Berhad, it is my great pleasure to present to you the Annual Report and Audited Financial Statements of Kim Hin Industry Berhad and its subsidiary companies ("the Group") for the year ended 31 December 2004.

### Business Performance Review

#### *Malaysian Economy in 2004*

The Malaysian economy expanded by 7.1% in 2004, the fastest growth since 2000. The economy benefited from both stronger external and domestic demand. Notwithstanding some moderation in global growth in the second half of the year, the Malaysian economy remained resilient with the private sector continuing to be the principal driving force of domestic economic expansion. In 2004, the Government progressed further in fiscal consolidation. The overall Federal Government deficit declined to 4.3% of Gross Domestic Product (GDP) in 2004 (2003: -5.3%). The Government, while consolidating, remained supportive of growth with policies targeted at enhancing the business environment for the economy.

In 2004, GDP growth was led by the private sector, which contributed 6.2 percentage points to the overall economic expansion. Private consumption increased significantly, supported by higher disposable incomes, a rebound in consumer confidence following the events of early 2003 including the Severe Acute Respiratory Syndrome (SARS) outbreak, various economic stimuli (such as Home Ownership For The People (HOPE) Project, Real Property Gains Tax and stamp duty exemptions) and low interest rates. Private investment also accelerated during the year as rising demand amidst the high capacity utilisation, higher profitability and favourable financing conditions encouraged investment activity.

All sectors registered positive growth during the year except construction. In the manufacturing sector, both export- and domestic-oriented industries expanded strongly with high capacity utilisation, in line with the upturn in the global electronics cycle as well as stronger domestic demand. The services sector experienced a stronger expansion, driven mainly by higher consumer spending amidst rising disposable incomes as well as higher tourist arrivals and increased trade-related activities. The sustained strong expansion of the agriculture sector was driven by higher production of crude palm oil and rubber as well as food-related crops in line with the Government's efforts to revitalize the sector as an important engine of growth. Of significance, prices of agricultural products were significantly higher in 2004, creating a significant multiplier effect on the domestic economy since the sector is the largest employer of rural workforce. Similarly, the mining sector expanded on stronger domestic and external demand amidst higher prices. In the construction sector, activities in the residential and non-residential segments expanded but the overall activity was subdued, due to lower activities in the civil engineering sub-sector following the completion of several large infrastructure projects.

### Financial Review

During the financial year ended 31 December 2004, the Group maintained its revenue base of RM258.5 million which was comparable to the sales revenue of the financial year 2003. For 2004, this performance was assisted by the expansion of the residential and non-residential segments of the construction industry as mentioned in the preceding section and was mainly contributed by better demands and sales mix.

Despite our strong performance in terms of sales revenue for the Group, the profit after taxation and minority interest recorded a decline from RM43.6 million to RM24.8 million. This decline is due to a culmination of factors which impacted the Group in 2004. Predominantly, the significant factors are as follows:



### ❖ Increase in cost of production

The financial year 2004 saw the dramatic increases in crude oil prices which had a significant impact on fuel costs of the Group. Unlike other companies in this industry which are based in West Malaysia and consumed natural gas in their production process, the Group mainly consumed liquefied petroleum gas and therefore is subject to an unfavourable cost differential. In addition, raw material costs of the Group had increased in light of general escalation in prices as compared to the financial year 2003.

### ❖ Increase in taxation charge for the year under review

The Group experienced a significant increase in the taxation charge of approximately RM15.2 million for the financial year 2004 from RM7.7 million for the financial year 2003. The increase in taxation charge was reflective of the decline in tax incentives available to the Group.

### ❖ Decline in favourable foreign exchange movements

Although the performance of the Group in terms of profit after taxation and minority interest had declined, I am still proud to be able to present a strong financial position of the Group to the shareholders as evidenced from the significant increase in its cash reserves from about RM167 million in 2003 to about RM176 million in 2004 while continuing to maintain a tight control on the Group's gearing. All in all, the shareholders' value has improved based on the improvement in the shareholders' equity of the Group from about RM400 million in 2003 to about RM419 million in 2004.

### Dividend

For the financial year ended 2004, the Board is pleased to recommend a dividend of 6.5% (tax exempt) for the shareholders' approval at the forthcoming Annual General Meeting.

### Prospects for Year 2005

For 2005, growth in the East Asian region, excluding Japan, is expected to expand at a reasonably high rate of 6.3% to 6.5%. Consumption is expected to be sustained by rising incomes and a growing share of the young age group with higher propensity to consume. Domestic demand is also likely to remain resilient given the larger contribution from new sources of growth and increased intra-regional trade.

Given these positive developments, the prospects for the Malaysian economy in 2005 remain sound. Real GDP is expected to expand by 5% to 6% in 2005 (2004: 7.1%). This assessment is based on the assumption of sustained external demand conditions, modest downturn in the global electronics cycle, relatively favourable prices for crude palm oil and crude oil, as well as improved intra-regional trade. Riding on the back of these positive developments, the Group is embarking on a reinvestment program through upgrading its current facilities so as to enhance the shareholders' value.

By and large, barring unforeseen circumstances, the Group is looking forward to achieving another strong performance in 2005.



## Chairman's Statement (Cont.)

### Corporate Governance

The Board acknowledges the Malaysian Code of Corporate Governance issued by the Finance Committee on Corporate Governance which sets out the principles, best practices and guidelines that may be applied in the operations of a company, so as to enhance the transparency and accountability of public listed companies in Malaysia.

Steps have been taken to ensure the Group's commitment to the Corporate Governance procedures so as to enhance shareholders' value and to safeguard the assets of the Group.

### Appreciation

On behalf of the Board, I would like to extend my sincere appreciation to and thank our shareholders, valued customers, vendors, bankers, business associates and regulatory authorities for your continuous support and confidence in the Group.

I would also like to acknowledge the dedicated service and commitment of the Staff and Management of the Group.

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

**CHUA SENG GUAN**  
Executive Chairman



The Board of Directors of Kim Hin Industry Berhad ("the Company") is committed to comply with the highest standards of corporate governance in discharging its responsibilities to enhance business prosperity and long term value for its shareholders.

The Board is pleased to present below a description of how the Group has applied the principles of good governance and the extent of compliance with the best practices as embodied in the Malaysian Code on Corporate Governance ("the Code"). In achieving this end, the Board takes every step to ensure that the principles of corporate governance and best practices are observed and practiced throughout the Group.

## THE BOARD OF DIRECTORS

The Board has the overall responsibility for corporate governance, strategic directions, formulation of policies and overseeing the investments and operations of the Company.

### Board Balance

The board consists of eight (8) directors, that is three (3) independent non-executive directors and five (5) executive directors. The Board's composition brings to the Group a diverse wealth of skills, knowledge as well as a balanced mix of experience and expertise to effectively discharge its stewardship responsibilities in spearheading the Group's growth and future direction. Generally, the Executive Directors are responsible for making and implementing operational and corporate decisions. Non-Executive Directors play a pivotal role in corporate accountability by providing unbiased and independent views in the sharing of knowledge and experience, towards the formulation of policies and in the decision-making process. A brief profile of each Director is presented on pages 24 to 27 of this Annual Report.

Although all Directors have equal responsibility for the Group's operations, the presence of independent Directors is particularly important as they provide independent views, assessment, advice and judgement.

### Chairman and Group Managing Director

There is a clear division of responsibilities between the Executive Chairman and the Group Managing Director to ensure that there is balance of power and authority and no one individual has unfettered powers of decision. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director is responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

### Board Meetings

The Board meets on a quarterly basis and additional meetings are convened as and when necessary. The Board met for a total of six (6) times during the financial year ended 31 December 2004 and their attendance details are as follows:-

Directors	Attendance	Percentage of attendance
Chua Seng Guan	6/6	100%
John Chua Seng Chai	6/6	100%
Pauline Getrude Chua Hui Lin	6/6	100%
Chua Yew Lin	6/6	100%
Vincent Gerard Khoo	6/6	100%
Yeo Yong Siang	6/6	100%
Dato' Ibrahim bin Mahmud	5/6	83%
Fong Tshu Kwong @ Fong Tshun Kwong	5/6	83%



### Appointment to the Board

The Nomination Committee is responsible for making recommendation for appointment to the Board. The decision on appointment rests on the Board as a whole after considering the recommendation of the Nomination Committee. During the year, no new Director was appointed.

### Re-election of Directors

In accordance with the Company's Articles of Association, one-third of the Directors for the time being shall retire from office and eligible for re-election. All directors including the Group Managing Director, are subject to retirement and re-election by the shareholders at least once every 3 years.

### Supply of Information

At the beginning of every year, a yearly timetable of meetings are scheduled and circulated in advance. 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.

### Directors' training

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) organised by Bursa Malaysia Securities Berhad. The Directors will continue to undergo training to keep abreast of the new regulatory development and Bursa Malaysia Listing requirements.

### The Board Committees

During the financial year ended 31 December 2004, the following Board Committees namely the Audit Committee, Nomination Committee, Remuneration Committee, Executive Share Option Scheme Committee ("Option Committee") and Risk Management Committee assist the Board in discharging its fiduciary duty.

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

#### (a) Audit Committee

The composition and terms of reference of this Committee together with its report are presented on pages 19 to 23

#### (b) Nomination Committee

The Committee is responsible for recommending the right candidate with the necessary skills, experience and competencies as new Board members as well as members of Board Committees.

During the financial year ended 31 December 2004, the Committee held one meeting which was attended by all members.



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
<b>Total</b>	<b>2</b>	<b>100%</b>

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 paragraph 15.21 of the Listing Requirements of Bursa Malaysia Securities Berhad;
- (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.

**(c) 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%
<b>Total</b>	<b>3</b>	<b>100%</b>

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.

During the financial year ended 31 December 2004, the Committee held one meeting which was attended by all members.





## Corporate Governance (Cont.)

**(d) 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%
<b>Total</b>	<b>3</b>	<b>100%</b>

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

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

**(e) 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%
<b>Total</b>	<b>7</b>	<b>100%</b>

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

Four (4) Risk Management Committee meetings and one (1) risk assessment workshop were held during the year under review.

### DIRECTORS' REMUNERATION

The objectives of the Company's remuneration policy on Directors' remuneration is to attract, retain and motivate the Directors with the relevant experience and expertise to manage the Group successfully. Their remuneration reflects the level of experience and expertise they bring with them and the level of responsibility undertaken by them.

The details of remuneration of each directors who served during the financial year ended 31 December 2004 are as follows:-

Directors	Fee <sup>1</sup>	Emolument	Share Options <sup>2</sup>	Benefits In Kind
<b>Executive Directors</b>				
Chua Seng Guan	RM30,000	RM1,350,000-RM1,400,000	1,000,000	RM38,474
John Chua Seng Chai	RM30,000	RM1,350,000-RM1,400,000	1,000,000	RM64,758
Chua Yew Lin	RM30,000	RM500,000-RM550,000	830,000	RM39,077
Pauline Getrude Chua Hui Lin	RM30,000	RM500,000-RM550,000	830,000	RM45,450
Vincent Gerard Khoo	RM30,000	RM150,000-RM200,000	250,000	RM12,877
<b>Non-Executive Directors</b>				
Yeo Yong Siang	RM30,000	-	-	-
Dato' Ibrahim bin Mahmud	RM30,000	-	-	-
Fong Tshu Kwong	RM30,000	-	-	-

@ Fong Tshun Kwong

#### Note:

1. To be approved by shareholders at the forthcoming Annual General Meeting.
2. Total share options granted under the Executive Share Option Scheme 2002.

### ACCOUNTABILITY AND AUDIT

#### (a) Financial Reporting

The annual financial statements and quarterly results are reviewed by the Audit Committee and approved by the Board of Directors prior to public release. A statement by the Directors explaining the Board's responsibility for preparing the annual financial statements is set out on page 17 of this Annual Report.



### (b) Risk Management and Internal Control

A statement on Internal Control which provides an overview of the state of internal control within the Group is disclosed below.

### (c) Relationship with the Auditors

Through the Audit Committee, the Company has established a formal and transparent relationship with the auditors, both internal and external. The external auditors are invited to discuss the annual financial statements, their audit plan, audit findings and other special matters that require the Board's attention. The Audit Committee meets with the external auditors without any executive director's presence at least once a year.

### INVESTORS RELATION AND SHAREHOLDERS COMMUNICATION

The Board recognises the importance of being accountable to and communicating with its investors, and the need for shareholders to be informed of all material business matters affecting the Company.

The Company's Annual General Meeting present opportunities for the Board to meet individual shareholders, and provide a forum to discuss and debate key issues. All shareholders are encouraged to attend the General Meetings and participate in the proceedings. The shareholders were given the opportunity to raise questions and seek clarification from the members of the Board, management and the Auditors of the Company about the resolutions being proposed and the Group's performance and activities.

### STATEMENT OF DIRECTORS' RESPONSIBILITY IN PREPARING ANNUAL AUDITED FINANCIAL STATEMENTS

*(Pursuant to paragraph 15.27(a) of Listing Requirements of Bursa Malaysia Securities Berhad)*

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 Accounting Standards Board, the provisions of the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad.
- 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 Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad)*

#### Responsibility of the Board

The Board of Directors acknowledges its overall responsibility for the Group's system of internal control that aims to safeguard shareholders' investments and the Group's assets. The system of internal control is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Group. It can therefore only provide reasonable and not absolute assurance of effectiveness against material misstatement of management and financial information or against financial loss and fraud.



The Group has an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the system of internal control when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the "Statement on Internal Control: Guidance for Directors of Public Listed Companies" issued by Bursa Malaysia Securities Berhad ("Bursa Securities").

### 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. The Risk Management Committee (RMC) has been established in 2001 to achieve 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 Bursa Securities' Statement on Internal Control – Guidance for Directors of Public Listed Companies.

In December 2004, a yearly risk assessment workshop was conducted after the strategic planning for 2005 was carried out. New risks were identified, analysed and evaluated on their possibility and impact, controls were also been identified and evaluated to mitigate the risks with risk owners assigned to manage these risks.

In the period under review, Risk Management Awareness Training and Risk Assessment Workshops were conducted in three subsidiaries in Peninsular Malaysia and the subsidiary in Shanghai, People's Republic of China.

### Control Environment and Activities

During the financial year, four Risk Management Committee meetings were held. The Corporate Risk Scorecard ("CRS") system has helped 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. Key Risk Indicators (KRIs) were also been established to monitor the critical risks. Awareness training was also conducted for new senior employees.

### 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) Marketing functions - gain new business, product delivery, after sales support (collection, finance), distribution and sales forecasting.
- (b) Production related functions - conversion and quality assurance.
- (c) Human resource.



## Board Review

The Board of Directors is taking continuous steps to assess and enhance the effectiveness of the system of internal control. 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 April 2005

## AUDIT COMMITTEE REPORT

The Board of Directors of Kim Hin Industry Berhad is pleased to present the report of the Audit Committee for the financial year ended 31 December 2004.

### Composition of the Audit Committee

The members of the Audit Committee during the year under review comprised of the following Directors:-

Mr. 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)

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

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

Internal Auditor : Ernst & Young

The Audit Committee met six (6) times during the year as follows:-

- 1) 18 February 2004
- 2) 22 April 2004 (Independent Audit Committee Meeting)
- 3) 22 April 2004
- 4) 26 May 2004
- 5) 18 August 2004
- 6) 24 November 2004

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

Name of Audit Committee member	Attendance	Percentage of attendance
Mr. Yeo Yong Siang	6/6	100%
Dato' Ibrahim Bin Mahmud	5/6	83%
Mr. Fong Tshu Kwong @ Fong Tshun Kwong	5/6	83%
Mr. 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 internal auditors;
- 5) 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; and
- 6) review related party transactions and share buy-back.

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

Year 2004 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	Review of major process area	Tabling at Audit Committee Meeting
Quarter 1, 2004	<ul style="list-style-type: none"> <li>• Quality assurance</li> <li>• Credit collection</li> <li>• Conversion</li> <li>• Distribution</li> <li>• Selling product</li> </ul>	May 2004
Quarter 2, 2004	<ul style="list-style-type: none"> <li>• Collection</li> <li>• Sell product</li> <li>• Store Management</li> <li>• Maintenance of kiln</li> <li>• Quality assurance</li> <li>• Purchasing</li> <li>• Production - conversion</li> </ul>	August 2004
Quarter 3, 2004	<ul style="list-style-type: none"> <li>• Monitoring of Key Performance Indicators</li> <li>• Hedging</li> <li>• Customer base analysis</li> <li>• Product knowledge analysis</li> <li>• Outsourcing</li> <li>• Market analysis</li> <li>• After sales support</li> </ul>	November 2004
Quarter 4, 2004	<ul style="list-style-type: none"> <li>• Sales forecasting</li> <li>• Follow up of 2002 and 2003 visits where recommendations have not been implemented</li> <li>• Indirect tax review</li> </ul>	February 2005





The overall review of the internal control system for the above areas covered, reveals that controls and policies are generally adequate and functioning satisfactorily. 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 April 2005



## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

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; and
- 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 Accountants, he must have at least 3 years' working experience and:-
    - (aa) he must have passed the examinations specified in Part 1 of the 1<sup>st</sup> 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 1<sup>st</sup> 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.
- 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 their terms of reference.

### 2. Chairman of the audit committee

The members of an 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.
  - (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 members 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 resolved 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;
  - (iv) a summary of the activities of the audit committee in the discharge of its functions and duties for that financial year; and
  - (v) the existence of an 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.





## CHUA SENG GUAN

Executive Chairman  
47 years of age / Malaysian

Mr. Chua Seng Guan 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 the 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 Webspy Limited, a public listed company in Australia.

He attended all six (6) of the Board Meetings of the Company held during the year ended 31 December 2004.

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

Details of his securities holdings as at 31st March 2005:

Name of Company	Ordinary Shares of RM1.00 each		Balance of ESOS options
	Direct shareholding	Indirect shareholding	
Kim Hin Industry Berhad	280,000*		500,000
Major shareholder:- Kim Hin (Malaysia) Sdn Bhd		64,254,025	

\* Shares held through HDM Nominees (Tempatan) Sdn Bhd - 50,000.

## JOHN CHUA SENG CHAI

Group Managing Director  
46 years of age / Malaysian

Mr. John Chua Seng Chai holds a Bachelor of Arts (Economics) Honours degree from the University of Warwick, United Kingdom. He was appointed to the Board as the Production Director on 2 October 1981. He is a member of the Risk Management Committee and Option Committee.

He attended all six (6) of the Board Meetings held during the financial year.

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

Details of his securities holdings as at 31st March 2005:

Name of Company	Ordinary Shares of RM1.00 each		Balance of ESOS options
	Direct shareholding	Indirect shareholding	
Kim Hin Industry Berhad	524,650		500,000
Major shareholder:- Kim Hin (Malaysia) Sdn Bhd		64,254,025	



**PAULINE GETRUDE CHUA HUI LIN**

Executive Director  
43 years of age / Malaysian

Madam Pauline Getrude Chua Hui Lin has completed her secondary education in Kuching and she joined the Company in 1980, initially serving in the Accounts Department and was appointed to the Board of Directors of Kim Hin Industry Berhad in 1981 and later as an Alternate Director to Mr. Chua Seng Guan in 1985. Madam Pauline Getrude Chua Hui Lin was later re-appointed as Director of Kim Hin Industry Berhad on 1 January 1992. She is primarily in-charge of the administration and operating procedures of the Group.

She attended all six (6) of the Board Meetings held during the financial year ended 31 December 2004.

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

Details of her securities holdings as at 31st March 2005:

Name of Company	Ordinary Shares of RM1.00 each		Balance of ESOS options
	Direct shareholding	Indirect shareholding	
Kim Hin Industry Berhad	328,900		415,000
Major shareholder:- Kim Hin (Malaysia) Sdn Bhd		64,254,025	

**CHUA YEW LIN**

Executive Director  
42 years of age / Malaysian

Madam Chua Yew Lin has completed her secondary education in Kuching. She joined the Company in 1980 as Office Manager and was later promoted as a Director on 2 October 1981. She oversees the overall financial and treasury operations of the Group.

She attended all six (6) of the Board meetings held during the financial year ended 31 December 2004.

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

Details of her securities holdings as at 31st March 2005:

Name of Company	Ordinary Shares of RM1.00 each		Balance of ESOS options
	Direct shareholding	Indirect shareholding	
Kim Hin Industry Berhad	332,400		415,000
Major shareholder:- Kim Hin (Malaysia) Sdn Bhd		64,254,025	

**VINCENT GERARD KHOO** (JSM, JBK, KMN, PBS, AMN)

Executive Director  
69 years of age / Malaysian

Mr. Khoo has 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.

He attended all six (6) of the Board Meetings held during the financial year ended 31 December 2004.

Details of his securities holdings as at 31st March 2005:

Name of Company	Ordinary Shares of RM1.00 each		Balance of ESOS options
	Direct shareholding	Indirect shareholding	
Kim Hin Industry Berhad	62,000	Nil	63,000

**YEO YONG SIANG** (PPT)

Independent Non-Executive Director  
66 years of age / Malaysian

Mr. Yeo 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 all six (6) of the Board Meetings held during the financial year ended 31 December 2004.

**DATO' IBRAHIM BIN MAHMUD** (PPB, PPP, DIMP)

Independent Non-Executive Director  
62 years of age / Malaysian

Dato' Ibrahim completed his secondary education in Kuching. He joined the Sarawak Constabulary on 12 March 1964 as Constable and 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 a member of the Audit Committee, Remuneration Committee, Nomination Committee and Option Committee.

He attended five (5) out of the six (6) Board Meetings held during the financial year ended 31 December 2004.

**FONG TSHU KWONG @ FONG TSHUN KWONG**

Independent Non-Executive Director  
46 years of age / Malaysian

Mr. Fong is a Chartered Accountant (Malaysia) and 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 London and Malaysia 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.

Mr. Fong 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. He is also an Independent Non-Executive Director of Sarawak Oil Palms Berhad.

He attended five (5) out of the six (6) Board Meetings held during the financial year ended 31 December 2004.

Details of his securities holdings as at 31st March 2005:

Name of Company	Ordinary Shares of RM1.00 each		Balance of 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.

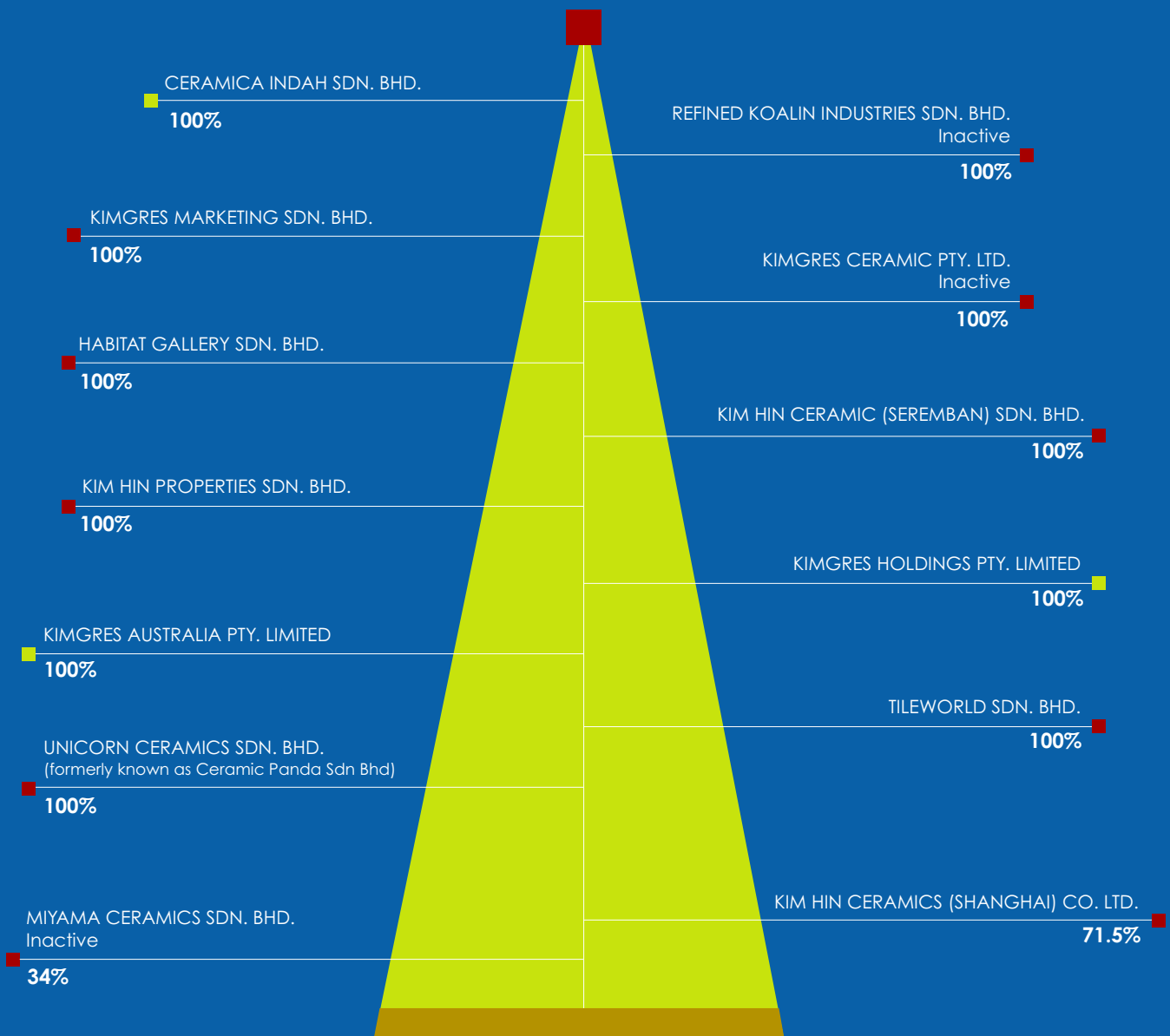
# [ Group Corporate structure



## KIM HIN INDUSTRY BERHAD

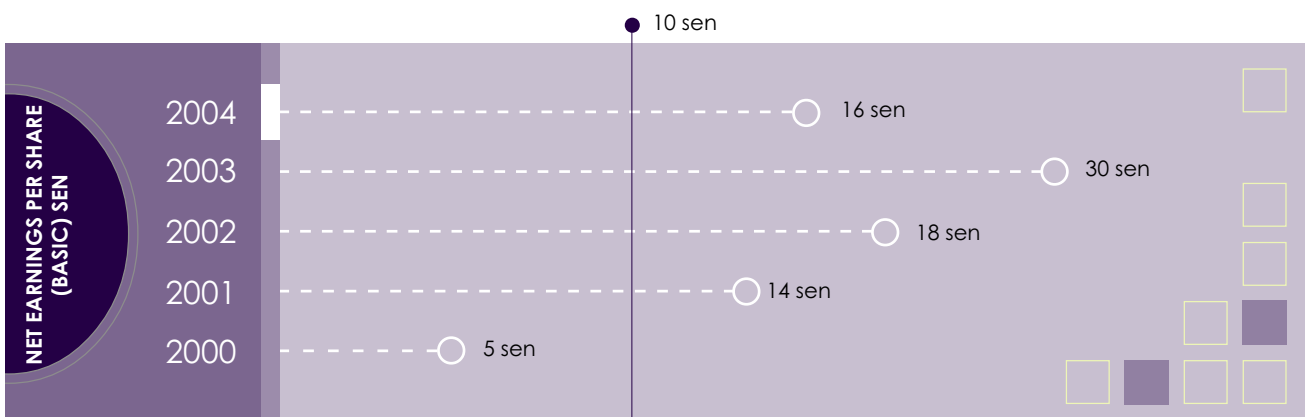
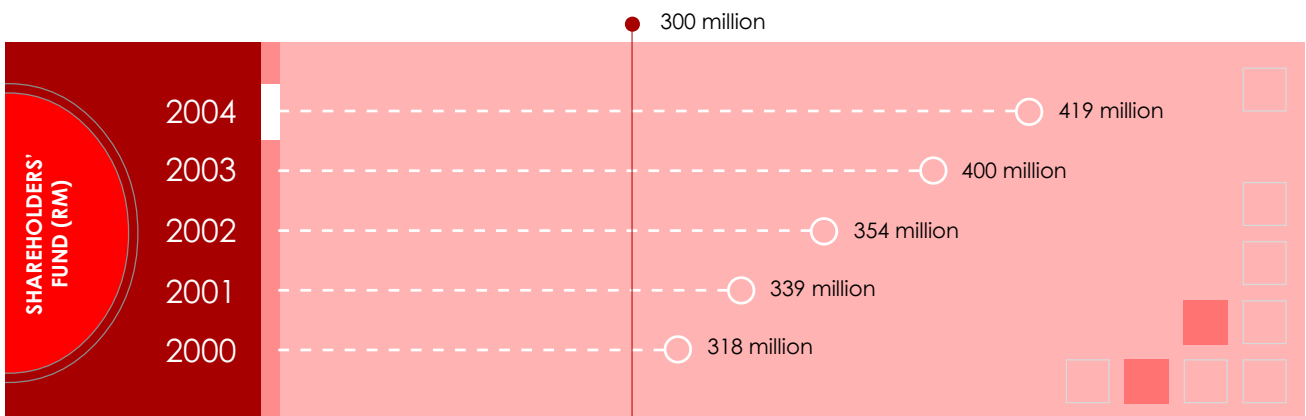
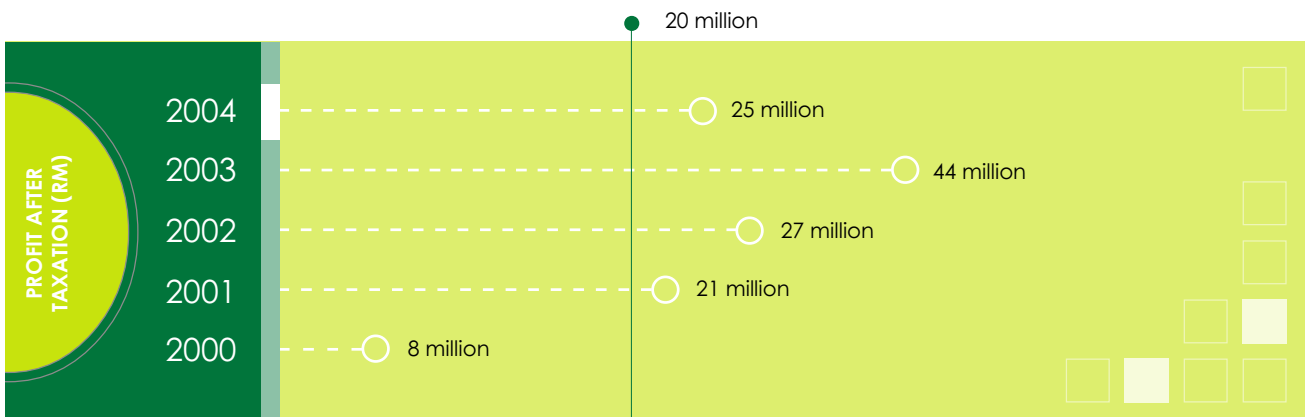
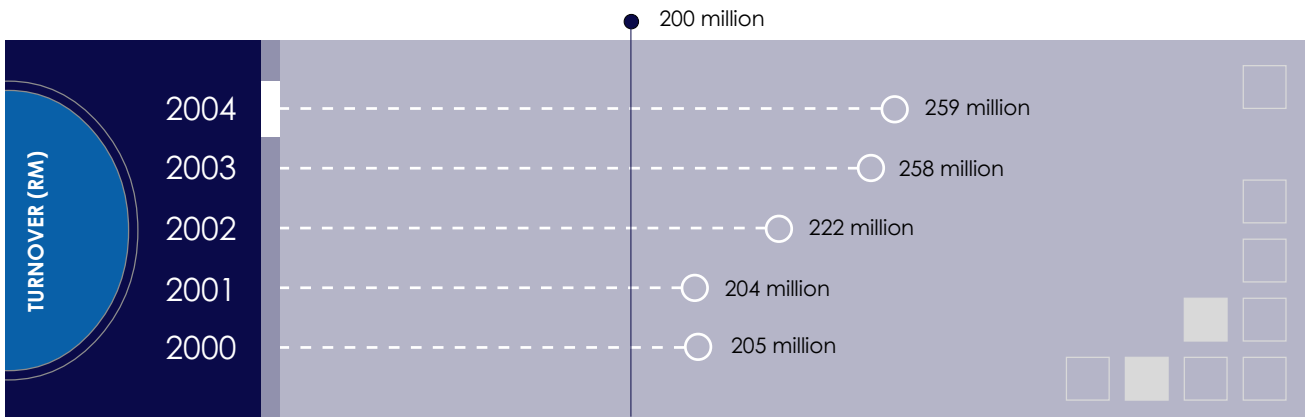
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Chua Seng Guan (Executive Chairman)  
John Chua Seng Chai (Group Managing Director)



■ Kimgres Australia Pty. Limited and Kimgres Holdings Pty. Limited are the wholly-owned subsidiaries of Ceramica Indah Sdn. Bhd.

# [ Financial Highlights



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## Financial Statements

# [ 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 31 December 2004.

## Principal activities

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiary companies are set out in Note 9 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	24,806	8,216
Minority interest	(37)	-
Net profit for the year	<u>24,769</u>	<u>8,216</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.

## Dividends

During the year, the Company paid a first and final dividend of 5%, tax exempt, amounting to RM7,498,701 in respect of the financial year ended 31 December 2003.

At the forthcoming Annual General Meeting, a first and final dividend of 6.5%, tax exempt, amounting to RM10,062,911, in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of revenue reserve in the financial year ending 31 December 2005.

## 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, Chua Seng Guan, John Chua Seng Chai and Vincent Gerard Khoo shall retire in accordance with Article 84 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

## Issue of shares

During the current financial year, the issued and paid-up share capital of the Company was increased from RM152,774,013 to RM154,814,013 by the issuance of 2,040,000 new ordinary shares of RM1.00 each on the conversion of 2,040,000 options granted under the Company's Executive Share Option Scheme ("ESOS") at the exercise price of RM1.60 each.

**Executive share option scheme**

The Company's ESOS is governed by the by-laws approved by the shareholders at 1 April 2002.

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 or who are on contract of not less than three years with the Group.
- (b) The total number of new shares to be offered under the ESOS 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 23 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 Bursa Malaysia Securities Berhad 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.
- (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 ESOS at the end of the current financial year was as follows:

A.	Balance of options available for exercise as at 1 January 2004	6,439,000
B.	Total options granted in 2004	-
C.	Total options rejected in 2004	-
D.	Total options forfeited in 2004 upon resignation	145,000
E.	Total options exercised in 2004	2,040,000
F.	Balance of options available for exercise as at the close of business on 31 December 2004 [ F = A + B - C - D - E ]	4,254,000

The Company has been granted an exemption by the Companies Commission of Malaysia pursuant to Section 169A(1) of the Companies Act, 1965 from disclosing the details of eligible employees, who have been granted options under the ESOS during the current financial year except for eligible employees who have been granted 250,000 or more options, in accordance with Section 169(11) of the Companies Act, 1965.

Accordingly, no disclosure is made in respect of eligible employees who have been granted less than 250,000 options while the details of eligible employees who have been granted 250,000 or more options are disclosed as follows:

- 1. The names of the eligible employees and the number and class of shares in respect of which the options have been granted are disclosed in the ensuing paragraph under Directors' interests for the executive directors while the details relating to the relevant executives are disclosed hereunder:

	Exercise price	Options over ordinary share of RM1.00 each				
		Total options granted	At 1.1.2004	Exercise of options	Forfeited	At 31.12.2004
Goh Swee Chin	1.60	300,000	175,000	(100,000)	-	75,000
Chua Ban Choon @ Chua Chui Kim	1.60	300,000	150,000	(40,000)	-	110,000
Then Chi Kiong	1.60	300,000	150,000	(75,000)	(75,000)	-

**Executive share option scheme (contd.)**

2. The date of expiration of the options and basis upon which the options may be exercised are disclosed in the preceding paragraph under items (c) and (e).
3. The eligible employees who have been granted these options do not have any right to participate by virtue of the options granted in any share issue of any other company.

**Directors' interests**

According to the register of directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and/or options of the Company or its related corporation are as follows:

**(a) Shareholdings registered in the name of Directors:**

	At 1.1.2004	Number of ordinary shares of RM1.00 each During the year		At 31.12.2004
		Bought	Sold	
Chua Seng Guan	380,000	-	(100,000)	280,000
John Chua Seng Chai	524,650	-	-	524,650
Chua Yew Lin	332,400	-	-	332,400
Pauline Getrude Chua Hui Lin	328,900	-	-	328,900
Fong Tshu Kwong @ Fong Tshun Kwong	20,000	-	-	20,000
Vincent Gerard Khoo	25,000	62,000	(25,000)	62,000

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

	At 1.1.2004	Number of ordinary shares of RM1.00 each During the year		At 31.12.2004
		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 ESOS:**

	Exercise price	Options over ordinary share of RM1.00 each Total options granted	At	
			1.1.2004	31.12.2004
Chua Seng Guan	1.60	1,000,000	500,000	500,000
John Chua Seng Chai	1.76	1,000	1,000	1,000
John Chua Seng Chai	1.60	999,000	499,000	499,000
Chua Yew Lin	1.60	830,000	415,000	415,000
Pauline Getrude Chua Hui Lin	1.60	830,000	415,000	415,000
Vincent Gerard Khoo	1.60	250,000	125,000	63,000

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**

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 ESOS.

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 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 the 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	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Executive Directors</b>				
Fees	150	150	150	150
Salaries and bonuses	3,268	2,515	2,163	1,676
Defined contribution plan	589	460	393	306
Benefits in kind	201	178	142	146
	<u>4,208</u>	<u>3,303</u>	<u>2,848</u>	<u>2,278</u>
<b>Non-Executive Directors</b>				
Fees	<u>90</u>	<u>90</u>	<u>90</u>	<u>90</u>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed as follows:

	Number of Directors	
	2004	2003
<b>Executive directors:</b>		
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	1	1
RM200,001 – RM350,000	-	-
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	-	-
RM450,001 – RM500,000	-	2
RM500,001 – RM800,000	2	-
RM800,001 – RM850,000	-	-
RM850,001 – RM1,050,000	-	-
RM1,050,001 – RM1,100,000	-	1
RM1,100,001 – RM1,150,000	-	-
RM1,150,001 – RM1,200,000	-	1
RM1,200,001 – RM1,250,000	-	-
RM1,250,001 – RM1,300,000	-	-
RM1,300,001 – RM1,350,000	-	-
RM1,350,001 – RM1,400,000	-	-
RM1,400,001 – RM1,450,000	1	-
RM1,450,001 – RM1,500,000	1	-
<b>Non-executive directors:</b>		
Nil – RM50,000	3	3

**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 an 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 or 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.
- (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.

**Other significant events**

- (a) On 24 November 2004, the Group acquired 100% equity interest in Unicorn Ceramics Sdn. Bhd. (formerly known as Ceramic Panda Sdn. Bhd.) comprising 10 ordinary shares of RM1.00 each for a cash consideration of RM10 only.
- (b) On 11 December 2004, the Group incorporated a new wholly owned subsidiary company, Tileworld Sdn. Bhd., with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and issued and paid up ordinary shares of RM10 comprising 10 ordinary shares of RM1.00 each.



## Directors' Report (contd.)

### 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: 22nd April 2005

## [ 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 40 to 75 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2004 and of the results and the cash flows of the Group and of the Company for the year then ended.

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: 22nd April 2005

## [ 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 40 to 75 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.


Subscribed and solemnly declared by  
the abovenamed **Loi Pui Khim**  
at Kuching in the State of Sarawak  
on 22nd April 2005

**Loi Pui Khim (MIA 7259)**

Before me,

**Michael Ong Kee Tuan**  
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 40 to 75. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 MASB 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 31 December 2004 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 subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports of the subsidiary companies of which we have not acted as auditors, as indicated in Note 9 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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

The auditors' reports on the financial statements in respect of the subsidiary companies 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**  
1769/04/06 (J/PH)  
Partner

Kuching, Malaysia.

Date : 22nd April 2005

# [ Income Statements

for the year ended 31 December 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Revenue</b>	3	258,506	257,675	1,056	396
Cost of sales		(166,273)	(159,325)	-	-
<b>Gross profit</b>		92,233	98,350	1,056	396
Other operating income		10,393	15,319	15,873	15,413
Selling and distribution costs		(18,827)	(17,664)	-	-
Administrative expenses		(38,956)	(37,199)	(7,445)	(6,843)
Other operating expenses		(4,155)	(7,261)	61	(228)
<b>Profit from operations</b>		40,688	51,545	9,545	8,738
Finance cost		(631)	(202)	-	-
Share of associate's results		(32)	(29)	-	-
<b>Profit before taxation</b>	4	40,025	51,314	9,545	8,738
Taxation	5	(15,219)	(7,711)	(1,329)	(486)
<b>Profit after taxation</b>		24,806	43,603	8,216	8,252
Minority interest		(37)	31	-	-
<b>Net profit for the year</b>		<u>24,769</u>	<u>43,634</u>	<u>8,216</u>	<u>8,252</u>
<b>Earnings per share (sen)</b>	6				
- basic		16.4	30.0		
- diluted		16.3	29.5		
<b>Dividends per share (sen)</b>	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 31 December 2004

	Note	Group		Company	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Non-current assets</b>					
Property, plant and equipment	8	137,439	141,920	28,946	28,283
Investments in subsidiary companies	9	-	-	71,110	71,110
Investments in an associated company	10	200	232	199	232
Other investments	11	22,343	6,173	22,343	6,173
Goodwill on consolidation		10,380	10,380	-	-
<b>Current assets</b>					
Inventories and work-in-progress	12	64,254	55,656	-	-
Trade receivables	13	65,839	70,294	-	-
Other receivables, deposits and prepayments	14	16,594	8,524	792	2,839
Amount due from related companies	15	181	181	54,586	72,529
Fixed deposits with financial institutions		164,383	155,929	147,599	139,957
Cash and bank balances		11,364	11,059	595	169
		<u>322,615</u>	<u>301,643</u>	<u>203,572</u>	<u>215,494</u>
<b>Current liabilities</b>					
Short term borrowings	16	231	319	-	-
Trade payables	17	36,888	27,704	-	-
Other payables and accruals	18	14,285	9,165	2,059	1,183
Tax payable		2,377	379	62	-
		<u>53,781</u>	<u>37,567</u>	<u>2,121</u>	<u>1,183</u>
<b>Net current assets</b>		<u>268,834</u>	<u>264,076</u>	<u>201,451</u>	<u>214,311</u>
		<u>439,196</u>	<u>422,781</u>	<u>324,049</u>	<u>320,109</u>
<b>Financed by:</b>					
Share capital	19	154,814	152,774	154,814	152,774
Treasury shares		(5,502)	(5,502)	(5,502)	(5,502)
Reserves	20	269,862	253,094	173,468	171,528
<b>Shareholders' equity</b>		<u>419,174</u>	<u>400,366</u>	<u>322,780</u>	<u>318,800</u>
<b>Minority interest</b>		13,369	14,030	-	-
<b>Long term and deferred liabilities</b>					
Long term liabilities	21	607	836	-	-
Deferred taxation	22	6,046	7,549	1,269	1,309
		<u>439,196</u>	<u>422,781</u>	<u>324,049</u>	<u>320,109</u>

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

# [ Consolidated Statement of Changes in Equity for the year ended 31 December 2004

	<i>Distributable</i>			<i>Non-Distributable</i>			<b>Total</b> RM'000
	<b>Share capital</b> RM'000	<b>Treasury shares</b> RM'000	<b>Revenue reserve</b> RM'000	<b>Share premium reserve</b> RM'000	<b>Reserve and enterprise expansion funds</b> RM'000	<b>Translation adjustment account</b> RM'000	
<b>At 1 January 2003</b>	145,710	(3,274)	152,533	45,357	899	12,524	353,749
Issuance of shares under ESOS	7,064	-	-	-	-	-	7,064
Premium on shares issued	-	-	-	4,236	-	-	4,236
Acquisition of treasury shares	-	(2,228)	-	-	-	-	(2,228)
Net profit for the year	-	-	43,634	-	-	-	43,634
Dividend paid	-	-	(7,164)	-	-	-	(7,164)
Currency translation differences	-	-	-	-	-	1,075	1,075
<b>At 31 December 2003</b>	<u>152,774</u>	<u>(5,502)</u>	<u>189,003</u>	<u>49,593</u>	<u>899</u>	<u>13,599</u>	<u>400,366</u>
<b>At 1 January 2004</b>	152,774	(5,502)	189,003	49,593	899	13,599	400,366
Issuance of shares under ESOS	2,040	-	-	-	-	-	2,040
Premium on shares issued	-	-	-	1,223	-	-	1,223
Net profit for the year	-	-	24,769	-	-	-	24,769
Dividend paid	-	-	(7,499)	-	-	-	(7,499)
Currency translation differences	-	-	-	-	-	(1,725)	(1,725)
<b>At 31 December 2004</b>	<u>154,814</u>	<u>(5,502)</u>	<u>206,273</u>	<u>50,816</u>	<u>899</u>	<u>11,874</u>	<u>419,174</u>

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

## Statement of Changes in Equity ]

for the year ended 31 December 2004


	Share capital RM'000	Treasury shares RM'000	<i>Distributable</i>		<i>← Non-Distributable →</i>		Total RM'000
			Revenue reserve RM'000	Share premium reserve RM'000	Revaluation reserve RM'000		
<b>At 1 January 2003</b>	145,710	(3,274)	118,851	45,357	1,996	308,640	
Issuance of shares under ESOS	7,064	-	-	-	-	7,064	
Premium on shares issued	-	-	-	4,236	-	4,236	
Acquisition of treasury shares	-	(2,228)	-	-	-	(2,228)	
Net profit for the year	-	-	8,252	-	-	8,252	
Dividend paid	-	-	(7,164)	-	-	(7,164)	
<b>At 31 December 2003</b>	<u>152,774</u>	<u>(5,502)</u>	<u>119,939</u>	<u>49,593</u>	<u>1,996</u>	<u>318,800</u>	
<b>At 1 January 2004</b>	152,774	(5,502)	119,939	49,593	1,996	318,800	
Issuance of shares under ESOS	2,040	-	-	-	-	2,040	
Premium on shares issued	-	-	-	1,223	-	1,223	
Net profit for the year	-	-	8,216	-	-	8,216	
Dividend paid	-	-	(7,499)	-	-	(7,499)	
<b>At 31 December 2004</b>	<u>154,814</u>	<u>(5,502)</u>	<u>120,656</u>	<u>50,816</u>	<u>1,996</u>	<u>322,780</u>	

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

# [ Consolidated Cash Flow Statement for the year ended 31 December 2004

	<b>2004</b> RM'000	<b>2003</b> RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	40,025	51,314
Adjustments for:		
Allowance for doubtful debts	1,179	2,439
Allowance for doubtful debts no longer required	(2,528)	(73)
Allowance for inventories obsolescence	-	604
Bad debts written off	-	424
Depreciation of property, plant and equipment	22,427	24,344
Dividend income	(298)	(236)
Gain on disposal of property, plant and equipment	(282)	(962)
Impairment losses in respect of other investments	-	98
Interest expense	150	202
Interest income	(5,104)	(3,985)
Inventories written off	349	1,383
Loss on disposal of other investments	1	102
Property, plant and equipment written off	14	2,488
Provision for retirement benefit	4	-
Reversal of previously recognised impairment losses in respect of other investments	(95)	-
Share of associate's results	32	29
Unrealised loss/(gain) on foreign exchange	1,353	(2,379)
Operating profit before working capital changes	<u>57,227</u>	<u>75,792</u>
Changes in working capital:		
Inventories	(9,335)	5,134
Receivables	(2,104)	(23,351)
Payables	12,268	10,161
Cash generated from operations	<u>58,056</u>	<u>67,736</u>
Interest paid	(150)	(202)
Interest received	66	121
Income tax paid, net of refund	(13,927)	(4,550)
Net cash generated from operating activities	<u>44,045</u>	<u>63,105</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(20,202)	(16,516)
Acquisition of quoted investments	(17,767)	(12,393)
Acquisition of treasury shares	-	(2,228)
Dividend received	298	236
Interest received	5,038	3,864
Proceeds from disposal of investments	1,691	7,555
Proceeds from disposal of property, plant and equipment	765	7,189
Net cash used in investing activities	<u>(30,177)</u>	<u>(12,293)</u>

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



## Consolidated Cash Flow Statement (contd.)

for the year ended 31 December 2004

	<b>2004</b> RM'000	<b>2003</b> RM'000
<b>Cash flows from financing activities</b>		
Dividend paid	(7,499)	(7,164)
Proceeds from issuance of shares	3,263	11,300
Repayment of term loan	-	(2,298)
Repayment of lease payables	(250)	(218)
Net cash (used in)/generated from financing activities	<u>(4,486)</u>	<u>1,620</u>
<b>Net increase in cash and cash equivalents</b>	9,382	52,432
<b>Effects of exchange rate changes on cash and cash equivalents</b>	(623)	(458)
<b>Cash and cash equivalents at the beginning of the year</b>	166,988	115,014
<b>Cash and cash equivalents at the end of the year</b>	<u><u>175,747</u></u>	<u><u>166,988</u></u>
<b>Analysis of acquisition of property, plant and equipment:</b>		
By cash	20,202	16,516
By lease instalment arrangement	-	299
	<u>20,202</u>	<u>16,815</u>
<b>Analysis of cash and cash equivalents:</b>		
Cash and bank balances	11,364	11,059
Fixed deposits with financial institutions	164,383	155,929
	<u>175,747</u>	<u>166,988</u>

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

# [ Cash Flow Statement

for the year ended 31 December 2004

	<b>2004</b> RM'000	<b>2003</b> RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	9,545	8,738
Adjustments for:		
Depreciation of property, plant and equipment	1,355	1,407
Dividend income	(10,798)	(10,736)
Gain on disposal of property, plant and equipment	(39)	-
Impairment losses in respect of investments	33	127
Interest income	(4,485)	(3,542)
Loss on disposal of other investments	1	102
Reversal of previously recognised impairment losses in respect of other investments	(95)	-
Unrealised gain on foreign exchange	(169)	(852)
Operating loss before working capital changes	<u>(4,652)</u>	<u>(4,756)</u>
Changes in working capital:		
Receivables	261	(535)
Payables	876	(68)
Amount due from related companies	17,760	49,407
Cash generated from operating activities	<u>14,245</u>	<u>44,048</u>
Income tax paid, net of refund	480	(351)
Net cash generated from operating activities	<u>14,725</u>	<u>43,697</u>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(1,876)	(83)
Acquisition of quoted investments	(17,767)	(12,393)
Acquisition of treasury shares	-	(2,228)
Dividends received	10,798	10,736
Interest received	4,270	3,314
Proceeds from disposal of investments	1,691	7,555
Proceeds from disposal of property, plant and equipment	463	280
Repayment of advances to an associated company	-	41
Net cash (used in)/generated from investing activities	<u>(2,421)</u>	<u>7,222</u>

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



Cash Flow Statement (contd.)  
for the year ended 31 December 2004

	<b>2004</b> RM'000	<b>2003</b> RM'000
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	3,263	11,300
Dividend paid	(7,499)	(7,164)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(4,236)	4,136
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	8,068	55,055
<b>Cash and cash equivalents at the beginning of the year</b>	140,126	85,071
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	<u>148,194</u>	<u>140,126</u>
	<hr/>	<hr/>
<b>Analysis of acquisition of property, plant and equipment:</b>		
By cash	1,876	83
By transfer from a subsidiary company	640	-
	<hr/>	<hr/>
	2,516	83
	<hr/>	<hr/>
<b>Analysis of cash and cash equivalents:</b>		
Cash and bank balances	595	169
Fixed deposits with financial institutions	147,599	139,957
	<hr/>	<hr/>
	148,194	140,126
	<hr/>	<hr/>

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

# [ Notes to the Financial Statements

31 December 2004

## 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 4<sup>1</sup>/<sub>2</sub> Mile, Kung Phin Road, Off Penrissen Road, 93250 Kuching.

The principal activities of the Company are investment holding and the provision of management services. The principal activities of the subsidiary companies are disclosed in Note 9.

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

## 2. 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 MASB Approved Accounting Standards in Malaysia.

In the financial year ended 31 December 2004, 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.

During the financial year ended 31 December 2004, there are no new MASB standards which are applicable for adoption by the Group and the Company.

### (b) Basis of consolidation

#### (i) *Subsidiary companies*

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary company at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

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

**2. Significant accounting policies (contd.)****(b) Basis of consolidation (cont'd)****(i) Associated companies**

Associated companies are those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associated companies. Under the equity method of accounting, the Group's share of profits less losses of associated companies during the year is included in the consolidated income statement. The Group's interest in associated companies is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition revenue reserves or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless cost cannot be recovered.

**(c) Investments in subsidiary and associated companies**

The Company's investments in subsidiary and associated companies are stated at cost less impairment losses (if any). The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

**(d) Goodwill**

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 stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m). Goodwill is not amortised but write-offs are made where, in the opinion of the Directors, impairment has occurred.

**(e) 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 financial institutions not pledged net of outstanding bank overdrafts.

**(f) 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 2(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).

**2. Significant accounting policies (contd.)**

**(f) Property, plant and equipment and depreciation (cont'd)**

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

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.

**(g) 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. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

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.

**(h) 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 2(f).

*(ii) Operating leases*

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

**2. Significant accounting policies (contd.)****(i) Income tax**

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

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

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

**(j) Employee benefits****(i) Short term benefits**

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

**(ii) Defined contribution plans**

As required by law, companies in Malaysia make contributions to the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.

**(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.

**2. Significant accounting policies (contd.)**

**(k) Revenue recognition (contd.)**

*(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 recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction, 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 initially denominated in foreign currencies, 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 2(n) (vii).

*(ii) Foreign entities*

Financial statements of foreign consolidated subsidiary companies 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.

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

	<b>2004</b>	<b>2003</b>
	RM	RM
Australian Dollar	2.9330	2.8200
China Renminbi	0.4595	0.4595
Euro Dollar	5.1700	4.7400
Singapore Dollar	2.3200	2.2520
United States Dollar	3.8005	3.8005

**(m) Impairment of Assets**

At each balance sheet date, the Group reviews the carrying amount of its assets, to determine whether there is any indication of impairment. 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.

**2. Significant accounting policies (contd.)****(m) Impairment of Assets (contd.)**

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

**(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 subsidiary and associated companies are stated at cost less impairment losses (if any). The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

**(ii) Marketable securities**

Marketable securities are carried at the lower of cost and market value. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

**(iii) 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.

**(iv) 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.

**(v) 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 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.

2. Significant accounting policies (contd.)

(n) Financial instruments (contd.)

(vi) 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 issued shares of the Company are repurchased, the consideration paid, including any attributable transaction costs is presented as a change in equity. Repurchased shares that have not been cancelled 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. When treasury shares are reissued by resale, the difference between the sale consideration and the carrying amount of the treasury shares is shown as a movement in equity.

(vii) Derivative financial instruments

The Group uses derivative financial instruments such as forward foreign exchange contracts, to hedge its exposure to interest rate risk and foreign exchange risk 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.

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	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Sale of goods to external customers	258,506	257,675	-	-
Management fees from a subsidiary company	-	-	1,056	396
	<u>258,506</u>	<u>257,675</u>	<u>1,056</u>	<u>396</u>



## 4. Profit before taxation

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(a) <i>This is stated after charging:</i>				
Auditors' remuneration				
- statutory audit	260	145	45	45
- overprovision in prior year	3	-	-	-
- other services	108	120	-	30
Allowance for doubtful debts	1,179	2,439	-	-
Allowance for inventories obsolescence	-	604	-	-
Bad debts written off	-	424	-	-
Depreciation of property, plant and equipment	22,427	24,344	1,355	1,407
Directors' remuneration				
- Directors of the company (Note 4(c))	4,298	3,393	2,948	2,368
- Other directors of a subsidiary company				
- other emoluments	84	77	-	-
Hire of plant and machinery	-	65	-	-
Impairment losses in respect of investments	-	98	33	127
Interest expenses				
- Loan interest	13	4	-	-
- Other interest expenses	137	198	-	-
Inventories written off	349	1,383	-	-
Lease rental	1,800	2,114	89	105
Loss on disposal of investment	1	102	1	102
Property, plant and equipment written off	14	2,488	-	-
Rental expenses	1,547	1,396	36	36
Loss on foreign exchange - unrealised	1,353	-	-	-
	<u>25,228</u>	<u>30,550</u>	<u>4,519</u>	<u>3,671</u>
<i>and crediting:</i>				
Allowance for doubtful debts no longer required	2,528	73	-	-
Dividend income received from				
- subsidiary companies	-	-	10,500	10,500
- other investments	298	236	298	236
Gain on disposal of property, plant and equipment	282	962	39	-
Gain on foreign exchange				
- realised	2,845	7,088	-	-
- unrealised	-	2,379	169	852
Interest income	5,104	3,985	4,485	3,542
Rental income	79	120	281	284
Reversal of previously recognised impairment losses in respect of other investments	95	-	95	-
	<u>10,631</u>	<u>14,863</u>	<u>15,842</u>	<u>15,164</u>
(b) <i>Employee information</i>				
Staff costs:				
Wages and salaries	25,278	23,768	2,798	2,281
Social security costs	234	245	8	7
Pension costs – defined contribution plan	2,568	2,784	521	427
Other staff related costs	4,645	3,753	1,192	956
	<u>32,725</u>	<u>30,550</u>	<u>4,519</u>	<u>3,671</u>

# Notes to the Financial Statements (contd.)

31 December 2004

## 4. Profit before taxation (contd.)

### (b) Employee information) (contd.)

	2004	2003	2004	2003
Number of employees as at 31 December	1,472	1,630	24	24

### (c) Directors' remuneration

The aggregate remuneration of the Directors of the Company categorised into appropriate components for the financial year ended 31 December 2004 are further analysed as follows:

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Executive Directors</b>				
Fees	150	150	150	150
Salaries and bonuses	3,268	2,515	2,163	1,676
Defined contribution plan	589	460	393	306
Benefits in kind	201	178	152	146
	<u>4,208</u>	<u>3,303</u>	<u>2,858</u>	<u>2,278</u>
<b>Non-Executive Directors</b>				
Fees	<u>90</u>	<u>90</u>	<u>90</u>	<u>90</u>

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2004	2003
<b>Executive directors:</b>		
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	1	1
RM200,001 – RM350,000	-	-
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	-	-
RM450,001 – RM500,000	-	2
RM500,001 – RM800,000	2	-
RM800,001 – RM850,000	-	-
RM850,001 – RM1,050,000	-	-
RM1,050,001 – RM1,100,000	-	1
RM1,100,001 – RM1,150,000	-	-
RM1,150,001 – RM1,200,000	-	1
RM1,200,001 – RM1,250,000	-	-
RM1,250,001 – RM1,300,000	-	-
RM1,300,001 – RM1,350,000	-	-
RM1,350,001 – RM1,400,000	-	-
RM1,400,001 – RM1,450,000	1	-
RM1,450,001 – RM1,500,000	1	-
<b>Non-executive directors:</b>		
Nil – RM50,000	3	3

## 5. Taxation

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Tax expense for the year:				
Malaysian taxation	14,526	4,311	220	23
Foreign taxation	-	-	-	-
Under provision in prior years:				
Malaysian taxation	2,196	340	1,149	327
	<u>16,722</u>	<u>4,651</u>	<u>1,369</u>	<u>350</u>
Deferred taxation:				
Relating to origination and reversal of temporary differences (Note 22)	(1,778)	3,060	(40)	136
Under provision in prior year	275	-	-	-
	<u>(1,503)</u>	<u>3,060</u>	<u>(40)</u>	<u>136</u>
	<u>15,219</u>	<u>7,711</u>	<u>1,329</u>	<u>486</u>

Domestic income tax is calculated at the Malaysian statutory tax rates of 20% and 28% (2003: 28%) of the estimated chargeable income for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

Group	2004	2003
	RM'000	RM'000
Profit before taxation	<u>40,025</u>	<u>51,314</u>
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	14,480	14,368
Effect of income subject to lower tax rate of 20% (2003: 20%)	(188)	(24)
Effect of different tax rates in other countries	(23)	(12)
Income not subject to tax	(3,099)	(4,484)
Expenses not deductible for tax purposes	1,528	3,985
Utilisation of current year deferred tax assets	(25)	(49)
Utilisation of previously unrecognised deferred tax assets	-	(6,604)
Deferred tax assets recognised during the year	-	(21)
Deferred tax assets not recognised during the year	75	212
Under provision of deferred tax in prior years	275	-
Under provision of tax expenses in prior years	2,196	340
Tax expense for the year	<u>15,219</u>	<u>7,711</u>

# Notes to the Financial Statements (contd.)

31 December 2004

## 5. Taxation (contd.)

<b>Company</b>	<b>2004</b> RM'000	<b>2003</b> RM'000
Profit before taxation	9,545	8,738
Taxation at Malaysian statutory tax rate of 28% (2003: 28%)	2,673	2,447
Income not subject to tax	(3,013)	(2,984)
Expenses not deductible for tax purposes	432	484
Deferred tax assets not recognised during the year	88	212
Underprovision in prior years	1,149	327
Tax expense for the year	<u>1,329</u>	<u>486</u>

	<b>Group</b>		<b>Company</b>	
	<b>2004</b> RM'000	<b>2003</b> RM'000	<b>2004</b> RM'000	<b>2003</b> RM'000
Tax losses are analysed as follows:				
Tax savings recognised during the year arising from:				
Utilisation of current year tax losses	1,119	1,061	1,119	1,061
Utilisation of tax losses brought forward from previous years	-	1,108	-	-
Unutilised tax losses carried forward	<u>7,313</u>	<u>9,046</u>	<u>7,313</u>	<u>9,046</u>

Unabsorbed capital allowances are analysed as follows:

Tax savings recognised during the year arising from:				
Utilisation of current year unabsorbed capital allowances	2,701	6,364	-	-
Utilisation of unabsorbed capital allowance brought forward from previous year	-	-	-	-
Unabsorbed capital allowances carried forward	<u>3,550</u>	<u>3,254</u>	<u>3,550</u>	<u>3,254</u>

## 6. Earnings per share (sen)

### (a) Basic

The basic earnings per share has been calculated based on the Group's net profit for the year by the weighted average number of ordinary shares in issue during the financial year excluding treasury shares held by the Company.

	<b>Group</b>	
	<b>2004</b>	<b>2003</b>
Net profit for the year (RM'000)	24,769	43,634
Weighted average number of ordinary shares in issue ('000)	150,805	145,449
Basic earnings per share (sen)	<u>16.4</u>	<u>30.0</u>

## 6. Earnings per share (sen) (contd.)

## (b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the effects of dilutive potential ordinary shares from conversion of the options granted under the Company's ESOS.

The weighted average number of ordinary shares is the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares which would be issued on the conversion of the outstanding options granted under the Company's ESOS into ordinary shares.

	Group	
	2004	2003
Net profit for the year (RM'000)	24,769	43,634
Weighted average number of ordinary shares in issue ('000)	150,805	145,449
Adjustment for ESOS ('000)	950	2,537
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>151,755</u>	<u>147,986</u>
Diluted earnings per share (sen)	<u>16.3</u>	<u>29.5</u>

## 7. Dividends per share (sen)

	Group and Company			
	2004		2003	
	Sen per share (gross)	RM'000 (net)	Sen per share (gross)	RM'000 (net)
First and Final dividend - tax exempt	<u>5.0</u>	<u>7,499</u>	<u>5.0</u>	<u>7,164</u>

At the forthcoming Annual General Meeting, a first and final dividend of 6.5%, tax exempt, amounting to RM10,062,911 in respect of the current financial year will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of revenue reserve in the financial year ending 31 December 2005.

# Notes to the Financial Statements (contd.)

31 December 2004

## 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	Con- struction work-in progress RM'000	Total RM'000
<b>Cost/valuation</b>						
At 1.1.2004	119,217	275,918	14,027	13,501	2,740	425,403
Additions	8,319	9,278	1,013	1,289	303	20,202
Disposals/write off	(492)	(2,746)	(514)	(132)	-	(3,884)
Reclassification	1,648	562	-	(360)	(1,850)	-
Translation differences	152	3,613	661	(32)	-	4,394
At 31.12.2004	<u>128,844</u>	<u>286,625</u>	<u>15,187</u>	<u>14,266</u>	<u>1,193</u>	<u>446,115</u>
<b>Accumulated depreciation</b>						
Charge for 2003	<u>3,912</u>	<u>18,351</u>	<u>875</u>	<u>1,206</u>	<u>-</u>	<u>24,344</u>
At 1.1.2004	31,381	234,385	8,526	9,191	-	283,483
Charge for the year	5,026	14,852	1,219	1,330	-	22,427
Disposals/write off	(68)	(679)	(485)	(124)	-	(1,356)
Translation differences	72	4,058	(135)	127	-	4,122
At 31.12.2004	<u>36,411</u>	<u>252,616</u>	<u>9,125</u>	<u>10,524</u>	<u>-</u>	<u>308,676</u>
<b>Net book value</b>						
At 31.12.2004	<u>92,433</u>	<u>34,009</u>	<u>6,062</u>	<u>3,742</u>	<u>1,193</u>	<u>137,439</u>
At 31.12.2003	<u>87,836</u>	<u>41,533</u>	<u>5,501</u>	<u>4,310</u>	<u>2,740</u>	<u>141,920</u>
<b>Company</b>						
<b>Cost/valuation</b>						
At 1.1.2004	34,923	1,070	3,317	5,702	681	45,693
Additions	1,841	-	640	35	-	2,516
Disposals	(490)	-	(400)	-	-	(890)
At 31.12.2004	<u>36,274</u>	<u>1,070</u>	<u>3,557</u>	<u>5,737</u>	<u>681</u>	<u>47,319</u>
<b>Accumulated depreciation</b>						
Charge for 2003	<u>824</u>	<u>58</u>	<u>113</u>	<u>412</u>	<u>-</u>	<u>1,407</u>
At 1.1.2004	8,535	973	3,144	4,758	-	17,410
Charge for the year	840	56	112	347	-	1,355
Disposals	(65)	-	(327)	-	-	(392)
At 31.12.2004	<u>9,310</u>	<u>1,029</u>	<u>2,929</u>	<u>5,105</u>	<u>-</u>	<u>18,373</u>

## 8. Property, plant and equipment (contd.)

	Land, buildings, drainage and roads RM'000	Plant, machinery and equipment RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Con- struction work-in progress RM'000	Total RM'000
<b>Net book value</b>						
At 31.12.2004	26,964	41	628	632	681	28,946
At 31.12.2003	26,388	97	173	944	681	28,283

**Analysis of land and buildings, drainage and roads:**

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Freehold land	8,359	10,841	4,029	4,029
Long term leasehold land	3,463	3,463	3,463	3,463
Short term leasehold land	26,522	20,483	17,559	16,208
Buildings and improvements	87,299	81,229	10,518	10,518
Drainage and roads	3,201	3,201	705	705
	128,844	119,217	36,274	34,923

Included in property, plant and equipment of the Group is a total net book value of RM411,261 (2003: RM466,286) representing assets acquired on instalment payment arrangement.

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.

**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	Con- struction work-in- progress RM'000	Total RM'000
<b>Group</b>						
<b>2004</b>						
At valuation in 1992	21,074	-	-	-	-	21,074
At cost	107,770	286,625	15,187	14,266	1,193	425,041
	128,844	286,625	15,187	14,266	1,193	446,115
<b>2003</b>						
At valuation in 1992	21,074	-	-	-	-	21,074
At cost	98,143	275,918	14,027	13,501	2,740	404,329
	119,217	275,918	14,027	13,501	2,740	425,403

# Notes to the Financial Statements (contd.)

31 December 2004

## 8. Property, plant and equipment (contd.)

### Analysis of cost: (contd.)

Company	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
<b>2004</b>						
At valuation in 1992	15,584	-	-	-	-	15,584
At cost	20,690	1,070	3,557	5,737	681	31,735
	<u>36,274</u>	<u>1,070</u>	<u>3,557</u>	<u>5,737</u>	<u>681</u>	<u>47,319</u>
<b>2003</b>						
At valuation in 1992	15,584	-	-	-	-	15,584
At cost	19,339	1,070	3,317	5,702	681	30,109
	<u>34,923</u>	<u>1,070</u>	<u>3,317</u>	<u>5,702</u>	<u>681</u>	<u>45,693</u>

## 9. Investments in subsidiary companies

	Company	
	2004 RM'000	2003 RM'000
Unquoted shares:		
- at cost	36,208	36,208
- at Directors' valuation, 1992	34,902	34,902
	<u>71,110</u>	<u>71,110</u>

The details of the Group's subsidiary companies are as follows:

Name of company	Principal activities	Country of incorporation	Effective Group interest	
			2004	2003
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%	71.5%
Habitat Gallery Sdn. Bhd.	Operation of chain store, handling and dealing in building materials	Malaysia	100%	100%



## 9. Investments in subsidiary companies (contd.)

Name of company	Principal activities	Country of incorporation	Effective Group interest	
			2004	2003
Kim Hin Properties Sdn. Bhd.	Property and investment holding	Malaysia	100%	100%
Refined Koalin Industries Sdn. Bhd.	Inactive	Malaysia	100%	100%
Kingres Ceramic Pty. Ltd.	Inactive	Australia	100%	100%
Unicorn Ceramics Sdn. Bhd.	Inactive	Malaysia	100%	-
Tileworld Sdn. Bhd.	Inactive	Malaysia	100%	-
<b>Subsidiary companies of Ceramica Indah Sdn. Bhd.</b>				
Kingres Holdings Pty. Limited	Property letting	Australia	100%	100%
Kingres Australia Pty. Limited	Wholesaler and retailer of ceramic tiles	Australia	100%	100%

All subsidiary companies are audited by Ernst & Young except for Kim Hin Ceramics (Shanghai) Co. Ltd. and Kingres Ceramic Pty Ltd which are audited by other firms.

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 then Kuala Lumpur Stock Exchange in 1992.

- (a) On 24 November 2004, the Group acquired 100% equity interest in Unicorn Ceramics Sdn. Bhd. (formerly known as Ceramic Panda Sdn. Bhd.) comprising 10 ordinary shares of RM1.00 each for a cash consideration of RM10 only.
- (b) On 11 December 2004, the Group incorporated a new wholly owned subsidiary company, Tileworld Sdn. Bhd., with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each and issued and paid up ordinary shares of RM10 comprising 10 ordinary shares of RM1.00 each.

These acquisitions have a minimal effect on Group's financial result, financial position and cashflow as these subsidiary companies are dormant companies.

## 10. Investment in an associated company

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted shares, at cost	1,928	1,928	1,928	1,928
Accumulated impairment losses	(33)	(33)	(1,729)	(1,696)
	<u>1,895</u>	<u>1,895</u>	<u>199</u>	<u>232</u>
Share of post-acquisition losses	(1,695)	(1,663)	-	-
	<u>200</u>	<u>232</u>	<u>199</u>	<u>232</u>

# Notes to the Financial Statements (contd.)

31 December 2004

## 10. Investment in an associated company (contd.)

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

	Group	
	2004 RM'000	2003 RM'000
Share of net assets	217	249
Premium on acquisition	16	16
Accumulated impairment losses	(33)	(33)
	<u>200</u>	<u>232</u>

The details of the Group's associated company are as follows:

Name of company	Principal activities	Country of incorporation	Effective Group interest	
			2004	2003
Miyama Ceramics Sdn. Bhd.	Manufacture and sale of ceramic wares	Malaysia	34%	34%

## 11. Other investments

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Quoted securities in Malaysia:				
Shares, at cost	1	1	-	-
Unit trusts, at cost	22,346	6,271	22,346	6,271
	<u>22,347</u>	<u>6,272</u>	<u>22,346</u>	<u>6,271</u>
Accumulated impairment losses	(4)	(99)	(3)	(98)
	<u>22,343</u>	<u>6,173</u>	<u>22,343</u>	<u>6,173</u>
Market value	<u>22,413</u>	<u>6,173</u>	<u>22,413</u>	<u>6,173</u>

## 12. Inventories and work-in-progress

	Group	
	2004 RM'000	2003 RM'000
Raw materials	12,073	10,662
Work-in-progress	2,229	2,480
Finished goods	45,018	38,624
Packing materials	283	267
Spare parts and stores	6,862	5,727
	<u>66,465</u>	<u>57,760</u>
Allowance for inventories obsolescence	(2,211)	(2,104)
	<u>64,254</u>	<u>55,656</u>
The carrying amount of inventories is stated as follows:		
At cost	<u>64,254</u>	<u>55,656</u>

**13. Trade receivables**

	<b>Group</b>	
	<b>2004</b> RM'000	<b>2003</b> RM'000
Trade receivables	71,348	77,360
Allowance for doubtful debts	(5,509)	(7,066)
	<u>65,839</u>	<u>70,294</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.

**14. Other receivables, deposits and prepayments**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b> RM'000	<b>2003</b> RM'000	<b>2004</b> RM'000	<b>2003</b> RM'000
Other receivables	2,457	3,567	587	723
Deposits and prepayments	13,378	3,079	205	330
Tax refundable	759	1,878	-	1,786
	<u>16,594</u>	<u>8,524</u>	<u>792</u>	<u>2,839</u>

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

**15. Amount due from related companies**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b> RM'000	<b>2003</b> RM'000	<b>2004</b> RM'000	<b>2003</b> RM'000
Amount due from subsidiary companies	-	-	54,405	72,348
Amount due from an associated company	365	365	365	365
	<u>365</u>	<u>365</u>	<u>54,770</u>	<u>72,713</u>
Allowance for doubtful debts	(184)	(184)	(184)	(184)
	<u>181</u>	<u>181</u>	<u>54,586</u>	<u>72,529</u>

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

**16. Short term borrowings**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b> RM'000	<b>2003</b> RM'000	<b>2004</b> RM'000	<b>2003</b> RM'000
Lease payables (Note 23)				
- portion repayable within twelve months	231	319	-	-
	<u>231</u>	<u>319</u>	<u>-</u>	<u>-</u>

## Notes to the Financial Statements (contd.)

31 December 2004

### 17. Trade payables

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

### 18. Other payables and accruals

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Other payables	4,035	2,223	268	281
Electricity charges accrued	559	568	-	-
Sales tax payable	860	892	-	-
Rebates and incentive	1,294	1,988	-	-
Payroll expenses accrued	4,783	1,926	1,596	558
Other accruals	2,754	1,568	195	344
	<u>14,285</u>	<u>9,165</u>	<u>2,059</u>	<u>1,183</u>

### 19. Share capital

#### Ordinary shares of RM1.00 each:

##### Authorised:

500,000,000 (2003: 500,000,000) ordinary shares

#### Group and Company

2004  
RM'000

2003  
RM'000

500,000

500,000

##### Issued and fully paid:

154,814,013 (2003: 152,774,013) ordinary shares

At 1 January

152,774

145,710

Allotted during the year

2,040

7,064

At 31 December

154,814

152,774

During the current financial year, the issued and paid-up share capital of the Company was increased from RM152,774,013 to RM154,814,013 by the issuance of 2,040,000 new ordinary shares of RM1.00 each on the conversion of 2,040,000 options granted under the ESOS at the exercise price of RM1.60 each.

As at 31 December 2004, 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 4,254,000 (2003: 6,439,000).

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

## 20. Reserves

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
<b>Non-distributable:</b>				
<b>Revaluation reserve</b>				
At 1 January and 31 December	-	-	1,996	1,996
<b>Share premium reserve</b>				
At 1 January	49,593	45,357	49,593	45,357
Premium on shares issued	1,223	4,236	1,223	4,236
At 31 December	50,816	49,593	50,816	49,593
<b>Reserve and Enterprise Expansion Funds</b>				
At 1 January and 31 December	899	899	-	-
<b>Translation adjustment account</b>				
At 1 January	13,599	12,524	-	-
Translation difference in subsidiary companies	(1,725)	1,075	-	-
At 31 December	11,874	13,599	-	-
<b>Distributable:</b>				
<b>Revenue reserve</b>				
At 1 January	189,003	152,533	119,939	118,851
Transfer from income statement	24,769	43,634	8,216	8,252
Dividends paid	(7,499)	(7,164)	(7,499)	(7,164)
At 31 December	206,273	189,003	120,656	119,939
<b>Total reserves</b>	<b>269,862</b>	<b>253,094</b>	<b>173,468</b>	<b>171,528</b>

- (a) As at 31 December 2004, the Company has tax exempt profits available for distribution of approximately RM188 million (2003: RM185 million), of which RM3.3 million (2003: RM3.3 million) is subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire revenue reserve as at 31 December 2004.

# Notes to the Financial Statements (contd.)

31 December 2004

## 21. Long term liabilities

	Group		Company	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Retirement benefit obligations	18	-	-	-
Lease payables (Note 23)				
- portion repayable after twelve months	589	836	-	-
	<u>607</u>	<u>836</u>	<u>-</u>	<u>-</u>
Ageing analysis of lease payables:				
Amount repayable between one and two years	176	271	-	-
Amount repayable after two years but within five years	413	565	-	-
	<u>589</u>	<u>836</u>	<u>-</u>	<u>-</u>

## 22. Deferred taxation

At 1 January	7,549	4,489	1,309	1,173
Recognised in the income statement	(1,503)	3,060	(40)	136
At 31 December	<u>6,046</u>	<u>7,549</u>	<u>1,269</u>	<u>1,309</u>
Presented after appropriate offsetting as follows:				
Deferred tax assets	(317)	(330)	-	-
Deferred tax liabilities	6,363	7,879	1,269	1,309
	<u>6,046</u>	<u>7,549</u>	<u>1,269</u>	<u>1,309</u>

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

### Deferred tax liabilities of the Group:

	Accelerated Capital Allowances RM'000	Revaluation surplus RM'000	Unrealised gain on foreign exchange RM'000	Payables RM'000	Total RM'000
At 1 January	6,196	506	1,187	(10)	7,879
Recognised in the income statement	(1,070)	(12)	(375)	(59)	(1,516)
At 31 December	<u>5,126</u>	<u>494</u>	<u>812</u>	<u>(69)</u>	<u>6,363</u>

### Deferred tax asset of the Group:

	Allowance for doubtful debts RM'000	Total RM'000
At 1 January	(330)	(330)
Recognised in the income statement	13	13
At 31 December	<u>(317)</u>	<u>(317)</u>

**22. Deferred taxation (contd.)****Deferred tax liabilities of the Company:**

	<b>Accelerated Capital Allowances</b> RM'000	<b>Revaluation surplus</b> RM'000	<b>Unrealised gain on foreign exchange</b> RM'000	<b>Total</b> RM'000
At 1 January	654	332	323	1,309
Recognised in the income statement	(80)	(8)	48	(40)
At 31 December	<u>574</u>	<u>324</u>	<u>371</u>	<u>1,269</u>

Deferred tax assets have not been recognised in respect of the following items:

	<b>Group</b>		<b>Company</b>	
	<b>2004</b> RM'000	<b>2003</b> RM'000	<b>2004</b> RM'000	<b>2003</b> RM'000
Unused tax losses	7,313	9,046	7,313	9,046
Unabsorbed capital allowances	3,550	3,254	3,550	3,254
	<u>10,863</u>	<u>12,300</u>	<u>10,863</u>	<u>12,300</u>

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the company in which those items arose. Deferred tax assets have not been recognised in respect of these items as they cannot be used to offset taxable profits of subsidiary companies in the Group.

**23. Lease payables**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b> RM'000	<b>2003</b> RM'000	<b>2004</b> RM'000	<b>2003</b> RM'000
Repayable within twelve months (Note 16)	231	319	-	-
Repayable after twelve months (Note 21)	589	836	-	-
	<u>820</u>	<u>1,155</u>	<u>-</u>	<u>-</u>
Minimum lease payments:				
Not later than one year	281	389	-	-
Later than one year but not later than five years	635	928	-	-
	<u>916</u>	<u>1,317</u>	<u>-</u>	<u>-</u>
Future finance charges on finance leases	(96)	(162)	-	-
Present value of finance lease liabilities	<u>820</u>	<u>1,155</u>	<u>-</u>	<u>-</u>

**24. Capital commitments**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b> RM'000	<b>2003</b> RM'000	<b>2004</b> RM'000	<b>2003</b> RM'000
Capital expenditure not provided for in the financial statements:				
Authorised and contracted for	<u>14,839</u>	<u>434</u>	<u>35</u>	<u>35</u>

## Notes to the Financial Statements (contd.)

31 December 2004

### 24. Capital commitments (contd.)

#### Operating lease commitment

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

	Group and Company	
	2004	2003
	RM'000	RM'000
Not later than one year	76	1,178
Later than one year but not later than five years	-	76
	<u>76</u>	<u>1,254</u>

### 25. Contingent liabilities, unsecured

	Group		Company	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Corporate guarantees to financial institutions in respect of banking facilities granted to certain subsidiary companies	-	-	49,613	32,664
	<u>-</u>	<u>-</u>	<u>49,613</u>	<u>32,664</u>

### 26. Segmental reporting

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

	Malaysia operation	China operation	Australia operation	Total
	RM'000	RM'000	RM'000	RM'000
<b>31.12.2004</b>				
<i>Revenue</i>				
Total sales	220,323	25,301	24,385	270,009
Less: Inter-segment sales	(8,223)	(3,280)	-	(11,503)
	<u>212,100</u>	<u>22,021</u>	<u>24,385</u>	<u>258,506</u>
<i>Results</i>				
Segment operating profit/(loss)	40,878	130	(320)	40,688
Finance cost	(11)	-	(620)	(631)
Share of associate's result	(32)	-	-	(32)
	<u>40,835</u>	<u>130</u>	<u>(940)</u>	<u>40,025</u>
Profit/(loss) before taxation	40,835	130	(940)	40,025
Taxation	(15,160)	-	(59)	(15,219)
	<u>25,675</u>	<u>130</u>	<u>(999)</u>	<u>24,806</u>
Profit/(loss) after taxation	25,675	130	(999)	24,806
Minority interest	-	(37)	-	(37)
	<u>25,675</u>	<u>93</u>	<u>(999)</u>	<u>24,769</u>
Net profit/(loss) for the year	25,675	93	(999)	24,769



## 26. Segmental reporting (contd.)

	Malaysia operation RM'000	China operation RM'000	Australia operation RM'000	Total RM'000
<i>Assets</i>				
Segment assets	387,162	48,850	23,102	459,114
Associated company	381	-	-	381
Other investments	22,343	-	-	22,343
Goodwill on consolidation	10,380	-	-	10,380
Current tax assets	672	-	87	759
Total assets	<u>420,938</u>	<u>48,850</u>	<u>23,189</u>	<u>492,977</u>
<i>Liabilities</i>				
Segment liabilities	28,678	3,037	19,476	51,191
Borrowings	55	-	765	820
Tax payable	2,053	5	319	2,377
Deferred taxation	6,046	-	-	6,046
Total liabilities	<u>36,832</u>	<u>3,042</u>	<u>20,560</u>	<u>60,434</u>
<b>Other information</b>				
Depreciation	<u>17,784</u>	<u>4,330</u>	<u>313</u>	<u>22,427</u>
<b>31.12.2003</b>				
<i>Revenue</i>				
Total sales	230,479	23,626	17,719	271,824
Less: Inter-segment sales	(9,324)	(4,825)	-	(14,149)
	<u>221,155</u>	<u>18,801</u>	<u>17,719</u>	<u>257,675</u>
<i>Results</i>				
Segment operating profit/(loss)	51,866	(23)	(298)	51,545
Finance cost	(21)	(86)	(95)	(202)
Share of associate's result	(29)	-	-	(29)
Profit/(loss) before taxation	51,816	(109)	(393)	51,314
Taxation	(7,711)	-	-	(7,711)
Profit/(loss) after taxation	44,105	(109)	(393)	43,603
Minority interest	-	31	-	31
Net profit/(loss) for the year	<u>44,105</u>	<u>(78)</u>	<u>(393)</u>	<u>43,634</u>
<i>Assets</i>				
Segment assets	362,374	51,017	28,113	441,504
Associated company	413	-	-	413
Other investments	6,173	-	-	6,173
Goodwill on consolidation	10,380	-	-	10,380
Current tax assets	1,878	-	-	1,878
Total assets	<u>381,218</u>	<u>51,017</u>	<u>28,113</u>	<u>460,348</u>

# Notes to the Financial Statements (contd.)

31 December 2004

## 26. Segmental reporting (contd.)

	Malaysia operation RM'000	China operation RM'000	Australia operation RM'000	Total RM'000
<i>Liabilities</i>				
Segment liabilities	13,216	2,312	21,341	36,869
Borrowings	159	-	996	1,155
Tax payable	223	-	156	379
Deferred taxation	7,549	-	-	7,549
Total liabilities	<u>21,147</u>	<u>2,312</u>	<u>22,493</u>	<u>45,952</u>
<b>31.12.2003</b>				
<i>Other information</i>				
Depreciation	<u>19,694</u>	<u>4,273</u>	<u>377</u>	<u>24,344</u>

## 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	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(a) <i>Transactions with directors and/or companies in which certain directors and their close family members have substantial financial interest:</i>				
<b>Expenditure:</b>				
(i) Rental of office and warehouses:				
Kim Hin (Malaysia) Sdn. Bhd.	1,796	1,702	65	60
Kimmui Investments Pty. Ltd.	307	257	-	-
(ii) Purchases of sanitaryware for resale:				
Kam Kam Sanitaryware Sdn. Bhd.	10,193	7,979	-	-
(iii) Renovation and maintenance costs:				
Pan Chyi Construction and Development Sdn. Bhd.	784	1,045	3	9
(iv) Legal services:				
SG Chua Advocates	25	-	7	-
(v) Insurance commission earned as insurance agent:				
Kim Hin (Malaysia) Sdn. Bhd.	159	117	19	9
(vi) Freight and handling charges:				
Sinar Mekar Sdn. Bhd.	493	495	-	-
(vii) Flower arrangement and gift services:				
Liz Petals and Gifts	-	21	-	15
(viii) Supply of materials and spare parts:				
Kam Kam Sanitaryware Sdn. Bhd.	<u>77</u>	<u>107</u>	<u>-</u>	<u>-</u>

## 27. Significant related party transactions (contd.)

		<b>Company</b>	
		<b>2004</b>	<b>2003</b>
		RM'000	RM'000
(b)	<i>Transactions with subsidiary companies:</i>		
	<b>Income</b>		
	Dividend income	10,500	10,500
	Management fees	1,056	396
	Rental income	281	227
	Interest income	215	228
		<u>12,052</u>	<u>11,351</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:*

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	RM'000	RM'000	RM'000	RM'000
<b>Executive Directors</b>				
Fees	150	150	150	150
Salaries and bonuses	3,268	2,515	2,163	1,676
Defined contribution plan	589	460	393	306
Benefits in kind	201	178	142	146
	<u>4,208</u>	<u>3,303</u>	<u>2,848</u>	<u>2,278</u>
<b>Non-Executive Directors</b>				
Fees	90	90	90	90

**27. Significant related party transactions (contd.)**

(c) *Directors' remuneration: (contd.)*

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	<b>Number of Directors</b>	
	<b>2004</b>	<b>2003</b>
<b>Executive directors:</b>		
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	1	1
RM200,001 – RM350,000	-	-
RM350,001 – RM400,000	-	-
RM400,001 – RM450,000	-	-
RM450,001 – RM500,000	-	2
RM500,001 – RM800,000	2	-
RM800,001 – RM850,000	-	-
RM850,001 – RM1,050,000	-	-
RM1,050,001 – RM1,100,000	-	1
RM1,100,001 – RM1,150,000	-	-
RM1,150,001 – RM1,200,000	-	1
RM1,200,001 – RM1,250,000	-	-
RM1,250,001 – RM1,300,000	-	-
RM1,300,001 – RM1,350,000	-	-
RM1,350,001 – RM1,400,000	-	-
RM1,400,001 – RM1,450,000	1	-
RM1,450,001 – RM1,500,000	1	-
<b>Non-executive directors:</b>		
Nil – RM50,000	3	3

**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 defined guidelines 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 31 December 2004. 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. The net unhedged financial assets and financial liabilities of the Group that are not denominated in Ringgit Malaysia are disclosed in Note 26 for the China and Australia operations.

**28. Financial instruments (contd.)**

## (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 the 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. 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 13 April 2005.

# [ Particulars of Group's Properties

Details of the properties of the Group as at 31 st December 2004, all of which are leasehold/freehold properties, set out below :

No	Location	Description /Existing Use	Year Revaluation/ Acquisition	Approximate Age Of Building (Year)	Land/ Area M <sup>2</sup>	Leasehold Expiry Date	2004 NBV '000 (RM)
<b>Sarawak</b>							
1	Lot 2124 Block 226 Kuching North Land District (KNLD)	Country Land/Mixed Zone Land 3 storeys Old Office Block &	1992	20	60,187	13/7/2057	
	Lot 96, 929 & 930 Block 226, KNLD	factory building, worker quarters warehouse , 3 storeys new Office	1992	13,13 13, 9	66,330	31/12/2038	35,339
2	Lot 931 Block 226 KNLD	Country Land/Mixed Zone Land	1991	-	8,551	31/12/2038	212
3	Lot 932 Block 226 KNLD	Country Land/Mixed Zone Land	1993	-	7,988	31/12/2038	171
4	Lot 313 Block 226 KNLD	Country Land/Mixed Zone Land	1992	-	11,655	30/3/2038	324
5	Lot 335 Block 226, KNLD	Country Land/Mixed Zone Land ( Clay Storage )	1992	-	5,423	31/12/2038	129
6	Lot 315 Block 226 KNLD	Country Land/Mixed Zone Land ( Clay Storage )	1991	-	5,504	30/3/2038	181
7	Lot 505 Block 226 KNLD	Country Land/Mixed Zone Land ( Container Yard)	1995	-	8,458	31/12/2038	545
8	Lot 506 Block 226 KNLD	Country Land/Mixed Zone Land ( Container Yard)	1998	-	7,689	31/12/2038	744
9	Lot 754 Block 226 KNLD	Country Land/Mixed Zone Land (Container Yard)	1995	-	2,792	31/12/2038	213
10	Lot 2489, Block 226 KNLD	Country Land/Mixed Zone Land ( Clay Storage )	1992	-	10,592	31/12/2038	267
11	Lot 1641 Block 226 KNLD	Country Land/Mixed Zone Land	1995	-	4,405	31/12/2038	179
12	Lot 4547 Block 225 KNLD	Country Land/Mixed Zone Land 1 dwelling house	1994	19	2,495	31/12/2038	85
13	Lot 698 Block 225 KNLD	Country Land/Mixed Zone Land ( Clay Storage )	1992	-	11,655	31/12/2038	234
14	Lot 1789 Block 225 KNLD	Vacant Country Land /Mixed Zone Land (Clay Storage)	1992	-	4,048	31/12/2038	178
15	Lot 1790 Block 225 KNLD	Vacant Country Land /Mixed Zone Land (Clay Storage)	1992	-	4,787	31/12/2038	116
16	Lot 1791 Block 225 KNLD	Country Land/Mixed Zone Land (Clay Storage)	1992	-	3,744	31/12/2038	123
17	Lot 1792 Block 225 KNLD (906/1042 Share)	Vacant Country Land /Mixed Zone Land (Clay Storage) 3 dwelling houses	1992	14	3,666	31/12/2038	252
18	Lot 1802 Block 225 KLND	Vacant Country Land /Mixed Zone Land	1993	-	8,067	31/12/2038	280
19	Lot 1803 Block 225 KLND	Vacant Country Land /Mixed Zone Land (Clay Storage)	1993	-	8,051	31/12/2038	281
20	Lot 1808 Block 225 KLND	Vacant Country Land /Mixed Zone Land (Clay Storage)	1993	-	8,121	31/12/2038	283
21	Lot 1809 Block 225 KLND	Vacant Country Land /Mixed Zone Land (Clay Storage)	1993	-	8,719	31/12/2038	304
22	Lot 1810 Block 225 KLND	Vacant Country Land /Mixed Zone Land	1993	-	8,374	31/12/2038	292
23	Lot 1804 Block 225 KNLD	Country Land/Mixed Zone Land (Clay Container)	1997	-	8,239	31/12/2038	434

## Particulars of Group's Propertiest (contd.)

No	Location	Description /Existing Use	Year Revaluation/ Acquisition	Approximate Age Of Building (Year)	Land/ Area M <sup>2</sup>	Leasehold Expiry Date	2004 NBV '000 (RM)
<b>Sarawak</b>							
24	Lot 1805 Block 225 KNLD	Country Land/Mixed Zone Land ( Clay Storage )	1997	-	8,042	31/12/2038	434
25	Lot 1806 Block 225 KNLD	Country Land/Mixed Zone Land ( Clay Storage )	1997	-	7,882	31/12/2038	434
26	Lot 1807 Block 225 KNLD	Country Land/Mixed Zone Land (Clay Storage)	1997	-	7,996	31/12/2038	434
27	Lot 1812 Block 225 KNLD	Country Land/Mixed Zone Land Double storey detached house	1992	18	3,376	31/12/2038	380
28	Lot 1813 Block 225 ( 84/105share) KLND	Country Land/Mixed Zone Land Single-storey detached house	1992	17	2,707	31/12/2038	341
29	Lot 1814 Block 225 KNLD	Country Land/Mixed Zone Land & 3 storeys building plus store	1995	21	3,268	31/12/2038	450
30	Lot 548 Block 232 KNLD	Country Land/Mixed Zone Land	2004	-	5,608	31/12/2038	388
31	Lot 553 Block 232 KNLD	Country Land/Mixed Zone Land	2004	-	4,260	31/12/2038	314
32	Lot 232 , Matang Land District	Vacant Country Land/Mixed Zone Land with white clay deposits	1992	-	19,466	31/12/2018	68
33	Lease of Crown Land No 3515 of 1957	Vacant Country Land/Mixed Zone Land	1994	-	11,250	3/1/2011	23
34	Lease of Crown Land No 3517 of 1951	Vacant Country Land/Mixed Zone Land with white clay deposits	1994	-	11,493	3/1/2011	21
35	Lease of Crown Land No 7947 of 1954	Vacant Country Land with white clay deposits	1994	-	22,056	4/2/2014	27
36	Lease of Crown Land No 12255 of 1956	Vacant Country Land with white clay deposits Mixed Zone Land	1992	-	19,304	12/7/2017	69
37	Lease of Crown Land No 11272 of 1953	Vacant Country Land with white clay deposits Mixed Zone Land	1992	-	23,513	23/8/2016	81
38	Lot 795, Block 4 (MLD)	Country Land/Mixed Zone Land	2003	-	23,640	7/12/2017	366
39	Lot 804, Block 4 (MLD)	Country Land/Mixed Zone Land	2003	-	11,010	8/24/2016	169
40	Lot 569, Block 4 (MLD)	Country Land/Mixed Zone Land	2004	-	7,001	12/31/2023	134
41	Lot 842, Block 4 (MLD)	Country Land/Mixed Zone Land	2004	-	13,128	9/30/2012	234
42	Lot 683, Block 4 (MLD)	Country Land/Mixed Zone Land	2004	-	26,830	12/31/1938	651
43	Lot 355, Block 4 (MLD)	Country Land/Mixed Zone Land	2004	-	9,320	12/31/1936	339
44	Lot 844, Block 4 (MLD)	Country Land/Mixed Zone Land	2004	-	14,419	8/12/2012	479
45	Lot 709, Block 4 (MLD)	Country Land/Mixed Zone Land	2004	-	12,748	1/24/2014	430
46	Lot 826, Block 4 (MLD)	Country Land/Mixed Zone Land	2004	-	10,700	2/27/2013	357
47	Lot 790, Block 4 (MLD)	Country Land/Mixed Zone Land	2004	-	21,409	7/1/2017	403
48	Lot 404 Salak Land District	Country Land/Mixed Zone Land	2004	-	21,610	12/31/2023	411
49	Lot 403 Salak Land District	Country Land/Mixed Zone Land	2004	-	21,692	12/31/2023	387
50	Lease of Crown Land No 7411 of 1953	Country Land/Mixed Zone Land	2004	-	15,136	3/2/2013	506
51	No 32, Jln Mesjid Negeri 11600 Penang	Double storey semi-detached	2004	-	333		965

## Particulars of Group's Propertiest (contd.)

No	Location	Description / Existing Use	Year Revaluation/ Acquisition	Approximate Age Of Building (Year)	Land/ Area M <sup>2</sup>	Leasehold Expiry Date	2004 NBV '000 (RM)
<b>Sarawak</b>							
52	Lot 79 Double Storey Terrace Houses (type a) - Jln Tuaran KK	Double storey semi-detached	2004	-			287
53	Lot 80 Double Storey Terrace Houses (type a) - Jln Tuaran KK	Double storey semi-detached	2004	-			219
54	1 unit Corner - Three-Storey Shophouse-S/LOT 21 - 11 miles	Three-Storey Shophouse	2004	-			508
55	S/LOT 131 Single Storey Corner Terrace House TMN - 8 miles	Single Storey Corner Terrace	2004	-			235
56	Lot 3, 20, 21, 29, 30, 31, 32, & 33 Block 1, Pangkalan Ampat Land District (PALD)	Vacant Country Land white clay deposits	1992	-	347,961	31/12/2018	509
57	Lot 2 Block 1 (PALD)	Vacant Country Land with white clay deposits	1992	-	121,127	31/12/2018	165
58	Lot 4 Block 1 (PALD)	Vacant Country Land with white clay deposits	1992	-	40,632	31/12/2018	51
59	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	60
60	Bau Lease of Crown Land No 5822 of 1952	Vacant Country Land ball with clay deposits	1994	-	5,099	29/3/2037	15
61	Bau Occupation ticket No 73	Vacant Country Land ball with clay deposits	1994	-	46,540	31/12/2029	106
62	WP 12-08, 12 th floor, West Peak De Summit Lot 2855 Muara Tebas Land District	Condominium	1999	5	1,812		403
63	Commercial Shop lot N2-G-7(D) MJC 4 storey shophouse cum with walk-up-apartment	Vacant commercial shop	2002	3	97		254
<b>Johor</b>							
64	Lot 46974 PTD, HS (D) 162781 (Asiatic) Mukim Senai-Kulai, Indahpura Industrial Park	Industrial Land	1997	-	15,829		3,680
<b>Negeri Sembilan</b>							
65	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	15 7	61,495		16,730
<b>Selangor</b>							
66	C-3-2 of block No C, 2 nd floor, Centrepoint Business Park, Mukim of Damansara, P.J. Selangor	Muti - Storey shopoffice	1998	6	1,287		110
<b>The People Republic of China</b>							
67	Land in China Zhujing Development Area Jinshan Country, Shanghai	Industrial Land, Factory/ Office building, wharf	1992	10	216,396	5/11/2042	15,415
<b>Australia</b>							
68	19 Little Street Camden, Australia	Freehold Land with Office Building & warehouse	1995	10	19,790		3,225
							<b>92,433</b>



# Statistics on Shareholdings ]

as at 31 March 2005

## Analysis by Size of Shareholdings as at 31 March 2005

Authorised share capital : RM500,000,000  
 Issued and fully paid up-capital : RM154,876,013  
 Class of shares : Ordinary shares of RM1.00 each fully paid

Category	No. of Holders	% of Holders	No. of Shares	% of Shares
Less than 100	79	1.64	3,163	0.00
100 to 1,000	1,225	25.41	945,224	0.61
1,001 to 10,000	2,953	61.24	10,641,276	6.87
10,001 to 100,000	479	9.93	12,900,275	8.33
100,001 to less than 5% Issued shares	85	1.76	68,132,050	43.99
5% and above of Issued shares	1	0.02	62,254,025	40.20
<b>TOTAL</b>	<b>4,822</b>	<b>100.00</b>	<b>154,876,013</b>	<b>100.00</b>

## List of Thirty (30) Largest Shareholders as at 31 March 2005

No.	Name	No. of Shares	%
1.	CIMSEC Nominees (Tempatan) Sdn. Bhd. <CIMB for Kim Hin (Malaysia) Sdn. Bhd. (PB)>	62,254,025	40.20
2.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. <Public Growth Fund>	4,833,900	3.12
3.	Permodalan Nasional Berhad	4,136,850	2.67
4.	Galister International Ltd.	3,900,000	2.52
5.	HSBC Nominees (Tempatan) Sdn. Bhd. <HSBC (M) Trustees Bhd for OSK-UOB Small Cap Opportunity Unit Trust>	3,500,000	2.26
6.	Mayban Nominees (Tempatan) Sdn. Bhd. <Mayban Trustees Berhad for Public Regular Savings Fund>	3,290,000	2.12
7.	Employees Provident Fund Board	2,836,800	1.83
8.	Kim Hin Industry Berhad (Share Buy Back Account)	2,800,000	1.81
9.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. <Public Savings Fund>	2,789,400	1.80
10.	UOBM Nominees (Asing) Sdn. Bhd. <United Overseas Bank Nominees (Pte) Ltd for China Cruise Company Ltd>	2,582,400	1.67
11.	Malaysia Nominees (Tempatan) Sendirian Berhad <Great Eastern Life Assurance (Malaysia) Berhad (Par 1)>	2,471,000	1.60
12.	HSBC Nominees (Asing) Sdn. Bhd. <Genesis Malaysia Maju Fund Limited>	2,200,000	1.42
13.	BHLB Trustee Berhad <TA Small Cap Fund>	2,193,100	1.42
14.	Citicorp Nominees (Asing) Sdn. Bhd. <CB GW Spore for Jacobson Associates SA>	2,000,000	1.29
15.	Kim Hin (Malaysia) Sdn. Bhd.	2,000,000	1.29
16.	Amanah Raya Nominees (Tempatan) Sdn. Bhd. <Public Equity Fund>	1,652,000	1.07
17.	Mayban Nominees (Tempatan) Sdn. Bhd. <Mayban Trustees Berhad for Public Itfikal Fund>	1,621,000	1.05
18.	HSBC Nominees (Tempatan) Sdn. Bhd. <HSBC (M) Trustee Bhd for OSK-UOB Kidsave Trust>	1,589,300	1.03

## Statistics on Shareholdings (contd.) as at 31 March 2005

No.	Name	No. of Shares	%
19.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. <Pheim Asset Management Sdn. Bhd. for Employees Provident Fund>	1,393,200	0.90
20.	Mayban Nominees (Tempatan) Sdn. Bhd. <Mayban Trustees Berhad for Public Balanced Fund>	1,239,400	0.80
21.	Huang Jay Chia-Yi	1,206,850	0.78
22.	Universal Trustee (Malaysia) Berhad <Mayban Unit Trust Fund>	1,015,900	0.66
23.	Lembaga Tabung Haji	881,100	0.57
24.	Chua Ban Choon @ Chua Chui Kim	787,700	0.50
25.	Nican Asia Limited	650,000	0.42
26.	HSBC Nominees (Tempatan) Sdn. Bhd. <HSBC (M) Trustees Bhd for OSK-UOB Capital Guaranteed Funds-Series 1>	577,300	0.37
27.	Malaysia Nominees (Tempatan) Sendirian Berhad <Great Eastern Life Assurance (Malaysia) Berhad (LGF)>	568,200	0.37
28.	HSBC Nominees (Tempatan) Sdn. Bhd. <HSBC (M) Trustee Bhd for OSK-UOB Emerging Opportunity Unit Trust (4611)>	528,000	0.34
29.	John Chua Seng Chai	524,650	0.34
30.	HSBC Nominees (Asing) Sdn. Bhd. <BNY Brussels for the Great Eastern Life Assurance Co. Ltd>	444,600	0.29

### List of Directors' Shareholdings as at 31 March 2005

No.	Name	Direct	Indirect
1.	Chua Seng Guan	280,000	64,254,025*
		(1)	
2.	John Chua Seng Chai	524,650	64,254,025*
3.	Pauline Getrude Chua Hui Lin	328,900	64,254,025*
4.	Chua Yew Lin	332,400	64,254,025*
5.	Vincent Gerard Khoo	62,000	-
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 31 March 2005

No.	Name	No. of Shares	%
1.	Kim Hin (Malaysia) Sdn. Bhd.	64,254,025 (2)	41.49
(1)	Shares held through HDM Nominees (Tempatan) Sdn. Bhd. - 50,000		
(2)	Shares held through CIMSEC Nominees (Tempatan) Sdn. Bhd.<CIMB for Kim Hin (Malaysia) Sdn Bhd (PB)> - 62,254,025		

# 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 failing whom, \_\_\_\_\_  
 of \_\_\_\_\_  
 of \_\_\_\_\_

as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Second 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 Wednesday, 25 May 2005, at 2.00 p.m. and, at every adjournment thereof in the manner indicated below:-

	For	Against		For	Against
<b>Resolution 1</b>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Resolution 7</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2</b>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Resolution 8</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3</b>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Resolution 9</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4</b>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Resolution 10</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 5</b>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Resolution 11</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 6</b>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Resolution 12</b>	<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            2005.

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.

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**Kim Hin Industry Berhad** (018203-V)

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







**KIM HIN INDUSTRY BERHAD** (018203-V)

Head Office and Factory

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<http://www.kimhin.com.my>

<http://www.kimgres.com>