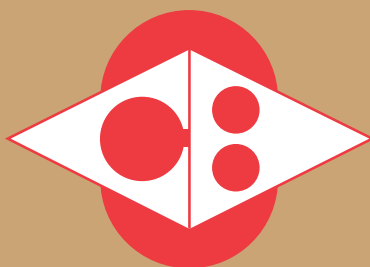




CHOO BEE  
METAL  
INDUSTRIES  
BERHAD  
2003 ANNUAL  
REPORT



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## ■ NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2004 Annual General Meeting of the Company will be held at Heritage Hotel, Jalan Raja DiHilir, 30350 Ipoh, Perak Darul Ridzuan, Malaysia on Friday, June 11, 2004 at 11.30 a.m.

### AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended December 31, 2003, together with the Directors' and Auditors' Reports thereon.
2. To sanction the declaration of a final dividend of 6% less 28% income tax.
3. To approve payment of increased Directors' fee of RM188,000/-.
4. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:  
  
Datuk Ismail bin Haji Ahmad  
Leong Keng Yuen  
Soon Hean Hooi
5. To appoint Auditors and authorise the Directors to fix their remuneration.
6. To transact any other business appropriate to an Annual General Meeting.
7. As SPECIAL BUSINESS, to consider and, if thought fit, pass the following resolutions:

#### **ORDINARY RESOLUTION NO. 1 -**

#### **AUTHORITY TO ALLOT AND ISSUE SHARES IN GENERAL PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

"That, subject to the Companies Act, 1965 and the Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad, the Securities Commission and other relevant governmental or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the capital of the Company from time to time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

#### **ORDINARY RESOLUTION NO. 2 -**

#### **AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO THE EMPLOYEES' SHARE OPTION SCHEME**

"That, subject to the Companies Act, 1965 and the Articles of Association of the Company, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue such number of new ordinary shares of RM1.00 each in the capital of the Company as may be required to be issued pursuant to the exercise of options under the Employees' Share Option Scheme which was approved by an Ordinary Resolution passed at the Extraordinary General Meeting of the Company on August 23, 2001."

#### **ORDINARY RESOLUTION NO. 3 -**

#### **PROPOSED RENEWAL OF SHARE BUY BACK AUTHORITY**

"That, subject to compliance with all applicable laws, regulations and guidelines, authority be and is hereby given to the Directors of the Company to purchase (Proposed Share Buy Back) ordinary shares of RM1.00 each in the Company up to the limit of 4,426,000 shares inclusive of those shares already purchased and retained in treasury, which as at May 4, 2004 amounted to 2,746,000 shares, through Bursa Malaysia Securities Berhad, representing four point two three percent (4.23%) of the Company's total issued and paid-up share capital as at May 4, 2004 of 104,563,000 shares of RM1.00 each;

■ **NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)**

That an amount of RM5,000,000 be allocated for the Proposed Share Buy Back out of the total of the audited retained profits and share premium account as at December 31, 2003, so that the total consideration of shares purchased and held as treasury shares or cancelled at any time do not exceed RM5,000,000. The retained profits and share premium account of the Company based on the audited financial statements for the year ended December 31, 2003 and unaudited management accounts for the period ended March 31, 2004 are as follows:

	<b>As at December 31, 2003</b>	<b>As at March 31, 2004</b>
Retained profits	76,026,365	79,778,471
Share premium	22,743,305	22,886,155

That the Directors may resolve to immediately cancel the shares so purchased, and/or retain them as treasury shares and/or re-sell and/or cancel them and that an announcement will be made to Bursa Malaysia Securities Berhad on the Directors' intention for the proposed treatment of shares bought back and the rationale of the alternatives chosen and if available, information as to the percentage or number of shares purchased which are to be retained and/or cancelled;

That the Directors be and are hereby empowered to take all such steps as are necessary to give full effect to the Proposed Share Buy Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities AND THAT such authority shall commence upon the passing of this Ordinary Resolution and shall expire at the conclusion of the next Annual General Meeting of the Company unless renewed by ordinary resolution passed at that meeting; or at the expiration of the period within which the next annual general meeting is required by law to be held; or earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, whichever occurs first.

**ORDINARY RESOLUTION NO. 4 -**

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE ON RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE AND IN THE NATURE OF PROVISION OF FINANCIAL ASSISTANCE INVOLVING THE FOLLOWING RELATED PARTIES:**

- (i) **Soon Lian Huat Holdings Sdn Bhd (SLHH)**
- (ii) **Taik Bee Hardware Sdn Bhd (TBH)**
- (iii) **Chuan Bee Hardware Sdn Bhd(CBHSB)**
- (iv) **Chua Hock Seng Hardware Sdn Bhd(CHSHSB)**

"That, subject always to the Listing Requirements of Bursa Malaysia, the Company and/or its subsidiaries shall be mandated to enter into the category of Recurrent Related Party Transactions of a Revenue or Trading Nature and in the Nature of Provision of Financial Assistance with SLHH, TBH, CBHSB and CHSHSB as specified in Section 3.2 of the Circular dated May 19, 2004 subject further to the following:-

- (i) the transactions are in the ordinary course of business and are on terms which are not more favourable to the Related Parties than those generally available to the public or in the case of Financial Assistance provided not more favourable than terms generally available from commercial banks in the financial market and are not to the detriment of the minority shareholders of the Company; and
- (ii) the Proposed Shareholders' Mandate shall apply in respect of the Recurrent Related Party Transactions to be entered into from June 11, 2004 to the next Annual General Meeting of the Company. The Proposed Shareholders' Mandate shall only continue to be in force until:
  - the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting the authority is renewed; or
  - the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965; or

■ **NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)**

- revoked or varied by a resolution passed by the shareholders in general meeting before the next Annual General Meeting;

whichever is earlier.

Thereafter, approval from shareholders for a renewal of the Recurrent Related Party Transactions mandate will be sought at each subsequent Annual General Meeting of the Company; and

- (iii) disclosure is made in the annual report of the breakdown of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year and in the annual reports for the subsequent financial year during which the Proposed Shareholders' Mandate is in force based on the type of recurrent transactions made and the names of the related parties involved in each type of the recurrent transactions made and their relationship with the listed issuer, provided that such transactions are made on normal commercial terms not more favourable to the related parties than those generally available to the public or in the case of Financial Assistance provided not more favourable than terms generally available from commercial banks in the financial market and are not to the detriment of the minority shareholders of the Company on an arm's length basis; and
- (iv) the Directors and/or any of them be and are hereby authorised to complete and do such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

**ORDINARY RESOLUTION NO. 5 -**

**PROPOSED SHAREHOLDERS' MANDATE ON RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE INVOLVING AMALGAMATED INDUSTRIAL STEEL BERHAD (AISB), A RELATED PARTY**

"That, subject always to the Listing Requirements of Bursa Malaysia, the subsidiaries of the Company, Choo Bee Hardwares Sdn Berhad and Taik Bee Hardware Sdn Bhd shall be mandated to enter into the category of Recurrent Related Party Transactions of a Revenue or Trading Nature with AISB as specified in Section 3.2 of the Circular dated May 19, 2004 subject further to the following:-

- (i) the transactions are in the ordinary course of business and are on terms which are not more favourable to the Related Parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and
- (ii) the Proposed Shareholders' Mandate shall apply in respect of the Recurrent Related Party Transactions to be entered into from June 11, 2004 to the next Annual General Meeting of the Company. The Proposed Shareholders' Mandate shall only continue to be in force until:
- the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the meeting the authority is renewed; or
  - the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965; or
  - revoked or varied by a resolution passed by the shareholders in general meeting before the next Annual General Meeting;

whichever is earlier.

Thereafter, approval from shareholders for a renewal of the Recurrent Related Party Transactions mandate will be sought at each subsequent Annual General Meeting of the Company; and

- (iii) disclosure is made in the annual report of the breakdown of the aggregate value of transactions conducted pursuant to the Proposed Shareholders' Mandate during the financial year and in the annual reports for the subsequent financial year during which the Proposed Shareholders' Mandate is in force based on the type of recurrent transactions made and the names of the

■ **NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)**

related parties involved in each type of the recurrent transactions made and their relationship with the listed issuer, provided that such transactions are made on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company on an arm's length basis; and

- (iv) the Directors and/or any of them be and are hereby authorised to complete and do such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

**By Order of the Board**

**CHAN YOKE YIN**  
**CHENG GHEE CHENG**

*Company Secretaries*

Ipoh, Perak Darul Ridzuan, Malaysia  
May 19, 2004

**NOTE:-** A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company, No. 35 Jalan Hussein, 30250 Ipoh, Perak Darul Ridzuan, Malaysia not less than 48 hours before the time appointed for holding the Meeting.

**EXPLANATORY NOTES TO THE SPECIAL BUSINESS:**

**1) ORDINARY RESOLUTION NO. 1**

Pursuant to Section 132D of the Companies Act, 1965, the Directors of the Company may, subject to the approval of the Shareholders of the Company, exercise any power to allot and issue shares in general from time to time upon such terms and conditions and for such purposes as the Directors may in their discretion deem fit and that such authority shall continue in force until the conclusion of the next Annual General Meeting. As such, the Directors seek the Shareholders' approval to allot and issue shares in general.

**2) ORDINARY RESOLUTION NO. 2**

On August 23, 2001, the Shareholders of the Company had approved the Employees' Share Option Scheme ("ESOS"). According to Section 132D of the Companies Act, 1965, the approval given by the Shareholders to the Directors of the Company to allot and issue shares pursuant to the ESOS expires at the forthcoming 2004 Annual General Meeting. As such, the Directors seek the Shareholders' approval to allot and issue shares in general.

**3) ORDINARY RESOLUTION NO. 3**

Further information on the above Ordinary Resolution is set out in the Circular to Shareholders of the Company, which is sent out together with the Company's 2003 Annual Report.

**4) ORDINARY RESOLUTION NO. 4**

Further information on the above Ordinary Resolution is set out in the Circular to Shareholders of the Company, which is sent out together with the Company's 2003 Annual Report.

**5) ORDINARY RESOLUTION NO. 5**

Further information on the above Ordinary Resolution is set out in the Circular to Shareholders of the Company, which is sent out together with the Company's 2003 Annual Report.

■ **STATEMENT ACCOMPANYING NOTICE OF THE 2004 ANNUAL GENERAL MEETING OF CHOO BEE METAL INDUSTRIES BERHAD PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA**

**1. 2004 Annual General Meeting of Choo Bee Metal Industries Berhad:**

Place : Heritage Hotel, Jalan Raja DiHilir, 30350 Ipoh, Perak Darul Ridzuan, Malaysia  
 Date : Friday, June 11, 2004  
 Time : 11.30 a.m.

**2. Name of individuals who are standing for re-election and their shareholdings in the Company and its subsidiary companies are as follows:**

Name of Directors	Shareholdings in the Company as at April 27, 2004		Ordinary shares of RM1.00 each Options over Ordinary Shares of RM1.00 each at a price of RM1.20 each as at April 27, 2004	Shareholdings in Taik Bee Hardware Sdn. Bhd. as at April 27, 2004 (subsidiary company)	
	Direct	Deemed	Options	Direct	Deemed
Datuk Ismail bin Haji Ahmad	—	—	—	—	—
Leong Keng Yuen	26,000	—	—	—	—
Soon Hean Hooi	2,249,055	—	600,000	24,400	—

Other than as disclosed above, the Directors who are standing for re-election do not have any interest in the shares of the other subsidiary companies.

Details of the above Directors are set out in the Profile of Directors on page 12 to 15 of this Annual Report.

**3. Details of attendance of Directors at Board Meetings:**

Four (4) Board Meetings were held during the financial year from January 1, 2003 till December 31, 2003:

February 21, 2003  
 May 16, 2003  
 August 22, 2003  
 November 14, 2003

Details of attendance of Directors at the Board Meetings are as follows:

Name of Directors	Number of Meetings	Number of Meetings Attended
Soon Ah Khun @ Soon Lian Huat	4	3
Soon Cheng Hai	4	4
Soon Cheng Boon	4	4
Soon Hean Hooi	4	4
Lee Sieng Tzi @ Vincent Lee	4	4
Datuk Ismail Bin Haji Ahmad	4	3
Leong Keng Yuen	4	4
Dato' Robert Lim Git Hooi, DPMP, JP	4	3
Khoo Choon Yam	4	4

## ■ CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of Choo Bee Metal Industries Berhad and its Group of Companies for the financial year ended December 31, 2003.

### Financial Review

I am pleased to inform our shareholders that the Group achieved a new record in sales turnover and profit in the year 2003. Turnover increased by 32.1% to RM278.3 million for the year compared to RM210.6 million for the previous year and profit before tax attributable to shareholders increased by 67.8% to RM35.3 million from RM21.0 million in the previous year. Correspondingly, basic earnings per share increased to 25.5 Sen compared to 16.8 Sen for 2002. The Group Net Tangible Assets at the end of the year was RM231 million which is 229 Sen per share compared to RM207 million and 208 Sen per share at the end of the previous year.

### Dividend

The Board is pleased to recommend a first and final dividend of 6 Sen less 28% tax per share for the financial year ended December 31, 2003.

### Performance

The record sales turnover and profit that the Group achieved came as a result of a combination of several factors such as market coverage, customer and supplier relationships and availability of financial resources which provided the Group with the means to capitalise on the increase in prices of all manufactured and traded steel products.

### Industry Trend and Developments

The increasing price trend established towards the end of 2002 continued strongly into 2003. The main factor driving prices up was the strong consumption in China. The price of Cold Rolled Coils which are mainly imported, increased approximately 35% in 2003. The increase of 7.4% in Hot Rolled Coils prices was less significant as local prices were already high compared with international prices. However, although prices have risen significantly off the low levels seen in the years from 2001 through to most of 2002, there appears still to be room for further increase as demand remains strong and continues to drive up prices of raw materials and to support the current prices of products.

### Future Prospects

With the strategies that have been put in place, our Board is optimistic that the Group will continue to be able to post good results in the year 2004.

### Acknowledgement

Our special gratitude goes to all staff of the Group who worked untiringly and also to our customers, shareholders, bankers, suppliers and business associates for their continued support and commitment to the Group. We are confident that the continued support will place the Group in a stronger position to meet the challenges of the year ahead.

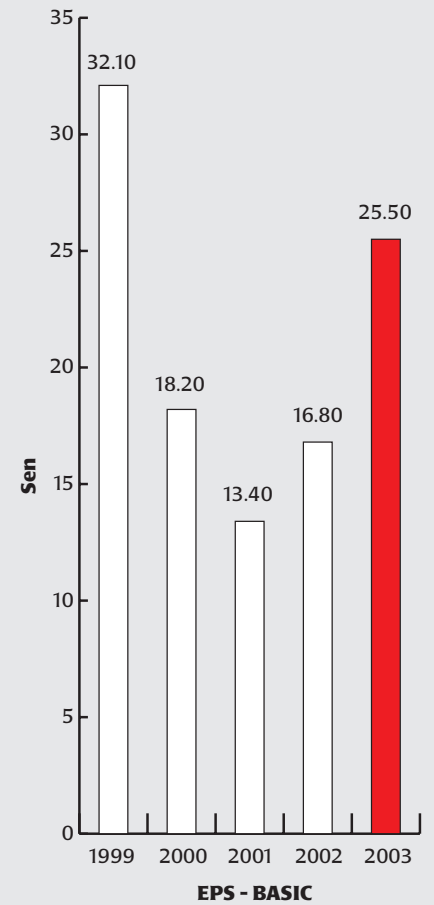
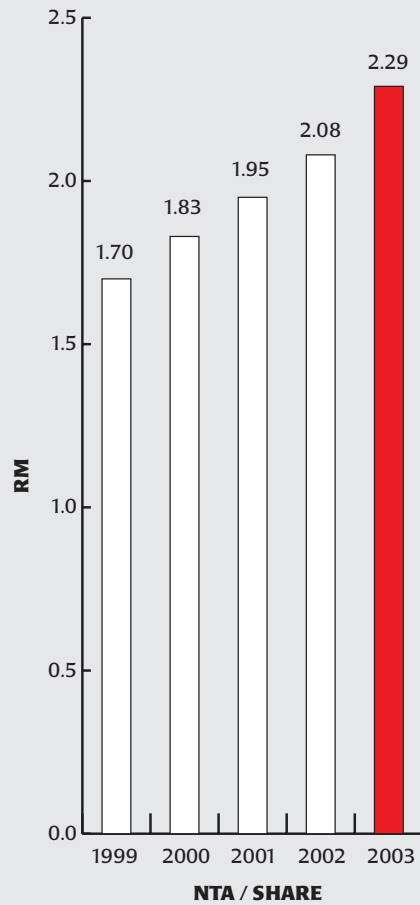
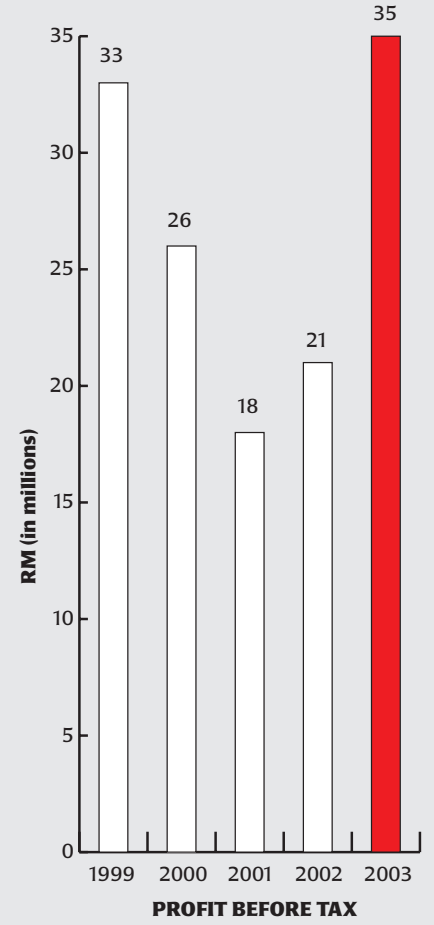
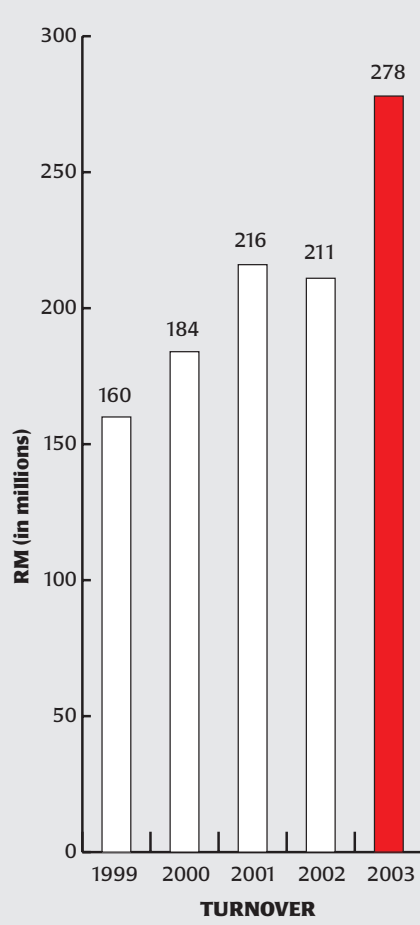


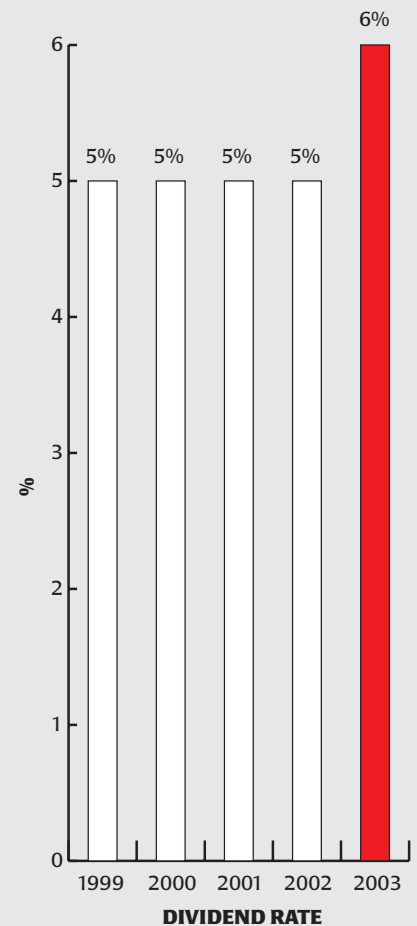
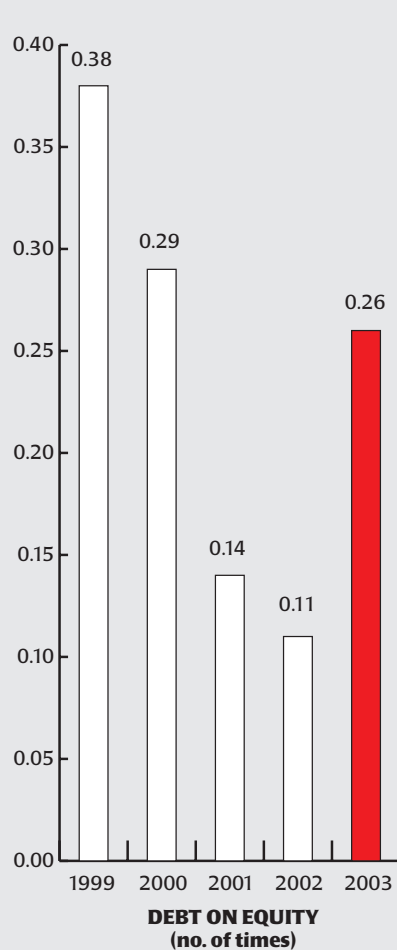
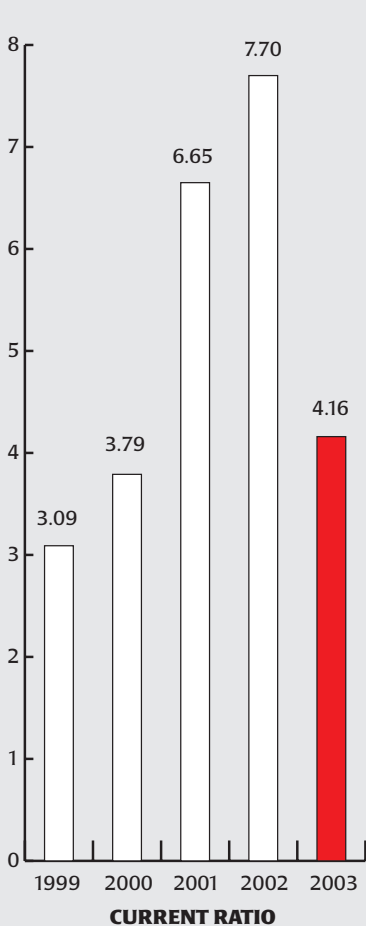
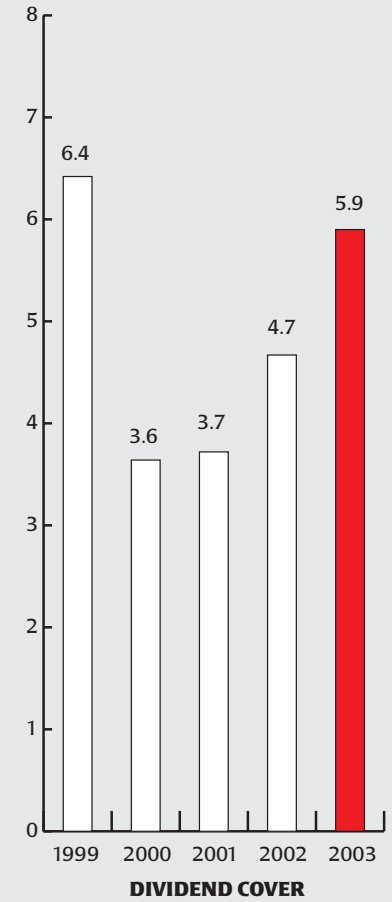
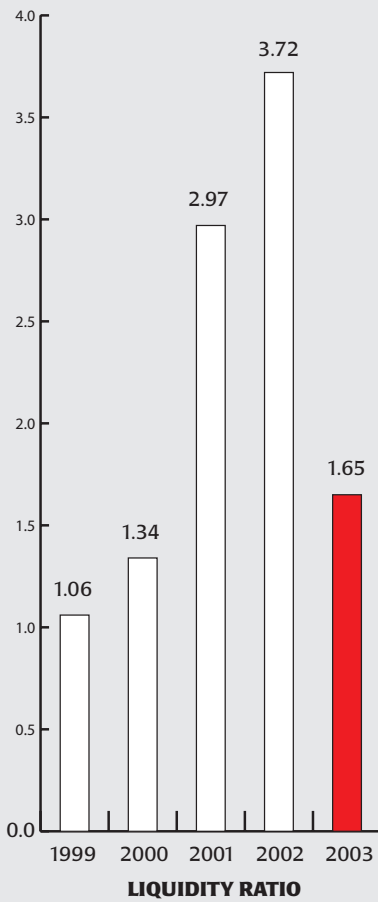
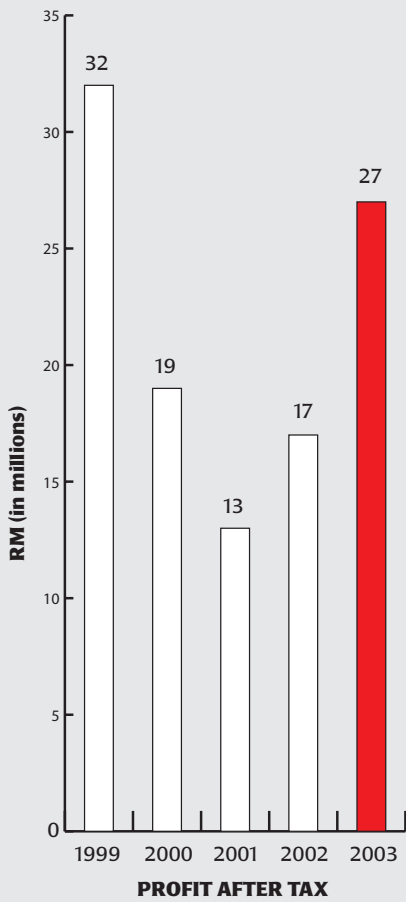
**Soon Ah Khun @ Soon Lian Huat**  
*Group Executive Chairman*

February 27, 2004

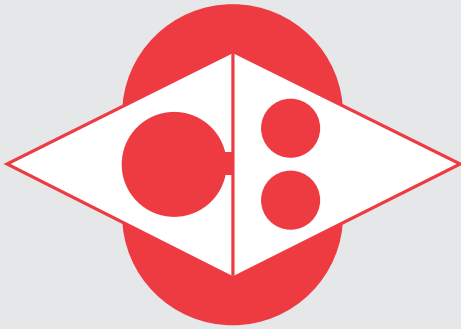


■ FINANCIAL RESULTS AT A GLANCE



**FINANCIAL RESULTS AT A GLANCE (CONTINUED)**


## ■ CORPORATE INFORMATION



### BOARD OF DIRECTORS

SOON AH KHUN @ SOON LIAN HUAT  
Group Executive Chairman

SOON CHENG HAI  
Managing Director

SOON CHENG BOON  
Executive Director

DATUK ISMAIL BIN HAJI AHMAD  
Non-Executive Director

SOON HEAN HOOI  
Executive Director

LEE SIENG TZI @ VINCENT LEE  
Executive Director

LEONG KENG YUEN  
Senior Independent Non-Executive Director

DATO' ROBERT LIM GIT HOOI DPMP., JP  
Independent Non-Executive Director

KHOO CHOON YAM  
Independent Non-Executive Director

### EXECUTIVE COMMITTEE

**Chairman:**  
SOON CHENG HAI

**Members:**  
SOON AH KHUN @ SOON LIAN HUAT  
SOON CHENG BOON  
SOON HEAN HOOI

**AUDIT COMMITTEE**

**Chairman:**  
LEONG KENG YUEN

**Members:**  
SOON CHENG BOON  
DATO' ROBERT LIM GIT HOOI DPMP., JP.  
KHOO CHOON YAM

**NOMINATING COMMITTEE**

**Chairman:**  
DATUK ISMAIL BIN HAJI AHMAD

**Members:**  
LEONG KENG YUEN  
DATO' ROBERT LIM GIT HOOI DPMP., JP.

**REMUNERATION COMMITTEE**

**Chairman:**  
DATO' ROBERT LIM GIT HOOI DPMP., JP.

**Members:**  
LEONG KENG YUEN  
SOON CHENG HAI  
DATUK ISMAIL BIN HAJI AHMAD  
KHOO CHOON YAM

**ESOS COMMITTEE**

**Members:**  
SOON AH KHUN @ SOON LIAN HUAT  
SOON CHENG HAI  
SOON CHENG BOON

**SECRETARIES**

CHAN YOKE YIN (MAICSA 7043743)  
CHENG GHEE CHENG (LS 04598)

**REGISTERED OFFICE**

35 Jalan Hussein,  
30250 Ipoh, Perak Darul Ridzuan, Malaysia.  
Tel: 605-2415633 Fax: 605-2415578

**PRINCIPAL PLACE OF BUSINESS**

46-48, Lebuhraya Bendahara,  
31650 Ipoh, Perak Darul Ridzuan, Malaysia.  
Tel: 605-2558111 Fax: 605-2545943

**WEBSITE AND E-MAIL ADDRESS**

Homepage: [www.choobee.com.my](http://www.choobee.com.my)  
E-mail Address: [enquiries@choobee.com.my](mailto:enquiries@choobee.com.my)

**REGISTRARS**

Signet Share Registration Services Sdn. Bhd.  
35 Jalan Hussein,  
30250 Ipoh, Perak Darul Ridzuan, Malaysia.  
Tel: 605-2415633 Fax: 605-2415578

**PRINCIPAL BANKERS**

HSBC Bank Malaysia Berhad  
United Overseas Bank (Malaysia) Berhad  
RHB Bank Berhad  
Bumiputra-Commerce Bank Berhad

**AUDITORS**

Deloitte KassimChan  
Chartered Accountants

**STOCK EXCHANGE LISTING**

Bursa Malaysia Securities Berhad  
Main Board

## ■ PROFILE OF DIRECTORS



*Standing from left to right: Datuk Ismail Bin Haji Ahmad, Khoo Choon Yam, Leong Keng Yuen, Soon Hean Hooi, Lee Sieng Tzi @ Vincent Lee and Dato' Robert Lim Git Hooi DPMP, JP.*

*Seated from left to right: Soon Cheng Boon, Soon Ah Khun @ Soon Lian Huat and Soon Cheng Hai.*

### **SOON AH KHUN @ SOON LIAN HUAT (GROUP EXECUTIVE CHAIRMAN)**

**Executive Director**  
**Aged 65, Malaysian**

Soon Ah Khun @ Soon Lian Huat was first appointed Director of Choo Bee Metal Industries Berhad on April 19, 1971 and was subsequently appointed the Group Executive Chairman of Choo Bee Metal Industries Berhad on November 1, 1993.

Soon Ah Khun @ Soon Lian Huat is the founder of Choo Bee Metal Industries Berhad and has about 49 years experience in the iron and steel business. He is credited with the early expansion and transformation of the initial business of trading in iron and steel to an integrated manufacturing, marketing and distribution network that the Group now is. He has diverse practical knowledge and experience in the business and management of iron and steel and related businesses.

Soon Ah Khun @ Soon Lian Huat is the father of Soon Cheng Hai, Soon Cheng Boon and Soon Hean Hooi and father-in-law of Lee Sieng Tzi @ Vincent Lee. He is a director and shareholder in Choo Bee Holdings Sdn. Bhd. and Soon Lian Huat Holdings Sdn. Berhad, major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.

### **SOON CHENG HAI (GROUP MANAGING DIRECTOR)**

**Executive Director**  
**Aged 41, Malaysian**

Soon Cheng Hai was appointed to the Board on April 10, 1985. He received his higher education in Japan and graduated with a Diploma in Business Management from Sangyo Noritsu College, Japan.

## ■ PROFILE OF DIRECTORS (CONTINUED)

Soon Cheng Hai has substantially worked within the Group during the past 19 years in the various core processes such as management of the supply chain, marketing, product development and manufacturing management. Based on a successful performance record he was promoted to the position of Group Deputy Managing Director in 1992 and subsequently promoted to Group Managing Director in 1994.

Soon Cheng Hai is the son of Soon Ah Khun @ Soon Lian Huat. Soon Cheng Boon and Soon Hean Hooi are the brothers while Lee Sieng Tzi @ Vincent Lee is the brother-in-law. He is a director and shareholder in Choo Bee Holdings Sdn. Bhd. and a shareholder in Soon Lian Huat Holdings Sdn. Berhad, major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.

### **SOON CHENG BOON**

**Executive Director**  
**Aged 39, Malaysian**

Soon Cheng Boon was appointed to the Board on September 19, 1985. He joined Choo Bee Hardwares Sdn. Berhad in 1982 and is currently serving as the Group Business Manager.

Soon Cheng Boon underwent training overseas as well as locally. He has extensive experience in the field of sales and marketing management. He is responsible for the overall business development and formulation of all marketing plans and policies for the Group.

Soon Cheng Boon is the son of Soon Ah Khun @ Soon Lian Huat. Soon Cheng Hai and Soon Hean Hooi are the brothers while Lee Sieng Tzi @ Vincent Lee is the brother-in-law. He is a director and shareholder in Choo Bee Holdings Sdn. Bhd. and a shareholder in Soon Lian Huat Holdings Sdn. Berhad, major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.

### **DATUK ISMAIL BIN HAJI AHMAD**

**Non-Executive Director**  
**Aged 66, Malaysian**

Datuk Ismail bin Haji Ahmad, a PNB Nominee Director was appointed to the Board on July 18, 1995. He holds a Bachelor of Arts (Hons) degree from the University of Malaya, and a Master in Public Policy and Administration from the University of Wisconsin, United States.

Datuk Ismail bin Haji Ahmad joined the Administrative and Diplomatic Service in 1964 and had served in the Prime Minister's Department, Ministry of Home Affairs and Ministry of Primary Industries. He was the Chief Executive Officer of the Commodities Trading Commission from 1981 to 1995. Currently, he is a Non-Executive Director of John Hancock Life Insurance (M) Berhad, Advanced Packaging Technology (M) Berhad and Amalgamated Industrial Steel Berhad, which are listed on Bursa Malaysia Securities Berhad.

Datuk Ismail bin Haji Ahmad does not have any family relationship with any other Director and/or major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.

### **SOON HEAN HOOI**

**Executive Director**  
**Aged 33, Malaysian**

Soon Hean Hooi was appointed to the Board on November 1, 1995. He joined Choo Bee Metal Industries Berhad in August 1993 as Group Maintenance Engineer and was later promoted to Assistant Group Factory Manager in 1994. He received his early secondary education in Melbourne, Australia at Saint

## ■ PROFILE OF DIRECTORS (CONTINUED)

Kevin College and subsequently graduated with an Associate Diploma in Mechanical Engineering from the Royal Melbourne Institute of Technology in June 1993.

During his training in Australia, he was exposed to various aspects of Mechanical Die Casting and Engineering works.

Soon Hean Hooi is the son of Soon Ah Khun @ Soon Lian Huat. Soon Cheng Hai and Soon Cheng Boon are the brothers while Lee Sieng Tzi @ Vincent Lee is the brother-in-law. He is a director and shareholder in Choo Bee Holdings Sdn. Bhd. and a shareholder in Soon Lian Huat Holdings Sdn. Berhad, major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.

### **LEE SIENG TZI @ VINCENT LEE**

**Executive Director**  
**Aged 41, Malaysian**

Lee Sieng Tzi @ Vincent Lee was appointed to the Board on September 25, 1998. He joined Choo Bee Metal Industries Berhad in 1989 as a Sales Executive and is currently serving as the Assistant Group Business Manager. He obtained his Bachelor of Science (B.Sc.) degree from the University of Dublin, Ireland majoring in Management in July 1985.

After graduation, he joined City-Link Express (M) Sdn. Bhd. as an executive prior to joining Choo Bee Metal Industries Berhad.

Lee Sieng Tzi @ Vincent Lee is the son-in-law of Soon Ah Khun @ Soon Lian Huat. Soon Cheng Hai, Soon Cheng Boon and Soon Hean Hooi are the brothers-in-law. He has no conflict of interest with the Company and has had no past conviction for offences.

### **LEONG KENG YUEN**

**Senior Independent**  
**Non-Executive Director**  
**Aged 53, Malaysian**

Leong Keng Yuen was appointed to the Board on September 25, 1998. He holds a Bachelor of Engineering degree from the University of Queensland, Australia and a Master of Science in Management from the Massachusetts Institute of Technology, United States. He is a fellow of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

Leong Keng Yuen started his career as a Mine Manager in a tin mining company and subsequently held the position of a Mining Executive with The Straits Trading Company Ltd before qualifying as an accountant. He has been in the accounting profession since 1979 initially specialising in Corporate Law and Secretarial Practice. Currently, he is a partner of Ernst & Young and is also an Independent Non-Executive Director of Hexza Corporation Berhad, which is listed on Bursa Malaysia Securities Berhad.

Leong Keng Yuen does not have any family relationship with any other Director and/or major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.

**■ PROFILE OF DIRECTORS (CONTINUED)****DATO' ROBERT LIM GIT HOOI, DPMP., JP.**

**Independent Non-Executive Director**  
**Aged 65, Malaysian**

Dato' Robert Lim Git Hooi DPMP., JP. was appointed to the Board on December 27, 2001. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

Dato' Robert Lim Git Hooi DPMP., JP. was previously a partner in Ernst & Young and he is also an Independent Non-Executive Director of Gopeng Berhad, Seloga Holdings Berhad and Yu Neh Huat Bhd. which are listed on Bursa Malaysia Securities Berhad. He also holds directorships in Bumiputra-Commerce Bank Berhad and several other private limited companies.

Dato' Robert Lim Git Hooi DPMP., JP. does not have any family relationship with any other Director and/or major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.

**KHOO CHOON YAM**

**Independent Non-Executive Director**  
**Aged 51, Malaysian**

Khoo Choon Yam was appointed to the Board on December 27, 2001. He graduated from Osaka Industrial University, Japan in 1976 with a Bachelor degree in Engineering.

After graduation, Khoo Choon Yam was trained in Kubota Ltd, Japan prior to his joining Tractors Malaysia Berhad as a Mechanical Engineer in 1977. In 1982, he joined Pilecon Engineering Berhad as an engineer in charge of the construction equipment. Subsequently in 1992, he was transferred to E&E Equipment Sdn. Bhd., a wholly owned subsidiary of Pilecon Engineering Berhad as an Executive Director. In 1999, he ventured into his own business dealing in construction equipment. He is also a director of several private limited companies.

Khoo Choon Yam does not have any family relationship with any other Director and/or major shareholders of the Company. He has no conflict of interest with the Company and has had no past conviction for offences.



## ■ CORPORATE GOVERNANCE STATEMENT

The Board of Directors is committed to ensure that the highest standards of corporate governance are practised throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

Set out below is a statement of how the Company has applied these principles and its compliance with best practices in corporate governance in so far as is applicable to the Group.

### PART A : DIRECTORS

#### Board of Directors

The Board will normally hold meetings every quarter and will hold additional meetings as the occasion requires. The Board has a formal schedule of matters reserved to it for decision, including the approval of annual and quarterly results, budgets, acquisitions and disposals, as well as material agreements, major capital expenditures and business operations and performance of the Group. All Board members bring an independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

Four (4) Board Meetings were held during the financial year ended December 31, 2003. Details of attendance of Directors at the Board Meetings are presented in the Statement Accompanying the Notice of the 2004 Annual General Meeting.

The Board has delegated certain functions to the Committees it established to assist with the execution of its responsibilities to the Group. The Committees operate under clearly defined terms of reference. The Chairmen of the respective Committees report to the Board the outcome of deliberations of the Committee meetings.

#### 1. Executive Committee

The Executive Committee was established on October 12, 2001 and its members consist of, Soon Cheng Hai (the Managing Director as Chairman of the Committee), Soon Ah Khun @ Soon Lian Huat (Group Executive Chairman), Soon Cheng Boon (Executive Director) and Soon Hean Hooi (Executive Director). The Executive Committee meets quarterly to review the performance of the Group's operating units, risk management issues and internal control process improvements. In attendance at Executive Committee meetings are the Group General Manager and respective heads of operating units, attending as required.

#### 2. Audit Committee

The Audit Committee was established on July 6, 1994. The Audit Committee provides a forum for the effective communication between the Board, internal auditors and the external auditors. The Audit Committee reviews the annual and quarterly financial statements prior to their approval by the Board, the effectiveness of management information systems and systems of internal control, and the efficiency and effectiveness of the external and internal audit functions.

Other detailed information on the Audit Committee is presented in the Audit Committee Report.

#### 3. Nominating Committee

The Nominating Committee was established on November 24, 2001. The terms of reference of the Nominating Committee include the following:

- Recommend to the Board, candidates for all directorships to be filled;
- Consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer;
- Recommend to the Board, directors to fill the seats on Board committees;
- To assist the Board to annually review its required mix of skills and experience and other qualities, including core competencies which non-executive directors should bring to the Board;

## ■ CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- To carry out annually, the process implemented by the Boards for assessing the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual director;
- Training and orientation of directors; and
- In conjunction with the Chief Executive Officer and the Remuneration Committee, succession planning for the CEO and other senior officers and key group managers.

The members of the Nominating Committee during the year, composed wholly of non-executive Directors, a majority of whom are independent, were as follows:

### **Name of member**

Datuk Ismail bin Haji Ahmad - Non-Executive Director (Chairman)  
 Leong Keng Yuen - Senior Independent Non-Executive Director  
 Dato' Robert Lim Git Hooi DPMP., JP. - Independent Non-Executive Director

During the year ended December 31, 2003, one meeting was held, which was attended by all members of the Nominating Committee.

## 4. Remuneration Committee

The Remuneration Committee was established on November 24, 2001. The terms of reference of the Remuneration Committee include the following:

- To recommend to the Board the remuneration of the executive directors in all its forms;
- To recommend to the Board the director's fees to be paid to each of the non-executive directors; and
- In conjunction with the CEO and the Nominating Committee, succession planning for key group managers and staff.

The members of the Remuneration Committee during the year, composed mainly of non-executive Directors, were as follows:

### **Name of member**

Dato' Robert Lim Git Hooi DPMP., JP. – Independent Non-Executive Director (Chairman)  
 Leong Keng Yuen - Senior Independent Non-Executive Director  
 Soon Cheng Hai – Executive Director  
 Datuk Ismail bin Haji Ahmad – Non-Executive Director  
 Khoo Choon Yam – Independent Non-Executive Director

During the year ended December 31, 2003, one meeting was held, which was attended by all members of the Remuneration Committee.

## 5. Employee Share Option Scheme (ESOS) Committee

The ESOS Committee was established on July 1, 1996. The ESOS Committee is authorised to administer the ESOS in such a manner as it shall in its discretion deem in accordance with the by-laws of the ESOS. The ESOS Committee comprises Soon Ah Khun @ Soon Lian Huat, Soon Cheng Hai and Soon Cheng Boon.

## **Board Balance**

The Board currently has nine (9) members, five (5) executive Directors (which includes the Group Executive Chairman) and four (4) non-executive Directors. Of the four (4) non-executive Directors, three (3) are independent. A brief description of the background of each Director is presented in the Profile of Directors.

The roles and responsibilities of the Group Executive Chairman and the Chief Executive Officer who is

## ■ CORPORATE GOVERNANCE STATEMENT (CONTINUED)

the Group Managing Director have been clearly defined in the Board Policy Manual to ensure that there is a balance of power and authority.

The Board is appropriately balanced with the presence of four (4) non-executive Directors out of a total of nine (9) Directors all of whom are of a caliber necessary to carry sufficient weight in Board decisions. Three (3) of the four (4) non-executive Directors are independent.

Leong Keng Yuen acts as the senior independent non-executive Director. Any concerns relating to the Group may be conveyed to him.

### **Supply of Information**

All Directors review a quarterly Board report prior to the Board meeting. This is issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board report includes, among others, the following details:

- an operational report from the Management Team, which include performance factors such as customer satisfaction, market share, market reaction and business environmental performance;
- financial reports;
- corporate plans, major issues and opportunities for the Company;
- changes to management and control structure of the Group;
- the annual and quarterly financial statements, reports to Shareholders and public announcements;
- risk assessment and controls; and
- key policies, procedures and authority limits.

The Board has approved an agreed procedure for Directors to take independent professional advice if necessary at the Company's expense.

All Directors have unrestricted access to timely and accurate information and access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed.

### **Appointments to the Board**

The Nominating Committee reviews the composition of the Board annually and makes recommendations to the Board where considered necessary to ensure the Board comprises an appropriate mix of skills and experience.

### **Directors' Training**

On joining, the Board, Directors are given background documents describing the Company and its activities. For new Directors, site visits are arranged to the major business units.

All Directors have attended the Mandatory Accreditation Programmes as required under the Listing Requirements of Bursa Malaysia. The Directors will continue to undergo training under the Director's Continuing Education Programme and other relevant programmes to further enhance their skills and knowledge where relevant.

### **Re-election**

In accordance with the Articles of Association of the Company, all Directors who are appointed by the Board are subject to election at the first opportunity after their appointment and at least one third of the remaining directors are subject to re-election by rotation at each Annual General Meeting. The Articles of Association also provide that all Directors shall retire at least once in three (3) years.

## ■ CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### PART B : DIRECTORS' REMUNERATION

#### The Level and Make-up of Remuneration

The Company has adopted the objective as recommended by the Code to determine the remuneration for a Director so as to ensure that the Company attracts, motivates and retains the Directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance, in the case of executive Directors. In the case of non-executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular non-executive Director concerned.

The Remuneration Committee recommends to the Board the framework of executive remuneration for fixing the remuneration packages of individual Directors. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of these Directors. The determination of the remuneration of the non-executive Directors is a matter for the Board as a whole.

#### Disclosure

A summary of the remuneration of Directors for the year ended December 31, 2003 is as follows:

Directors' Remuneration	Executive Directors	Non-Executive Directors
	RM	RM
Fee	128,000	88,000
Salaries and EPF	1,522,384	—
Bonus	1,362,194	—
Allowances	—	16,000
Benefits in kind	58,272	—

Directors' Remuneration Band (RM)	Number of Directors	
	Executive Directors	Non-Executive Directors
Below 50,000	—	4
50,000 – 100,000	1	—
400,000 – 450,000	1	—
600,000 – 650,000	1	—
650,000 – 700,000	1	—
1,200,000 – 1,250,000	1	—

In the interest of security, additional information have not been provided other than the details stipulated in the Listing Requirements of Bursa Malaysia.

### PART C : RELATIONS WITH SHAREHOLDERS

#### Dialogue between Company and Investors

The Board recognises the importance of good communication with all shareholders. The Company has established a website ([www.choobee.com.my](http://www.choobee.com.my)) which provides general and financial information and is accessible to all stakeholders.

During the financial year in review, the Company has actively pursued its investor relations activities in an effort to keep shareholders duly informed on the performance of the Company. Numerous meetings with the media, local and foreign fund managers and research houses were held during the year as part of the Company's ongoing investor relations programme.

The Company appreciates feedback from their valued shareholders and in this regard, investor relations aim to serve as a channel for shareholders to provide such feedback and views on the Company's performance and direction.

## ■ CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### **Annual General Meeting**

At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution.

## **PART D : ACCOUNTABILITY AND AUDIT**

### **Financial Reporting**

In presenting the annual financial statements and quarterly announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

### **Statement of Directors' Responsibilities**

The Directors are required by the Companies Act 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable Approved Accounting Standards and give a true and fair view of the state of affairs of the Group and Company for the financial year.

In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed; and
- prepared the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors are also responsible for safeguarding the assets of the Company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Internal Control**

The Group's Internal Control is described in the Statement on Internal Control.

### **Relationship with the Auditors**

The Company has established transparent and appropriate relationships with the Company's auditors through the Audit Committee.

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report.

## ■ ADDITIONAL COMPLIANCE INFORMATION

### **UTILISATION OF PROCEEDS**

The Company did not raise funds through any corporate proposal during the financial year.

### **SHARE BUYBACK**

The information on share buybacks for the financial year is presented in the Directors' Report.

### **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

The amount of options exercised in respect of the financial year is presented in the Directors' Report.

The Audit Committee has verified that the allocation of the Employee Shares Options during the year is in accordance with the criteria set out in the ESOS bye-laws.

The Company did not issue any warrants or convertible securities during the financial year.

### **AMERICAN DEPOSITARY (ADR) OR GLOBAL DEPOSITARY RECEIPT (GDR) PROGRAMME**

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

### **SANCTIONS/PENALTIES IMPOSED**

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

### **NON-AUDIT FEES**

The amount of non-audit fees paid to the external auditors by the Group and by the Company for the financial year amounted to RM3,000.

### **PROFIT ESTIMATE, FORECAST OR PROJECTION**

There is no material variance between the result for the financial year and unaudited result previously announced. The Company did not make or release any profit estimate, forecast or projection for the financial year.

### **PROFIT GUARANTEE**

There were no profit guarantees given by the Company during the financial year.

### **MATERIAL CONTRACTS**

There were no material contracts made by the Company and its subsidiaries involving Directors' and major shareholders' interest either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

### **REVALUATION OF LANDED PROPERTIES**

There were no revaluations of landed properties during the year.

## ■ AUDIT COMMITTEE REPORT

### TERMS OF REFERENCE

#### Membership

The Committee shall be appointed by the Board from amongst its Directors (except alternate directors) which fulfils the following requirements:

- (a) the audit committee must be composed of no fewer than three (3) members;
- (b) a 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 1st Schedule of the Accountants Act, 1967; or
    - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
  - (iii) fulfills such other requirements as prescribed by Bursa Malaysia Securities Berhad.

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

The Board shall, within three (3) months of a vacancy occurring in the Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The Board shall review the term of office and performance of the Committee and each of its members at least once every three years.

#### Rights

The Committee shall, in accordance with the procedure determined by the Board 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 to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (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, whenever deemed necessary.

#### Functions

The functions of the Committee shall include the following:

- (1) review the following and report the same to the Board:
  - (a) with the external auditors, the audit plan;
  - (b) with the external auditors, their evaluation of the system of internal controls;
  - (c) with the external auditors, their audit report;
  - (d) the assistance given by the employees of the Company to the external auditors;
  - (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,

## ■ AUDIT COMMITTEE REPORT (CONTINUED)

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, 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 questions of management integrity;
- (i) any letter of resignation from the external auditors of the Company; and
- (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.

### Meetings

Meetings of the Committee shall be held not less than four (4) times a year. The external auditors may request a meeting if they consider that one is necessary and shall have the right to appear and be heard at any meeting of the Committee. The Chairman shall convene a meeting whenever any member of the Committee requests for a meeting. Written notice of the meeting together with the agenda shall be given to the members of the Committee and external auditor where applicable. The quorum for a meeting of the Committee shall be two (2) Provided Always that the majority of members present must be independent directors.

Other Board members and employees may attend any particular meeting only at the Committee's invitation.

The Company Secretary shall be the Secretary of the Committee.

### Reporting Procedures

The Secretary shall maintain minutes of the proceedings of the meetings of the Committee and circulate such minutes to all members of the Board.

## MEMBERS AND MEETINGS

The Audit Committee comprises three (3) independent non-executive and one executive Directors of the Board with Leong Keng Yuen who is a member of the Malaysian Institute of Accountants, as Chairman.

The members of the Audit Committee, and their attendance at the meetings, were as follows:

NAME OF MEMBER	NO. OF MEETINGS ATTENDED
<b>Leong Keng Yuen</b> - Senior Independent non-executive Director (Chairman)	4 out of 4
<b>Soon Cheng Boon</b> - Executive Director	4 out of 4
<b>Dato' Robert Lim Git Hooi DPMP, JP.</b> - Independent non-executive Director	3 out of 4
<b>Khoo Choon Yam</b> - Independent non-executive Director	4 out of 4



## ■ AUDIT COMMITTEE REPORT (CONTINUED)

The Group's external auditors were in attendance at two (2) meetings during the year. One of these meetings commenced with a discussion between the Committee and the external auditors without the presence of any executives of the Group.

### SUMMARY OF ACTIVITIES OF THE COMMITTEE

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the year ended December 31, 2003 in the discharge of its duties and responsibilities:

- Reviewed and approved the Internal Audit's plans and programmes;
- Reviewed the Internal Audit's reports, recommendation and management responses. Improvement actions in the area of internal controls, systems and efficiency enhancements suggested by the internal auditors were discussed together with Management. Followed up on implementation taken by management on audit recommendation raised;
- Reviewed the audit strategy and scope for the statutory audits of the Group accounts for the financial year ended December 31, 2003 with the external auditors;
- Reviewed the external auditors management letter and finalisation of the financial statements for the year ended December 31, 2002;
- Reviewed the reports from the Executive Committee managing the risk management issues and internal control process improvements for the Group;
- Reviewed the annual and quarterly financial statements and reporting to Bursa Malaysia Securities Berhad and ensured compliance with additional disclosure requirements in accordance with the Listing Requirements of Bursa Malaysia; and
- Reviewed the related party transactions and conflict of interest situations that arose within the Company or Group during the year.

### INTERNAL AUDIT FUNCTION

The Group has a well-established System Assurance Department (which carries out the Internal Audit function), which reports to the Audit Committee and assists the Board of Directors in monitoring risks and internal controls. The System Assurance Department is responsible for providing independent assessments for adequate, efficient and effective internal control systems to manage risks exposures over key processes within the Group.

The scope of Internal Audit covers the audits on units of operations and subsidiary companies. The System Assurance Department has adopted a risk-based approach towards the planning and conduct of audits which is consistent with the Group's established framework in designing, implementing and monitoring of control systems.

Other activities performed by the System Assurance Department during the year were as follows:

- review of the approval procedures in respect of related party transactions;
- assist management in developing and implementing Corporate Risk Scorecards for the Group; and
- monitor compliance with Malaysian Code of Corporate Governance.

The system of internal control was satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

## ■ STATEMENT ON INTERNAL CONTROL

### RESPONSIBILITY

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement the Board's policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group. This risk management process has been in place for the financial year under review and up to the date of approval of the annual report and financial statements. The process is regularly reviewed by the Board and is in accordance with the guidance as contained in the publication – Statement on Internal Control: Guidance for Directors of Public Listed Companies issued by Bursa Malaysia Securities Berhad's Task Force on Internal Control.

### RISK MANAGEMENT FRAMEWORK

The long term risk management objective is to create a risk-awareness culture and to enhance understanding by staff of the risks potentially affecting the achievement of the company's business objectives. Risk management briefings are regularly held for senior and line managers of the Group.

The Group's risk management process is managed by the Executive Committee. The Executive Committee meetings are also attended by the respective functional and operational senior executives. The Executive Committee meets once every quarter. Each unit prepares a report on how their respective risks associated with its business objectives are managed and the changes to the risks portfolio during the Executive Committee meeting. These reports are summarized and reported to the Audit Committee. The Audit Committee then reports to the Board.

To further strengthen the Group's risk management process and to assist the Board of Directors in the discharge of its risk management and control responsibilities, the System Assurance Department assisted the Group in implementing Corporate Risks Scorecards ("CRS") during the year. In the CRS process, all possible risks associated with achievement of corporate objectives are identified, analysed and prioritized. The focus of the CRS is to provide greater assurance that the Group's vision and strategy will be achieved without surprises. The result of CRS have been reported to the Audit Committee.

Further details of the Group's financial risk management policies are set as a note to the financial statements.

### ASSURANCE FUNCTION

The Group has a System Assurance Department, independent of the activities or operations of other Operating Centres in the Group, which provides the Audit Committee and the Board with much of the assurance it requires regarding the adequacy of the system of Internal Control.

Its principal responsibility is to undertake regular and systematic reviews of the system of internal control so as to provide reasonable assurance that such system operates satisfactorily and effectively in the Group and reports to the Audit Committee on a quarterly basis. The Internal Audit strategy and a detailed annual internal audit plan are presented to the Audit Committee each year for approval. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the key business processes of the Group.

The activities that are carried out are as follows:

- undertake internal audit function based on the audit plan that has been reviewed and approved by the Audit Committee which includes the review of operational compliance with established internal control procedures and reliability of financial records;
- participate in meetings of group senior management to keep abreast with the strategic and

**■ STATEMENT ON INTERNAL CONTROL (CONTINUED)**

- operational plans and on development issues;
- facilitate the formalised approach for risk assessment and management in compliance with the guidance on the “Statement on Internal Control: Guidance for Directors of Public Listed Companies” issued by the Institute of Internal Auditors Malaysia;
- assess control for managing key business process risks at each of the Group’s operations, which have been identified during the risk analysis process; and
- prepare internal audit reports to the Audit Committee of the Group operations.

**INTERNAL CONTROL**

The Board has established the system of internal control and has delegated to management the implementation and monitoring of the system of internal control within an established framework. The salient features of the framework are as follows:

- subsequent to the end of the year, the Group’s has been accredited with the International Quality Assurance Standard, ISO 9001 of which the quality and control policies and procedures are embedded into the operations;
- the Board receives and reviews quarterly financial and operations reports from the management, covering financial information, factory productivity and key performance indicators;
- clearly defined delegation of responsibilities to committees of the Board and to operating units, including authorisation levels for all aspects of the business which are set out in an authority limits matrix;
- the Group’s System Assurance Department, reporting to the Audit Committee performs regular reviews of business processes to assess the effectiveness of internal controls;
- the Audit Committee, on behalf of the Board, holds discussions with management on the action taken on internal control issues identified in reports prepared by the System Assurance Department, the external auditors and the management; and
- regular visits to operating units by executive directors and senior management.

**■ FINANCIAL STATEMENTS CONTENTS**

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**DIRECTOR'S REPORT**

The directors of **CHOO BEE METAL INDUSTRIES BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended December 31, 2003.

**PRINCIPAL ACTIVITIES**

The Company is principally engaged in the processing of steel coils into steel products, fabrication of steel products and trading of hardware products.

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

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

**RESULTS OF OPERATIONS**

The results of operations of the Group and of the Company for the financial year ended December 31, 2003 are as follows:

	<b>THE GROUP RM</b>	<b>THE COMPANY RM</b>
Profit before tax	35,276,606	19,620,451
Income tax expense	(8,759,784)	(5,061,881)
Profit after tax	26,516,822	14,558,570
Minority interest	(1,037,120)	—
Net profit for the year	25,479,702	14,558,570

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 other than the change in accounting policy as mentioned in Note 26 to the Financial Statements.

**DIVIDENDS**

A final dividend of 5%, less 28% tax, amounting to RM3,585,672 of which RM3,579,444 has been dealt with in the previous directors' report, was paid by the Company during the current financial year. The difference arose from additional dividends of RM6,948 paid in respect of new ordinary shares issued pursuant to the exercise of the Company's Employees' Share Option Scheme (ESOS) partly set-off by an overprovision of dividend of RM720 in respect of shares repurchased subsequent to that financial year.

The directors proposed a final dividend of 6%, less 28% tax, amounting to RM4,357,411 in respect of the financial year ended December 31, 2003. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

**RESERVES AND PROVISIONS**

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

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM102,139,000 to RM103,612,000 through an issue of 1,389,000 and 84,000 new ordinary shares of RM1.00 each at RM1.20 and RM1.05 per share respectively pursuant to the exercise of options granted under the ESOS.

The new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company.

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

## REPURCHASE OF OWN SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on May 30, 2003, renewed the approval for the Company to repurchase its own shares. Details of the shares repurchased and held as Treasury Shares are as follows:

Month	No. of shares repurchased	Highest price paid per share RM	Lowest price paid per share RM	Average price paid per share (including incidental costs) RM	Total consideration RM
As at Jan. 1, 2003	2,710,000	2.10	1.01	1.46	3,965,291
Jan. 2003	5,000	1.23	1.16	1.20	5,991
Feb. 2003	1,000	1.18	1.18	1.19	1,194
Apr. 2003	7,000	1.21	1.16	1.21	8,442
May 2003	2,000	1.32	1.32	1.34	2,671
June 2003	5,000	1.41	1.41	1.42	7,090
Aug. 2003	1,000	1.68	1.68	1.69	1,695
Oct. 2003	15,000	1.73	1.73	1.74	26,168
	2,746,000				4,018,542

The mandate given by the shareholders will expire at the forthcoming Annual General Meeting and an ordinary resolution will be tabled at the Annual General Meeting for shareholders to grant a fresh mandate for another year.

## EMPLOYEES' SHARE OPTION SCHEME

On August 23, 2001, the shareholders of the Company approved an ESOS for the benefit of eligible employees including full-time Executive Directors of the Company and its subsidiary companies.

The salient features of the ESOS are as follows:

- (a) The total number of new ordinary shares to be offered under the ESOS shall be up to ten per cent (10%) in aggregate of the issued and paid-up capital of the Company after subtracting the Treasury Shares at any point in time during the existence of the scheme;
- (b) Eligible Malaysian employees and contract employees are those who have been confirmed in service for at least one (1) continuous year, while for a non-Malaysian employee, his/her contribution must be vital to the Group, and he/she must have been employed for at least three (3) continuous years, in any company within the Group, on or prior to the Date of Offer pursuant to the ESOS;

**DIRECTOR'S REPORT (continued)**

- (c) The criterion of allotment of new shares is by reference to the position of the eligible employee. No option shall be granted for less than 1,000 ordinary shares nor more than 600,000 ordinary shares to any eligible employee;
- (d) The price payable for each ordinary share under the ESOS upon exercise of the option shall be at a discount of not more than ten per cent (10%) from the five (5) preceding market days weighted average market price prior to the Date of Offer, or the par value of such share of the Company, whichever is higher;
- (e) The ESOS shall be in force for a period of five (5) years from November 26, 2001;
- (f) The ESOS Committee is approved by the Board of Directors of the Company to administer the Scheme; and
- (g) The options granted shall be capable of being exercised subject to the limit set by the ESOS Committee and the maximum percentage as set-out in the Bye-Laws.

The movements in the options to take up unissued ordinary shares of RM1.00 each are as follows:

Expiring on	Exercise price per ordinary share RM	No. of options over ordinary shares of RM1.00 each				Balance as at Dec. 31, 2003
		Balance as at Jan. 1, 2003	Granted	Exercised	Lapsed	
Nov. 25, 2006	1.20	7,565,000	—	(1,389,000)	(149,000)	6,027,000
Nov. 25, 2006	1.05	—	408,000	(84,000)	(18,000)	306,000
		7,565,000	408,000	(1,473,000)	(167,000)	6,333,000

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of options granted to take up unissued shares not exceeding 30,000 in the Company during the financial year ended December 31, 2003.

The list of options granted during the year to take up unissued shares exceeding 30,000 in the Company are as follows:

	Granted	Exercised	Balance
Lee Hui Ping	45,000	(11,000)	34,000
Lee Kooi Ching	45,000	(11,000)	34,000
Ong Swee Bee	34,000	(8,000)	26,000
Ng Yon Li	34,000	(8,000)	26,000
Tham Kam Fong	34,000	(8,000)	26,000

The options granted to these options holders expire on November 25, 2006.

**OTHER FINANCIAL INFORMATION**

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

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

At the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amount written off as bad debts or the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

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

**DIRECTORS**

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

Soon Ah Khun @ Soon Lian Huat  
 Soon Cheng Hai  
 Soon Cheng Boon  
 Datuk Ismail Bin Haji Ahmad  
 Leong Keng Yuen  
 Dato' Robert Lim Git Hooi, DPMP., JP.  
 Khoo Choon Yam  
 Soon Hean Hooi  
 Lee Sieng Tzi @ Vincent Lee



**DIRECTOR'S REPORT (continued)**

In accordance with Article 101 of the Company's Articles of Association, Datuk Ismail Bin Haji Ahmad, Mr. Leong Keng Yuen and Mr. Soon Hean Hooi retire by rotation and, being eligible, offer themselves for re-election.

**DIRECTORS' INTERESTS**

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

	No. of ordinary shares of RM1.00 each			Balance as at Dec. 31, 2003
	Balance as at Jan. 1, 2003	Bought	Sold	
<b>Shares in the Company</b>				
<b>Registered in the name of directors</b>				
Soon Ah Khun @ Soon Lian Huat	772,600	120,000	—	892,600
Soon Cheng Hai	304,000	—	—	304,000
Soon Cheng Boon	298,000	—	—	298,000
Soon Hean Hooi	2,249,055	—	—	2,249,055
Leong Keng Yuen	26,000	—	—	26,000
Lee Sieng Tzi @ Vincent Lee	155,000	—	—	155,000
Dato' Robert Lim Git Hooi, DPMP., JP.	14,000	—	—	14,000
<b>Deemed interest by virtue of shares held by companies in which a director has interest</b>				
Soon Ah Khun @ Soon Lian Huat	53,522,000	49,000	—	53,571,000
<b>Deemed interest by virtue of shares held by an immediate family member of a director</b>				
Dato' Robert Lim Git Hooi, DPMP., JP.	69,000	—	—	69,000

In addition to the above, the following directors are deemed to have an interest in the shares of the Company to the extent of options granted to them pursuant to the ESOS of the Company:

Options in Company's Shares	No. of options over ordinary shares of RM1.00 each at a price of RM1.20 each				Balance as at Dec. 31, 2003
	Balance as at Jan. 1, 2003	Granted	Exercised	Lapsed	
Soon Ah Khun @ Soon Lian Huat	480,000	—	(120,000)	—	360,000
Soon Cheng Hai	600,000	—	—	—	600,000
Soon Cheng Boon	600,000	—	—	—	600,000
Soon Hean Hooi	600,000	—	—	—	600,000
Lee Sieng Tzi @ Vincent Lee	600,000	—	—	—	600,000

## DIRECTOR'S REPORT (continued)

	Balance as at Jan. 1, 2003	No. of ordinary shares of RM1.00 each		Balance as at Dec. 31, 2003
		Bought	Sold	
<b>Shares in holding company, Soon Lian Huat Holdings Sdn. Berhad</b>				
<b>Registered in the name of directors</b>				
Soon Ah Khun @ Soon Lian Huat	62,000	—	—	62,000
Soon Cheng Hai	226,667*	—	—	226,667*
Soon Cheng Boon	226,667*	—	—	226,667*
Soon Hean Hooi	226,666*	—	—	226,666*

\* Denotes 5% non-cumulative preference shares of RM1.00 each.

	Balance as at Jan. 1, 2003	No. of ordinary shares of RM1.00 each		Balance as at Dec. 31, 2003
		Bought	Sold	
<b>Shares in other related company, Choo Bee Holdings Sdn. Bhd.</b>				
<b>Registered in the name of directors</b>				
Soon Ah Khun @ Soon Lian Huat	1	—	(1)	—
Soon Cheng Hai	161,829	—	—	161,829
Soon Cheng Boon	161,829	—	—	161,829
Soon Hean Hooi	161,828	1	—	161,829
<b>Deemed interest by virtue of shares held by a company in which a director has interest</b>				
Soon Ah Khun @ Soon Lian Huat	1,660,584	—	—	1,660,584
<b>Shares in subsidiary company, Taik Bee Hardware Sdn. Bhd.</b>				
<b>Registered in the name of directors</b>				
Soon Cheng Hai	24,400	—	—	24,400
Soon Cheng Boon	24,400	—	—	24,400
Soon Hean Hooi	24,400	—	—	24,400
<b>Deemed interest by virtue of shares held by companies in which a director has interest</b>				
Soon Ah Khun @ Soon Lian Huat	4,556,360	—	—	4,556,360

By virtue of his interest in the Company and in the holding company, Mr. Soon Ah Khun @ Soon Lian Huat is also deemed to have an interest in the shares of all the subsidiary companies to the extent that the Company and the holding company have interests.

Other than as disclosed above, none of the other directors have any direct or deemed interest in the shares of the Company or its related companies during the financial year.

**DIRECTOR'S REPORT (continued)****DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by directors as disclosed 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 the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain directors of the Company are also directors and/or shareholders as disclosed in Notes 17 and 20 to the Financial Statements.

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

**HOLDING COMPANY**

The directors regard Soon Lian Huat Holdings Sdn. Berhad, a company incorporated in Malaysia, as the ultimate holding company.

**AUDITORS**

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

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

**SOON AH KHUN @ SOON LIAN HUAT**

**SOON CHENG HAI**

Ipoh,  
February 27, 2004

**REPORT OF THE AUDITORS**

TO THE MEMBERS OF  
CHOO BEE METAL INDUSTRIES BERHAD  
(Incorporated in Malaysia)

We have audited the accompanying balance sheets as at December 31, 2003 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the abovementioned financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Company as at December 31, 2003 and of the results and the cash flows of the Group and of the Company for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies have been properly kept in accordance with the provisions of the Act.

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

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

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

**WONG GUANG SENG**  
787/3/05(J/PH)  
*Partner*

Ipoh,  
February 27, 2004

**INCOME STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	The Group		The Company	
		2003 RM	2002 RM	2003 RM	2002 RM
Revenue	4	278,312,838	210,645,089	139,391,741	118,103,014
Other operating income	7	1,854,736	957,264	1,802,115	1,267,152
Changes in inventories of manufactured and trading goods		8,945,476	15,500,822	4,772,976	7,058,341
Trading goods purchased		(134,865,222)	(100,465,163)	(23,266,413)	(22,097,201)
Raw materials and consumables used		(97,833,561)	(83,174,912)	(91,442,503)	(77,145,243)
Directors' remuneration	6	(3,116,578)	(2,753,467)	(1,704,468)	(1,570,117)
Staff costs		(6,473,201)	(5,984,427)	(3,379,142)	(3,008,479)
Write back of impairment loss/(Impairment loss) of property, plant and equipment	12	125,294	(534,827)	87,777	(253,827)
Depreciation of property, plant and equipment	12	(3,464,199)	(4,610,468)	(2,347,854)	(3,373,988)
Other operating expenses	7	(9,432,457)	(9,134,372)	(5,714,448)	(4,709,793)
<b>Profit from operations</b>		<b>34,053,126</b>	<b>20,445,539</b>	<b>18,199,781</b>	<b>14,269,859</b>
Finance costs	8	(433,571)	(284,656)	(216,734)	(36,479)
Income from other investments	9	1,657,051	858,767	1,637,404	830,792
<b>Profit before tax</b>		<b>35,276,606</b>	<b>21,019,650</b>	<b>19,620,451</b>	<b>15,064,172</b>
Income tax expense	10	(8,759,784)	(4,002,432)	(5,061,881)	(2,412,600)
<b>Profit after tax</b>		<b>26,516,822</b>	<b>17,017,218</b>	<b>14,558,570</b>	<b>12,651,572</b>
Minority interest		(1,037,120)	(294,844)	—	—
<b>Net profit for the year</b>		<b>25,479,702</b>	<b>16,722,374</b>	<b>14,558,570</b>	<b>12,651,572</b>
<b>Earnings per ordinary share</b>					
Basic (sen)	11	25.5	16.8		
Diluted (sen)	11	25.0	16.7		

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

**BALANCE SHEETS**  
**AS AT DECEMBER 31, 2003**

	Note(s)	The Group		The Company	
		2003 RM	2002 RM	2003 RM	2002 RM
<b>ASSETS</b>					
<b>Property, plant and equipment</b>	12	47,732,331	48,339,783	35,620,057	35,470,321
<b>Investment in subsidiary companies</b>	13	—	—	16,123,846	16,123,846
<b>Other investments</b>	14	6,036,265	18,058,140	6,036,265	18,058,140
Deferred tax asset	23	214,000	20,000	—	—
<b>Current Assets</b>					
Inventories	15	149,751,704	90,207,211	109,529,360	54,377,646
Trade receivables	16 & 17	84,278,545	61,369,324	38,388,913	26,758,623
Other receivables, deposits and prepaid expenses	16	11,262,404	8,897,868	7,086,636	8,538,768
Amount owing by subsidiary companies	17	—	—	20,531,590	26,111,364
Tax recoverable		—	903,949	—	865,720
Cash and cash equivalents	18	3,186,272	12,852,081	2,823,813	12,249,215
		248,478,925	174,230,433	178,360,312	128,901,336
<b>Current Liabilities</b>					
Trade payables	19	8,410,723	4,063,506	4,374,208	1,506,034
Other payables and accrued expenses	19	12,790,411	9,405,860	10,677,594	7,358,479
Amount owing to other related company	17	—	3,268,026	—	—
Short-term borrowings	21	36,222,521	4,301,889	17,550,257	889
Tax liabilities		2,282,086	1,575,429	1,223,948	—
		59,705,741	22,614,710	33,826,007	8,865,402
<b>Net Current Assets</b>		188,773,184	151,615,723	144,534,305	120,035,934
<b>Long-term and Deferred Liabilities</b>					
Provision for retirement benefits	22	352,197	76,305	280,725	66,802
Deferred tax liabilities	23	5,286,079	5,472,736	3,670,620	3,932,958
		(5,638,276)	(5,549,041)	(3,951,345)	(3,999,760)
<b>Minority interest</b>		(6,400,401)	(5,363,281)	—	—
<b>Net Assets</b>		230,717,103	207,121,324	198,363,128	185,688,481
<b>Represented by:</b>					
Issued capital	24	103,612,000	102,139,000	103,612,000	102,139,000
Reserves	25	127,105,103	104,982,324	94,751,128	83,549,481
<b>Shareholders' Equity</b>		230,717,103	207,121,324	198,363,128	185,688,481
<b>Net tangible assets per ordinary share</b>	26	2.29	2.08		

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2003**

The Group	Note(s)	Non-distributable Reserves					Distributable Reserves			Total Shareholders' Equity RM
		Issued Capital RM	Share Premium RM	Revaluation Reserve RM	Reserve on Consolidation RM	General Reserve RM	Treasury Shares RM	Unappropriated Profit RM	Capital Reserve RM	
<b>Balance as at January 1, 2002</b>										
As previously stated		101,877,000	22,408,905	83,747	1,493,699	1,186,293	(3,234,504)	70,886,400	755	194,702,295
Prior year adjustments	26	–	–	(83,747)	(127,628)	–	–	(93,151)	–	(304,526)
Restated balance		101,877,000	22,408,905	–	1,366,071	1,186,293	(3,234,504)	70,793,249	755	194,397,769
Issue of shares	24 & 25	262,000	52,400	–	–	–	–	–	–	314,400
Transfer of capital reserves		–	–	–	–	–	–	755	(755)	–
Net profit for the year										
As previously stated		–	–	–	–	–	–	16,718,826	–	16,718,826
Prior year adjustments	26	–	–	–	–	–	–	3,548	–	3,548
Restated balance		–	–	–	–	–	–	16,722,374	–	16,722,374
Dividends	27	–	–	–	–	–	–	(3,582,432)	–	(3,582,432)
Shares repurchased	24	–	–	–	–	–	(730,787)	–	–	(730,787)
<b>Balance as at December 31, 2002</b>										
As previously stated		102,139,000	22,461,305	83,747	1,493,699	1,186,293	(3,965,291)	84,023,549	–	207,422,302
Prior year adjustments	26	–	–	(83,747)	(127,628)	–	–	(89,603)	–	(300,978)
Restated balance		102,139,000	22,461,305	–	1,366,071	1,186,293	(3,965,291)	83,933,946	–	207,121,324
Issue of shares	24 & 25	1,473,000	282,000	–	–	–	–	–	–	1,755,000
Net profit for the year		–	–	–	–	–	–	25,479,702	–	25,479,702
Dividends	27	–	–	–	–	–	–	(3,585,672)	–	(3,585,672)
Shares repurchased	24	–	–	–	–	–	(53,251)	–	–	(53,251)
<b>Balance as at December 31, 2003</b>										
		103,612,000	22,743,305	–	1,366,071	1,186,293	(4,018,542)	105,827,976	–	230,717,103

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2003 (continue)**

The Company	Note(s)	Issued Capital RM	← Non-distributable Reserves →			← Distributable Reserves →		Total Shareholders' Equity RM
			Share Premium RM	Revaluation Reserve RM	Treasury Shares RM	Unappropriated Profit RM	Capital Reserve RM	
<b>Balance as at January 1, 2002</b>								
As previously stated		101,877,000	22,408,905	83,747	(3,234,504)	56,136,131	755	177,272,034
Prior year adjustments	26	–	–	(83,747)	–	(152,559)	–	(236,306)
Restated balance		101,877,000	22,408,905	–	(3,234,504)	55,983,572	755	177,035,728
Issue of shares	24 & 25	262,000	52,400	–	–	–	–	314,400
Net profit for the year								
As previously stated		–	–	–	–	12,648,224	–	12,648,224
Prior year adjustments	26	–	–	–	–	3,348	–	3,348
Restated balance		–	–	–	–	12,651,572	–	12,651,572
Dividends	27	–	–	–	–	(3,582,432)	–	(3,582,432)
Transfer of capital reserve		–	–	–	–	755	(755)	–
Shares repurchased	24	–	–	–	(730,787)	–	–	(730,787)
<b>Balance as at December 31, 2002</b>								
As previously stated		102,139,000	22,461,305	83,747	(3,965,291)	65,202,678	–	185,921,439
Prior year adjustments	26	–	–	(83,747)	–	(149,211)	–	(232,958)
Restated balance		102,139,000	22,461,305	–	(3,965,291)	65,053,467	–	185,688,481
Issue of shares	24 & 25	1,473,000	282,000	–	–	–	–	1,755,000
Net profit for the year		–	–	–	–	14,558,570	–	14,558,570
Dividends	27	–	–	–	–	(3,585,672)	–	(3,585,672)
Shares repurchased	24	–	–	–	(53,251)	–	–	(53,251)
<b>Balance as at December 31, 2003</b>		<b>103,612,000</b>	<b>22,743,305</b>	<b>–</b>	<b>(4,018,542)</b>	<b>76,026,365</b>	<b>–</b>	<b>198,363,128</b>

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



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	The Group	
		2003 RM	2002 RM
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>			
Profit before tax		35,276,606	21,019,650
Adjustments for:			
Depreciation of property, plant and equipment		3,464,199	4,610,468
Allowance for doubtful debts		989,693	1,625,800
Finance costs		433,571	284,656
Provision for retirement benefits		328,125	1,793
Property, plant and equipment written off		147,051	—
Loss/(Gain) on disposal of property, plant and equipment		78,244	(127,736)
Loss on disposal of golf club membership		49,750	—
Allowance for slow moving inventories		37,573	—
Loss on disposal of quoted investments		12,545	399,465
Bad debts written off		6,473	29,314
Allowance for doubtful debts no longer required		(1,106,576)	(423,183)
Interest income		(856,989)	(714,025)
Gain on disposal of unit trusts		(402,944)	—
Dividends received from unit trusts		(466,127)	(502,737)
Write back of quoted investment to market value		(355,760)	(210,075)
Dividends received from quoted investments		(131,285)	(109,835)
Impairment loss/(Write back of impairment loss) of property, plant and equipment		(125,294)	534,827
Write down/(Write back) of units trusts to market value		(50,815)	19,901
Rental income		(35,100)	(32,400)
Write down in inventories		—	266,643
Operating Profit Before Working Capital Changes		37,292,940	26,672,526
(Increase)/Decrease in:			
Inventories		(59,582,066)	10,025,292
Trade receivables		(22,798,811)	165,573
Other receivables, deposits and prepaid expenses		(2,414,286)	2,748,724
Increase/(Decrease) in:			
Trade payables		4,347,217	(1,355,011)
Other payables and accrued expenses		3,384,551	1,380,338
Cash From/(Used In) Operations		(39,770,455)	39,637,442
Interest income		629,424	290,939
Income tax paid		(7,511,225)	(11,563,804)
Retirement benefits paid	22	(52,233)	(9,368)
Net Cash From/(Used In) Operating Activities		(46,704,489)	28,355,209

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2003 (continued)**

	Note	The Group	
		2003 RM	2002 RM
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>			
Proceeds from disposal of unit trusts		32,265,909	—
Proceeds from disposal of quoted investments		1,026,517	1,381,882
Dividends received from unit trusts		466,127	502,737
Proceeds from disposal of property, plant and equipment		240,901	991,359
Interest on investment funds and fixed and short-term deposits		227,565	423,086
Dividends received from quoted investments		112,675	91,776
Rental received		35,100	32,400
Purchase of unit trusts		(20,462,327)	(14,002,737)
Purchase of property, plant and equipment		(3,197,649)	(7,150,974)
Purchase of quoted investments		(11,250)	(2,603,340)
Net Cash From/(Used In) Investing Activities		10,703,568	(20,333,811)
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Net proceeds from short-term borrowings		30,134,861	4,301,000
Proceeds from issuance of shares		1,755,000	314,400
Dividends paid on share capital	27	(3,585,672)	(3,582,432)
Repayments to other related company		(3,268,026)	(1,855,782)
Finance costs paid		(433,571)	(284,656)
Repurchase of own shares	24	(53,251)	(730,787)
Repayments to ultimate holding company		—	(15,300)
Net Cash From/(Used In) Financing Activities		24,549,341	(1,853,557)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(11,451,580)	6,167,841
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		12,851,192	6,683,351
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	32	1,399,612	12,851,192

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

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Note	The Company	
		2003 RM	2002 RM
<b>CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>			
Profit before tax		19,620,451	15,064,172
Adjustments for:			
Depreciation of property, plant and equipment		2,347,854	3,373,988
Allowance for doubtful debts		497,160	84,725
Provision for retirement benefits		250,462	—
Finance costs		216,734	36,479
Property, plant and equipment written off		95,352	—
Loss/(Gain) on disposal of property, plant and equipment		78,244	(110,529)
Loss on disposal of golf club membership		49,750	—
Loss on disposal of quoted investments		15,350	399,753
Interest income		(1,908,451)	(1,465,888)
Dividends received from unit trusts		(466,127)	(502,737)
Write back of quoted investments to market value		(355,760)	(210,075)
Gain on disposal of unit trusts		(402,944)	—
Dividends received from quoted investments		(131,285)	(109,835)
Impairment loss/(Write back of impairment loss) of property, plant and equipment		(87,777)	253,827
Write down/(Write back) of units trusts to market value		(50,815)	19,901
Rental income		(22,500)	(19,800)
Write down in inventories		—	4,114
Operating Profit Before Working Capital Changes		19,745,698	16,818,095
Decrease/(Increase) in:			
Inventories		(55,151,714)	17,740,070
Trade receivables		(12,127,450)	(3,673,117)
Other receivables, deposits and prepaid expenses		1,402,382	2,919,902
Amount owing by subsidiary companies		(588,199)	5,417,191
Increase/(Decrease) in:			
Trade payables		2,868,174	1,177,281
Other payables and accrued expenses		3,319,115	864,236
Cash From/(Used In) Operations		(40,531,994)	41,263,658
Interest income		1,685,128	1,057,889
Income tax paid		(3,215,941)	(10,203,549)
Retirement benefits paid	22	(36,539)	(9,368)
Net Cash From/(Used In) Operating Activities		(42,099,346)	32,108,630

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2003 (continued)**

	Note	The Company	
		2003 RM	2002 RM
<b>CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>			
Proceeds from disposal of unit trusts		32,265,909	—
Repayments from/(Advances to) subsidiary companies		6,167,973	(578,086)
Proceeds from disposal of quoted investments		1,012,462	1,323,993
Dividends received from unit trusts		466,127	502,737
Proceeds from disposal of property, plant and equipment		245,009	988,903
Interest on investment funds and fixed and short-term deposits		223,323	407,999
Dividends received from quoted shares		112,675	91,776
Rental received		22,500	19,800
Purchase of unit trusts		(20,462,327)	(14,002,737)
Purchase of property, plant and equipment		(2,828,418)	(6,952,758)
Purchase of quoted investments		—	(2,545,739)
Net Cash From/(Used In) Investing Activities		17,225,233	(20,744,112)
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>			
Net proceeds from short-term borrowings		17,550,257	—
Proceeds from issuance of shares		1,755,000	314,400
Dividends paid on share capital	27	(3,585,672)	(3,582,432)
Finance costs paid		(216,734)	(36,479)
Repurchase of own shares	24	(53,251)	(730,787)
Net Cash From/(Used In) Financing Activities		15,449,600	(4,035,298)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(9,424,513)	7,329,220
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		12,248,326	4,919,106
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	32	2,823,813	12,248,326

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

**NOTES TO THE FINANCIAL STATEMENTS****1 GENERAL INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The Company is principally engaged in the processing of steel coils into steel products, fabrication of steel products and trading of hardware products.

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

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

The total number of employees of the Group and of the Company at year end were 249 (2002: 240) and 154 (2002: 143) respectively.

The registered office of the Company is located at 35, Jalan Hussein, 30250 Ipoh, Perak Darul Ridzuan.

The principal place of business of the Company is located at 46 - 48, Lebuhraya Bendahara, 31650 Ipoh, Perak Darul Ridzuan.

**2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements of the Group and of the Company have been approved by the Board of Directors for issuance on February 27, 2004.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards of the Malaysian Accounting Standards Board (MASB). The preparation of the financial statements also uses financial estimates which are arrived at using measurement basis as provided in the Notes to the Financial Statements.

**3 SIGNIFICANT ACCOUNTING POLICIES****Income Recognition**

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statements when the significant risks and rewards of ownership have been transferred to the buyer.

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

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

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

**Foreign Currency Conversion**

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

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****Deferred Taxation**

In previous financial years, the tax effects of transactions are recognised, using the "liability" method, when such transactions enter into the determination of net income, regardless of when they are recognised for tax purposes. However, where timing differences would give rise to net deferred tax assets, the tax effects are recognised generally on actual realisation.

During the current financial year, the Group changed its accounting policy for the recognition of deferred tax assets/liabilities in compliance with MASB Standard No. 25, Income Taxes, which became operative for annual financial statements covering periods beginning on or after July 1, 2002.

With the adoption of MASB 25, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or negative goodwill, or from the initial recognition of other assets and liabilities in a transaction, other than in a business combination, that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statements, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

This change in accounting policy has also been applied retrospectively, and the effects on prior financial years have been taken up as prior year adjustments in the financial statements, as disclosed in Note 26.

**Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and of the subsidiary companies controlled by the Company made up to December 31, 2003.

A subsidiary company is a company in which the Group or the Company has the power to govern the financial and operating policies of the company so as to obtain benefits from its activities.

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

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

All significant intercompany transactions and balances are eliminated on consolidation.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)****Reserve/Goodwill on Consolidation**

Goodwill arising on consolidation represents the excess of the purchase consideration over the share of the fair values of the identifiable net assets of a subsidiary company at the date of acquisition.

Goodwill is recognised as an asset and amortised on a systematic basis following an assessment of the economic useful life of the assets. Goodwill arising on consolidation is charged directly against any related reserve arising from consolidation up to the extent that the charge does not exceed the reserve arising from the acquisition of that subsidiary company.

Where an indication of impairment exists, the carrying amount of goodwill is assessed and written down immediately to its recoverable amount.

Reserve arising on consolidation represents the excess of the fair values of the identifiable net assets of the subsidiary company over the purchase consideration at the date of acquisition and is realised in income statements upon disposal of the subsidiary company.

**Property, Plant and Equipment**

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

Leasehold properties of the Group and of the Company have not been revalued since they were first revalued in 1981 and 1983. As permitted under the transitional provisions of International Accounting Standard (IAS) No. 16 (Revised): Property, Plant and Equipment adopted by the MASB, these assets continue to be stated at their 1981 and 1983 valuations less depreciation.

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

Short-term leasehold land is amortised evenly over the remaining lease period of 40 years.

Long-term leasehold land is amortised evenly over the remaining lease periods ranging from 53 to 88 years. One of the long-term leasehold land with a remaining lease period of 893 years is not amortised as the effect of the depreciation is not expected to be material.

Depreciation of all other property, plant and equipment except freehold land and capital work-in-progress which are not depreciated, is computed on the reducing balance method based on the estimated useful lives of the various assets.

The annual depreciation rates are as follows:

Buildings	2%
Plant and machinery	10% to 20%
Electrical installation	5%
Furniture, fittings, equipment and vehicles	10% to 20%

**Impairment of Assets**

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statements immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statements, a reversal of that impairment loss is recognised as income in the income statements.

#### Investments

Investment in subsidiary companies, which is eliminated on consolidation, is stated in the Company's financial statements at cost. Where there is an indication of impairment in the value of the assets, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Other investments in quoted shares, unit trusts and warrants are stated at the lower of cost and market value on a portfolio basis.

#### Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined principally on the "Weighted Average" method. The cost of raw materials and trading goods comprise the original purchase price plus cost incurred in bringing the inventories to their present location. Cost of manufactured goods includes the cost of raw materials, direct labour and an appropriate allocation of factory overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

#### Receivables

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

#### Employee Benefits

##### *Short-term benefits*

All short-term employee benefits, including accumulated compensated absences, are recognised in the income statements in the period in which the employees render their services to the Group.

##### *Defined contribution plans*

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statements of the Group as incurred.

##### *Retirement benefits*

The Group operates an unfunded and non-contributory defined retirement benefits scheme for those employees who are eligible. Provision has been made in the financial statements for retirement benefits of eligible employees who have completed the minimum qualifying period of eight years of continuous service and is computed after taking into consideration the length of service and basic salary earnings of the eligible employees upon reaching the age of retirement.



**NOTES TO THE FINANCIAL STATEMENTS (continued)****3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

The provisions are charged to the income statements on a systematic basis over the expected remaining working lives of the employees covered by the retirement benefits scheme. Should an employee leave after completing the qualifying period of service but before attaining the retirement age, the provision made for the employee is written back. No actuarial valuation has been conducted on the retirement benefits provision, as the amount is insignificant to the Group.

*Employee equity compensation benefits*

The Company has an Employees' Share Option Scheme whereby options to subscribe for ordinary shares in the Company were granted to eligible employees, including executive directors of the Company and its subsidiary companies. No compensation cost is recognised upon granting or the exercise of the options. When the options are exercised, the proceeds received are credited to share capital and share premium accordingly.

**Provisions**

Provisions are made when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be recognised to settle the obligation, and when a reliable estimate of the amount can be made.

**Repurchase of Shares**

The amount of consideration paid, including directly attributable costs for shares repurchased and held as treasury shares, is recognised as cost and set-off against equity.

**Cash Flow Statements**

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

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

**4 REVENUE**

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Manufacturing sales	98,894,339	77,383,120	115,749,528	90,474,699
Trading sales	179,418,499	133,261,969	23,642,213	27,628,315
	278,312,838	210,645,089	139,391,741	118,103,014

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 5 SEGMENT REPORTING

**Business Segments**

For management purposes, the Group is organised into trading and manufacturing divisions.

Inter-segment sales are transacted at arms' length.

<b>The Group 2003</b>	<b>Trading RM</b>	<b>Manufacturing RM</b>	<b>Eliminations RM</b>	<b>Consolidated RM</b>
<b>Revenue</b>				
External sales	179,418,499	98,894,339	—	278,312,838
Inter-segment sales	8,550,766	24,929,580	(33,480,346)	—
	187,969,265	123,823,919	(33,480,346)	278,312,838
<b>Results</b>				
Segment result	17,173,056	16,734,962	337,223	34,245,241
Unallocated corporate expenses				(192,115)
Profit from operations				34,053,126
Finance costs				(433,571)
Income from other investments				1,657,051
Profit before tax				35,276,606
Income tax expense				(8,759,784)
Profit after tax				26,516,822
<b>Other information</b>				
Capital additions	2,424,106	872,722	(99,179)	3,197,649
Depreciation of property, plant and equipment	423,331	3,054,614	(13,746)	3,464,199
Write back of impairment loss of property, plant and equipment	—	125,294	—	125,294
Property, plant and equipment written off	63,225	83,826		147,051
<b>Consolidated Balance Sheet</b>				
<b>Assets</b>				
Segment assets	107,655,217	182,176,348		289,831,565
Unallocated corporate assets				12,629,956
Consolidated total assets				302,461,521
<b>Liabilities</b>				
Segment liabilities	22,047,540	32,137,998		54,185,538
Unallocated corporate liabilities				11,158,479
Consolidated total liabilities				65,344,017

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 5 SEGMENT REPORTING (continued)

The Group 2002	Trading RM	Manufacturing RM	Eliminations RM	Consolidated RM
<b>Revenue</b>				
External sales	133,261,969	77,383,120	—	210,645,089
Inter-segment sales	12,165,698	23,975,157	(36,140,855)	—
	145,427,667	101,358,277	(36,140,855)	210,645,089
<b>Results</b>				
Segment result	7,512,680	13,399,315	(235,909)	20,676,086
Unallocated corporate expenses				(230,547)
Profit from operations				20,445,539
Finance costs				(284,656)
Income from other investments				858,767
Profit before tax				21,019,650
Income tax expense				(4,002,432)
Profit after tax				17,017,218
<b>Other information</b>				
Capital additions	261,437	6,972,970	(83,433)	7,150,974
Depreciation of property, plant and equipment	594,715	4,015,753	—	4,610,468
Impairment loss of property, plant and equipment	12,608	522,219	—	534,827
<b>Consolidated Balance Sheet</b>				
<b>Assets</b>				
Segment assets	80,359,335	126,722,515	—	207,081,850
Unallocated corporate assets				33,566,506
Consolidated total assets				240,648,356
<b>Liabilities</b>				
Segment liabilities	5,765,972	6,699,838	—	12,465,810
Unallocated corporate liabilities				15,697,941
Consolidated total liabilities				28,163,751

Information on the carrying amount of segment assets by geographical area and segment analysis by geographical market have not been provided for as the Group operates principally in Malaysia.

Certain comparative information have been restated to reflect the effects of the change in accounting policy as mentioned in Note 26.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 6 DIRECTORS' REMUNERATION

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Executive directors:				
Fees	128,000	128,000	100,000	100,000
Other emoluments				
Current year	2,751,649	2,241,603	1,408,379	1,221,934
Previous year	132,929	288,957	92,089	153,276
	2,884,578	2,530,560	1,500,468	1,375,210
Non-executive directors:				
Fees	88,000	80,000	88,000	80,000
Other emoluments	16,000	14,907	16,000	14,907
	3,116,578	2,753,467	1,704,468	1,570,117

The estimated monetary value of benefits-in-kind received and receivable by the directors otherwise than in cash from the Group and the Company amounted to RM58,272 (2002: RM42,625).

## 7 OTHER OPERATING INCOME/(EXPENSES)

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

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Allowance for doubtful debts no longer required	1,106,576	423,183	—	—
Interest received on:				
Overdue accounts	627,449	286,892	1,620,434	990,053
Others	1,975	4,047	924	1,826
Advances to subsidiary companies	—	—	63,770	66,010
Gain on disposal of property, plant and equipment	—	127,736	—	110,529
Allowance for doubtful debts	(989,693)	(1,625,800)	(497,160)	(84,725)
Rental of land and premises	(184,060)	(178,160)	(44,500)	(41,000)
Realised loss on foreign exchange	(569)	(3,231)	—	(2,839)
Provision for retirement benefits	(328,125)	(1,793)	(250,462)	—
Property, plant and equipment written off	(147,051)	—	(95,352)	—
Loss on disposal of property, plant and equipment	(78,244)	—	(78,244)	—
Auditors' remuneration:				
Current year	(58,600)	(60,100)	(27,000)	(28,500)
Previous year	—	(500)	—	—
Non-audit fees	(3,000)	(43,500)	(3,000)	(43,000)
Loss on disposal of golf club membership	(49,750)	—	(49,750)	—
Allowance for slow moving inventories	(37,573)	—	—	—

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 7 OTHER OPERATING INCOME/(EXPENSES) (continued)

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Directors' remuneration:				
Directors of the subsidiary companies				
Fees	(11,000)	(11,000)	—	—
Other emoluments				
Current	(29,917)	(285,922)	—	—
Previous year	(1,827)	—	—	—
Rental of generator	(24,000)	—	(24,000)	—
Bad debts written off	(6,473)	(29,314)	—	—
Write down in inventories	—	(266,643)	—	(4,114)
Retrenchment benefits	—	(4,391)	—	(4,391)

## 8 FINANCE COSTS

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Interest on:				
Other short-term borrowings	388,851	99,032	215,523	34,165
Advances from other related company	39,513	163,355	—	—
Bank overdrafts	1,475	2,468	1,211	2,314
Others	3,732	19,801	—	—
	433,571	284,656	216,734	36,479

## 9 INCOME FROM OTHER INVESTMENTS

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Dividend income from:				
Unit trusts	466,127	502,737	466,127	502,737
Quoted investments (gross)	131,285	109,835	131,285	109,835
Gain/(Loss) on disposal of:				
Unit trusts	402,944	—	402,944	—
Quoted investments	(12,545)	(399,465)	(15,350)	(399,753)
Interest income from:				
Fixed and short-term deposits	211,360	391,588	207,118	376,501
Investment funds	16,205	31,498	16,205	31,498
Rental income	35,100	32,400	22,500	19,800
Write back/(Write down) of:				
Quoted investments	355,760	210,075	355,760	210,075
Unit trusts	50,815	(19,901)	50,815	(19,901)
	1,657,051	858,767	1,637,404	830,792

**10 INCOME TAX EXPENSE**

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Estimated Malaysian income tax payable:				
Current year	9,431,000	3,694,000	5,548,000	2,357,000
Prior year	(290,559)	(100,901)	(223,781)	58,948
	9,140,441	3,593,099	5,324,219	2,415,948
Deferred tax (Note 23)	(380,657)	409,333	(262,338)	(3,348)
	8,759,784	4,002,432	5,061,881	2,412,600

As at December 31, 2003, the subsidiary companies have tax-exempt accounts arising from their claims for reinvestment allowances under Schedule 7A of the Income Tax Act, 1967 and a special tax-exempt account arising from chargeable income waived in 1999 in accordance with the Income Tax (Amendment) Act, 1999 totalling RM10,748,000 (2002: RM8,700,000). These tax-exempt accounts are available for distribution of tax-exempt dividends to the shareholders of the subsidiary companies.

As at December 31, 2003, one of the subsidiary companies has unutilised reinvestment allowances amounting to approximately RM1,180,000 (2002: RM3,210,000) which are available for set-off against future taxable income.

A numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Group and of the Company, is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Accounting profit	35,276,606	21,019,650	19,620,451	15,064,172
Tax at the applicable tax rate of 28%	9,877,000	5,885,000	5,494,000	4,218,000
Tax effects in respect of:				
Expenses that are not deductible in determining taxable profit	184,483	425,567	145,662	240,652
Reinvestment allowances utilised	(589,801)	(2,073,782)	(8,000)	(2,022,000)
Income that are not taxable in determining taxable profit	(470,000)	(66,000)	(380,000)	(66,000)
Differences in opening deferred tax recognised in current year	48,661	(67,452)	34,000	(17,000)
	9,050,343	4,103,333	5,285,662	2,353,652
Income tax - prior year	(290,559)	(100,901)	(223,781)	58,948
Income tax expense	8,759,784	4,002,432	5,061,881	2,412,600

**11 EARNINGS PER ORDINARY SHARE - GROUP**

The basic and diluted earnings per share are calculated as follows:

	<b>The Group</b>	
	<b>2003</b>	<b>2002</b>
<b>Basic</b>		
Net profit attributable to ordinary shareholders	RM 25,479,702	RM 16,722,374
Number of ordinary shares in issue as at January 1	102,139,000	101,877,000
Shares repurchased and held as treasury shares	(2,710,000)	(2,196,000)
	99,429,000	99,681,000
Effect of exercise of ESOS	400,500	151,250
Effect of share repurchased	(19,583)	(374,500)
Weighted average number of ordinary shares	99,809,917	99,457,750
Basic earnings per ordinary share (sen)	25.5	16.8
<b>Diluted</b>		
Net profit attributable to ordinary shareholders	RM 25,479,702	RM 16,722,374
Weighted average number of ordinary shares in issue	99,809,917	99,457,750
ESOS:		
Weighted average number of unissued shares	5,083,750	6,072,726
Weighted average number of shares that would have been issued at fair value	(3,077,997)	(5,358,288)
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	101,815,670	100,172,188
Diluted earnings per ordinary share (sen)	25.0	16.7

The comparative basic and diluted earnings per share have been restated to take into account the effect of the change in accounting policy (as mentioned in Note 26) on net profit attributable to ordinary shareholders.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 12 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment in 2003 consist of the following:

The Group	Cost/Valuation				
	At beginning of year RM	Additions RM	Reclassification RM	Disposals/Write off RM	At end of year RM
Freehold land and building	886,164	1,030	—	—	887,194
Long-term leasehold land	5,188,997	982,785	3,000	—	6,174,782
Short-term leasehold land	877,882	—	—	—	877,882
Buildings	17,636,657	1,270,813	(3,000)	(77,900)	18,826,570
Plant and machinery	54,469,652	139,012	—	(507,207)	54,101,457
Electrical installation	1,710,925	55,725	—	—	1,766,650
Furniture, fittings, equipment and vehicles	7,982,960	746,284	—	(1,567,616)	7,161,628
Capital work-in-progress	—	2,000	—	—	2,000
<b>Total</b>	<b>88,753,237</b>	<b>3,197,649</b>	<b>—</b>	<b>(2,152,723)</b>	<b>89,798,163</b>

The Group	Accumulated Depreciation				Accumulated Impairment Loss		
	At beginning of year RM	Charge for the year RM	Disposals/Write off RM	At end of year RM	At beginning of year RM	Write back for the year RM	At end of year RM
Freehold land and building	39,583	9,277	—	48,860	—	—	—
Long-term leasehold land	728,168	79,185	—	807,353	—	—	—
Short-term leasehold land	272,446	15,136	—	287,582	—	—	—
Buildings	2,774,566	299,926	—	3,074,492	—	—	—
Plant and machinery	29,930,630	2,438,124	(372,877)	31,995,877	493,898	(125,294)	368,604
Electrical installation	723,908	52,138	—	776,046	—	—	—
Furniture, fittings, equipment and vehicles	5,409,326	570,413	(1,313,650)	4,666,089	40,929	—	40,929
Capital work-in-progress	—	—	—	—	—	—	—
<b>Total</b>	<b>39,878,627</b>	<b>3,464,199</b>	<b>(1,686,527)</b>	<b>41,656,299</b>	<b>534,827</b>	<b>(125,294)</b>	<b>409,533</b>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 12 PROPERTY, PLANT AND EQUIPMENT (continued)

The Company	Cost/Valuation			
	At beginning of year RM	Additions RM	Disposals/ Write off RM	At end of year RM
Freehold land and building	583,947	1,030	—	584,977
Long-term leasehold land	4,994,587	982,785	—	5,977,372
Buildings	14,008,868	1,242,866	(77,900)	15,173,834
Plant and machinery	40,152,810	130,735	(507,207)	39,776,338
Electrical installation	1,478,895	54,375	—	1,533,270
Furniture, fittings, equipment and vehicles	4,066,142	414,627	(990,656)	3,490,113
Capital work-in-progress	—	2,000	—	2,000
<b>Total</b>	<b>65,285,249</b>	<b>2,828,418</b>	<b>(1,575,763)</b>	<b>66,537,904</b>

	Accumulated Depreciation				Accumulated Impairment Loss		
	At beginning of year RM	Charge for the year RM	Disposals/ Write off RM	At end of year RM	At beginning of year RM	Write back for the year RM	At end of year RM
Freehold land and building	39,583	9,277	—	48,860	—	—	—
Long-term leasehold land	720,506	77,529	—	798,035	—	—	—
Buildings	2,113,920	240,534	—	2,354,454	—	—	—
Plant and machinery	23,101,595	1,720,586	(372,877)	24,449,304	213,938	(87,777)	126,161
Electrical installation	669,080	43,210	—	712,290	—	—	—
Furniture, fittings, equipment and vehicles	2,916,417	256,718	(784,281)	2,388,854	39,889	—	39,889
<b>Total</b>	<b>29,561,101</b>	<b>2,347,854</b>	<b>(1,157,158)</b>	<b>30,751,797</b>	<b>253,827</b>	<b>(87,777)</b>	<b>166,050</b>

The Group	Net Book Value	
	2003 RM	2002 RM
Freehold land and building	838,334	846,581
Long-term leasehold land	5,367,429	4,460,829
Short-term leasehold land	590,300	605,436
Buildings	15,752,078	14,862,091
Plant and machinery	21,736,976	24,045,124
Electrical installation	990,604	987,017
Furniture, fittings, equipment and vehicles	2,454,610	2,532,705
Capital work-in-progress	2,000	—
<b>Total</b>	<b>47,732,331</b>	<b>48,339,783</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 12 PROPERTY, PLANT AND EQUIPMENT (continued)

The Company	Net Book Value	
	2003 RM	2002 RM
Freehold land and building	536,117	544,364
Long-term leasehold land	5,179,337	4,274,081
Buildings	12,819,380	11,894,948
Plant and machinery	15,200,873	16,837,277
Electrical installation	820,980	809,815
Furniture, fittings, equipment and vehicles	1,061,370	1,109,836
Capital work-in-progress	2,000	—
<b>Total</b>	<b>35,620,057</b>	<b>35,470,321</b>

The analysis of cost and valuation is as follows:

	The Group	
	2003 RM	2002 RM
At valuation:		
Long-term leasehold land and buildings - 1981	2,277,000	2,277,000
- 1983	850,000	850,000
	3,127,000	3,127,000
At cost:		
Freehold land and building	887,194	886,164
Long-term leasehold land and buildings	21,874,352	19,698,654
Short-term leasehold land	877,882	877,882
Plant and machinery	54,101,457	54,469,652
Electrical installation	1,766,650	1,710,925
Furniture, fittings, equipment and vehicles	7,161,628	7,982,960
Capital work-in-progress	2,000	—
<b>Total</b>	<b>89,798,163</b>	<b>88,753,237</b>

	The Company	
	2003 RM	2002 RM
At valuation:		
Long-term leasehold land and buildings - 1981	2,277,000	2,277,000
At cost:		
Freehold land and building	584,977	583,947
Long-term leasehold land and buildings	18,874,206	16,726,455
Plant and machinery	39,776,338	40,152,810
Electrical installation	1,533,270	1,478,895
Furniture, fittings, equipment and vehicles	3,490,113	4,066,142
Capital work-in-progress	2,000	—
<b>Total</b>	<b>66,537,904</b>	<b>65,285,249</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)****12 PROPERTY, PLANT AND EQUIPMENT (continued)**

The strata titles to two of the landed properties and title deed to a piece of leasehold land of the Group with carrying amounts of RM515,805 (2002: RM526,673) and RM31,693 (2002: RM32,340) respectively are not available for inspection by the auditors as they have not been issued by the relevant authorities.

Certain long-term leasehold land and buildings of the Company and a subsidiary company were revalued by the directors based on opinion of values expressed by a firm of independent professional valuers using the "Open Market Value" basis.

The carrying amount of the revalued leasehold properties that would have been included in the financial statements had the properties been carried at cost less accumulated depreciation has not been disclosed due to the absence of historical records.

Freehold and leasehold properties in respect of which land values cannot be ascribed, as the building and the land on which the building is situated were acquired as one property, are not segregated. However, in the opinion of the directors, the amount is not material.

During the financial year, impairment losses of RM125,294 and RM87,777 previously recognised by the Group and by the Company respectively in respect of plant and machinery were reversed upon disposal of the plant and machinery. The reversals have been recognised in the income statements of the Group and of the Company respectively.

**13 INVESTMENT IN SUBSIDIARY COMPANIES**

	<b>The Company</b>	
	<b>2003 RM</b>	<b>2002 RM</b>
Unquoted shares, at cost	16,123,846	16,123,846

The subsidiary companies, all of which were incorporated in Malaysia, are as follows:

<b>Name of Company</b>	<b>Effective Equity Interest</b>		<b>Principal Activities</b>
	<b>2003 %</b>	<b>2002 %</b>	
<b>Direct subsidiary companies</b>			
Choo Bee Hardwares Sdn. Berhad	100.00	100.00	Dealer in hardware and construction materials.
Choo Bee Steel Servicing Centre Sdn. Bhd.	100.00	100.00	Dormant.
Taik Bee Hardware Sdn. Bhd.	66.29	66.29	Fabrication and manufacturing of pipes and trading of hardware.
<b>Indirect subsidiary company</b>			
(Held through Taik Bee Hardware Sdn. Bhd.)			
Pan Asian Management Consultants Sdn. Bhd.	66.29	66.29	Letting out its leasehold land.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 14 OTHER INVESTMENTS

	The Group and The Company	
	2003 RM	2002 RM
Shares and warrants quoted in Malaysia, at cost	1,811,302	2,839,114
Write down to market value	—	(355,760)
	1,811,302	2,483,354
Unit trusts, at cost	4,224,963	15,625,601
Write down to market value	—	(50,815)
	4,224,963	15,574,786
	6,036,265	18,058,140
Market value:		
Quoted shares and warrants	1,916,739	2,483,354
Unit trusts	4,291,047	15,574,786
	6,207,786	18,058,140

## 15 INVENTORIES

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
At cost:				
Raw materials	82,327,254	31,594,320	79,693,706	29,256,932
Manufactured goods	20,967,497	19,871,088	18,161,760	15,147,998
Trading goods	46,233,464	35,825,683	11,654,523	9,895,309
	149,528,215	87,291,091	109,509,989	54,300,239
At net realisable value:				
Raw materials	121,560	255,477	19,371	77,407
Manufactured goods	—	931,248	—	—
Trading goods	139,502	1,729,395	—	—
	261,062	2,916,120	19,371	77,407
	149,789,277	90,207,211	109,529,360	54,377,646
Less: Allowance for slow moving inventories	(37,573)	—	—	—
Total	149,751,704	90,207,211	109,529,360	54,377,646

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade receivables	91,003,947	68,219,608	39,837,903	27,710,453
Allowance for doubtful debts	(6,725,402)	(6,850,284)	(1,448,990)	(951,830)
	84,278,545	61,369,324	38,388,913	26,758,623
Other receivables	5,864,024	870,263	1,780,145	729,184
Refundable deposits	5,290,875	7,778,925	5,260,562	7,748,612
Prepaid expenses	107,505	248,680	45,929	60,972
	11,262,404	8,897,868	7,086,636	8,538,768

The Group's and the Company's normal trade credit terms range from 14 to 120 days (2002: 14 to 120 days). Allowances have been made for estimated irrecoverable amounts from the sales of goods and have been determined by reference to past default experience.

The Group and the Company have no significant concentration of credit risk that may arise from exposure to a single customer or to a group of customers.

Other receivables comprise mainly import duties refundable, and advance payments for purchases of trading goods.

Refundable deposits include a security deposit of RM5,000,000 (2002: RM7,500,000) paid to a creditor to secure the supply of raw materials.

Amounts receivable from related parties are disclosed in Note 17.

**17. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS****Related Companies**

The amount owing by subsidiary companies arose mainly from intercompany sales and purchases and unsecured advances which have no fixed repayment terms. The advances to subsidiary companies bear interest at a rate of 4.00% (2002: 4.00%) per annum.

Amount owing by subsidiary companies consist of:

	The Company	
	2003 RM	2002 RM
Trade account	19,870,978	19,282,779
Current account	660,612	6,828,585
	20,531,590	26,111,364

The amount owing to other related company, Choo Bee Holdings Sdn. Bhd., in 2002 arose mainly out of unsecured advances which bear interest at a rate of 4.00% (2002: 4.00%) per annum and have no fixed terms of repayment. Choo Bee Holdings Sdn. Bhd. is a subsidiary of Soon Lian Huat Holdings Sdn. Berhad.

**17. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (continued)****Related Parties**

Related parties are entities which have common directors and/or shareholders with the Company or its subsidiary companies and the ability to control or exercise significant influence.

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

<b>Names of related parties</b>	<b>Relationship</b>
Chuan Bee Hardware Sdn. Bhd.	A company in which Soon Lian Lim, brother of Soon Ah Khun @ Soon Lian Huat, holds 55% equity interest.
Chua Hock Seng Hardware Sdn. Bhd.	A company in which Soon Nyuk Ben, sister of Soon Ah Khun @ Soon Lian Huat, holds 50% equity interest.
Tang Kim Heok	Immediate family member of Messrs. Soon Ah Khun @ Soon Lian Huat, Soon Cheng Hai, Soon Cheng Boon, Soon Hean Hooi and Lee Sieng Tzi @ Vincent Lee.

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2003 RM</b>	<b>2002 RM</b>	<b>2003 RM</b>	<b>2002 RM</b>
<b>Subsidiary companies</b>				
Trade sales	—	—	29,178,051	31,867,310
Trade purchases	—	—	947,614	995,494
Interest received on advances	—	—	63,770	66,010
Interest received on overdue account	—	—	1,313,278	933,154
Acquisition of:				
Office equipment	—	—	3,071	—
Motor vehicles	—	—	—	44,259
Plant and machinery	—	—	80,000	—
Disposal of motor vehicles	—	—	4,108	39,174
Advances granted	—	—	90,253,580	34,160,535
Advances repaid	—	—	93,929,497	33,582,450
<b>Other related company</b>				
Advances repaid	1,400,000	—	—	—
Interest paid on advances	39,513	163,355	—	—
Advances granted	—	1,400,000	—	—
<b>Related parties</b>				
<b>Advances from</b>				
Tang Kim Heok	—	800,000	—	—
<b>Interest on advances</b>				
Tang Kim Heok	—	15,803	—	—
<b>Trade sales</b>				
Chua Hock Seng Hardware Sdn. Bhd.	97,269	186,493	97,269	107,435
Chuan Bee Hardware Sdn. Bhd.	685,683	340,754	590,051	245,669
	<b>782,952</b>	<b>527,247</b>	<b>687,320</b>	<b>353,104</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 17. RELATED COMPANIES AND RELATED PARTY TRANSACTIONS (continued)

Directors' remuneration are as disclosed in Note 6.

The transactions with subsidiary and related companies are aggregated as these transactions are similar in nature and also no single transaction is significant enough to be disclosed separately in the financial statements.

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

The mandated amounts for related party transactions with subsidiary companies refer to transactions between the Company and Taik Bee Hardware Sdn. Bhd. (TBH), and between Choo Bee Hardwares Sdn. Berhad (CBH) and TBH.

	Mandated amounts from Jan. 1, 2003 to Dec. 31, 2003 The Group and The Company RM	Amounts transacted from Jan. 1, 2003 to Dec. 31, 2003	
		The Group RM	The Company RM
<b>Subsidiary companies</b>			
Trade sales	17,205,479	15,698,904*	14,032,722#
Trade purchases	2,910,959	1,783,275*	79,021#
Coil shearing services	164,384	— *	—
Administrative, human resources and transportation services	123,288	13,601*	13,601#
Financial assistance	2,945,205	—	—
Interest on advances	103,082	39,182*	39,182#
<b>Trade sales</b>			
Chua Hock Seng Hardware Sdn. Bhd.	237,671	33,249	33,249
Chuan Bee Hardware Sdn. Bhd.	472,781	684,763	590,154
<b>Trade purchase</b>			
Chua Hock Seng Hardware Sdn. Bhd.	82,192	—	—

# Transactions between the Company and TBH.

\* Transactions between the Company and TBH and between CBH and TBH.

Significant outstanding balances arising from the above transactions are as follows:

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>Trade receivables</b>				
Chua Hock Seng Hardware Sdn. Bhd.	77,269	132,016	77,269	88,555
Chuan Bee Hardware Sdn. Bhd.	284,690	90,691	264,625	55,620
	361,959	222,707	341,894	144,175

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**18 CASH AND CASH EQUIVALENTS**

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Short-term deposits with licensed banks	1,750,000	7,900,000	1,750,000	7,900,000
Investment funds	—	4,001,551	—	4,001,551
Cash on hand and bank balances	1,436,272	950,530	1,073,813	347,664
	<b>3,186,272</b>	<b>12,852,081</b>	<b>2,823,813</b>	<b>12,249,215</b>

The effective interest rates are as follows:

	The Group and The Company	
	2003 %	2002 %
Short-term deposits	2.40 - 3.20	2.40 - 3.20
Investment funds	2.80 - 2.90	3.70 - 3.90

Deposits of the Group and of the Company have maturities ranging from 1 to 30 days (2002: 1 to 30 days).

**19 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES**

The credit periods granted to the Company for trade purchases range from 5 to 30 days (2002: 7 to 30 days).

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Other payables	1,254,183	1,646,122	747,806	1,116,751
Accrued expenses	11,536,228	7,759,738	9,929,788	6,241,728
	<b>12,790,411</b>	<b>9,405,860</b>	<b>10,677,594</b>	<b>7,358,479</b>

Accrued expenses comprise mainly accrual for import duties.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 20 ULTIMATE COMPANY

The directors regard Soon Lian Huat Holdings Sdn. Berhad, a company incorporated in Malaysia as the ultimate holding company.

During the year, transactions with the ultimate holding company are as follows:

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>Ultimate holding company</b>				
Rental of land	179,060	173,160	39,500	36,000

	Mandated amount from Jan. 1, 2003 to Dec. 31, 2003 The Group and The Company RM		Amount transacted from Jan. 1, 2003 to Dec. 31, 2003 The Group RM		The Company RM	
	<b>Ultimate holding company</b>					
Rental of land		173,160	179,060			39,500

## 21 SHORT-TERM BORROWINGS (UNSECURED)

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>Unsecured:</b>				
Trust receipts	26,775,861	—	15,850,257	—
Bank overdrafts	1,786,660	889	—	889
Bankers' acceptances	7,660,000	4,301,000	1,700,000	—
Total	36,222,521	4,301,889	17,550,257	889

The bank overdrafts and other credit facilities of the Group and of the Company bear interest at rates ranging from 1.55% to 7.40% (2002: 3.00% to 7.40%) per annum.

The trust receipts of the Group and of the Company are denominated in US Dollars.

## 22 PROVISION FOR RETIREMENT BENEFITS

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
At beginning of year	76,305	83,880	66,802	76,170
Addition	328,125	1,793	250,462	—
Utilised	(52,233)	(9,368)	(36,539)	(9,368)
At end of year	352,197	76,305	280,725	66,802

**22 PROVISION FOR RETIREMENT BENEFITS (continued)**

The Group operates an unfunded and non-contributory defined retirement benefits scheme for those employees who are eligible. Provision has been made in the financial statements for retirement benefits of eligible employees who have completed the minimum qualifying period of eight years of continuous service and is computed after taking into consideration the length of service and basic salary earnings of the eligible employees upon reaching the age of retirement.

The principal assumptions used in computing the estimated contributions are as follows:

	<b>The Group and The Company</b>	
	<b>2003</b>	<b>2002</b>
	%	%
Discount rate at December 31	4.0	4.0
Future salary increases	4.5	4.5
Resignation before attaining retirement age	40.0	40.0

**23 DEFERRED TAX**

	<b>The Group</b>		<b>The Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At beginning of year	5,452,736	5,043,403	3,932,958	3,936,306
Transfer from/(to) income statements (Note 10)	(380,657)	409,333	(262,338)	(3,348)
At end of year	5,072,079	5,452,736	3,670,620	3,932,958

The deferred tax is presented after appropriate offsetting as follows:

Deferred tax assets	(214,000)	(20,000)	—	—
Deferred tax liabilities	5,286,079	5,472,736	3,670,620	3,932,958
	5,072,079	5,452,736	3,670,620	3,932,958

**23 DEFERRED TAX (continued)**

The amounts of the deferred tax income and expense recognised in the income statements for each type of temporary differences prior to offsetting are as follows:

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Differences between tax capital allowances and book depreciation of property, plant and equipment	(78,000)	(100,000)	24,000	—
Surplus on revaluation of property, plant and equipment	6,657	6,667	3,338	3,348
General allowances for doubtful debts	194,000	(64,000)	128,000	—
Allowance for slow moving inventories	10,000	—	—	—
Provision for retirement benefits	78,000	(2,000)	60,000	—
Unabsorbed capital allowances	—	(414,000)	—	—
Others	170,000	164,000	47,000	—
Net deferred tax income/(expense)	380,657	(409,333)	262,338	3,348

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

**Deferred Tax Liabilities**

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
The deferred tax liabilities are in respect of tax effects of temporary differences arising from the following:				
Tax capital allowances and book depreciation of property, plant and equipment	5,581,000	5,503,000	3,876,000	3,900,000
Surplus on revaluation of property, plant and equipment	359,079	365,736	229,620	232,958
	5,940,079	5,868,736	4,105,620	4,132,958

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**23 DEFERRED TAX (continued)****Deferred Tax Assets**

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
The deferred tax assets are in respect of tax effects of temporary differences arising from the following:				
General allowance for doubtful debts	(309,000)	(115,000)	(183,000)	(55,000)
Allowance for slow moving inventories	(10,000)	—	—	—
Provision for retirement benefits	(99,000)	(21,000)	(79,000)	(19,000)
Others	(450,000)	(280,000)	(173,000)	(126,000)
	(868,000)	(416,000)	(435,000)	(200,000)

**24 SHARE CAPITAL**

	The Group and The Company		The Group and The Company	
	2003 No. of shares	2002 No. of shares	2003 RM	2002 RM
Authorised: Ordinary shares of RM1 each	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid: Ordinary shares of RM1 each				
At beginning of year	102,139,000	101,877,000	102,139,000	101,877,000
Issued pursuant to the ESOS	1,473,000	262,000	1,473,000	262,000
At end of year	103,612,000	102,139,000	103,612,000	102,139,000

The shareholders of the Company renewed the authority given to the directors to repurchase its own shares at the Annual General Meeting held on May 30, 2003. The directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

In 2003, the Company repurchased a total of 36,000 (2002: 514,000) of its issued shares from the open market for a total cost of RM53,251 (2002: RM730,787). The average price paid for the shares repurchased during the year was RM1.48 (2002: RM1.42) per share. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as Treasury Shares in accordance with the requirements of Section 67A of the Companies Act, 1965.

As at December 31, 2003, 2,746,000 (2002: 2,710,000) out of the total of 103,612,000 (2002: 102,139,000) issued and fully paid ordinary shares are held as Treasury Shares by the Company. The number of ordinary shares of RM1 each in issue and fully paid as at December 31, 2003 after excluding the Treasury Shares is 100,866,000 (2002: 99,429,000).

**24 SHARE CAPITAL (continued)****Employees' Share Option Scheme**

The Group offers vested share options, without payment, to directors and other eligible employees. Eligible Malaysian employees and contract employees are those who have been confirmed in service for at least one (1) continuous year, while for a non-Malaysian employee, his/her contribution must be vital to the Group, and he/she must have been employed for at least three (3) continuous years, in any company within the Group, on or prior to the Date of Offer pursuant to the ESOS. Movements in the number of share options held by employees are as follows:

	2003	2002
Outstanding at January 1	7,565,000	—
Granted	408,000	7,874,000
Exercised	(1,473,000)	(262,000)
Lapsed	(167,000)	(47,000)
Outstanding at December 31	6,333,000	7,565,000

Details of share options granted during the period:

Expiry date	25.11.2006	25.11.2006
Exercise price per share (RM)	1.05	1.20
Aggregate proceeds if shares are issued (RM)	428,400	9,448,800

Details of share options exercised during the period:

Expiry date	25.11.2006	25.11.2006
Exercise price per share (RM)	1.05 - 1.20	1.20
Aggregate issue proceeds (RM)	1,755,000	314,400

Details of share options held by the Company's directors and the Group's key management personnel during the year are as follows:

	2003	2002
At January 1	3,564,000	—
Granted during the year	—	3,720,000
Exercised during the year	(190,000)	(156,000)
At December 31	3,374,000	3,564,000

Terms of options outstanding at December 31:

Expiry date	Exercise price	Number	Number
Nov. 25, 2006	1.20	6,027,000	7,565,000
Nov. 25, 2006	1.05	306,000	—
		6,333,000	7,565,000

**25 RESERVES**

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Non-distributable reserves:				
Share premium	22,743,305	22,461,305	22,743,305	22,461,305
Reserve on consolidation	1,366,071	1,366,071	—	—
General reserve	1,186,293	1,186,293	—	—
Treasury shares	(4,018,542)	(3,965,291)	(4,018,542)	(3,965,291)
	21,277,127	21,048,378	18,724,763	18,496,014
Distributable reserves:				
Unappropriated profit	105,827,976	83,933,946	76,026,365	65,053,467
	127,105,103	104,982,324	94,751,128	83,549,481

**Share premium**

Share premium represents the excess of the issue price over the par value of the ordinary shares of the Company at the date of acquisition.

Share premium arose from the following:

	The Group and The Company	
	2003 RM	2002 RM
Issue of shares in 1984	78,000	78,000
Rights issue in 1996, net of share issue expenses	21,357,805	21,357,805
Exercise of share options in 1997	866,810	866,810
Exercise of share options in 2000	106,290	106,290
Exercise of share options in 2002	52,400	52,400
Exercise of share options in 2003	282,000	—
	22,743,305	22,461,305

**General reserve**

General reserve represents the Group's share of a subsidiary company's unappropriated profit capitalised for bonus issue.

**Revaluation reserve**

Revaluation reserve relates to the surplus on revaluation of long-term leasehold land and buildings of the Group and of the Company as disclosed in Note 12, based on a valuation carried out by a firm of professional valuers.

**25 RESERVES (continued)****Unappropriated profit**

As at December 31, 2003, subject to agreement with the Inland Revenue Board, the Company has tax-exempt accounts and Section 108 tax credit as follows:

	<b>The Company</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>
Reinvestment allowances utilised	7,313,000	7,223,000
Tax-exempt dividends received	605,000	540,000
Exempt income arising from tax waiver	22,225,000	22,248,000
	<hr/>	
Section 108 tax credit	37,403,000	33,190,000
	<hr/>	

Accordingly, the Company may distribute all of its unappropriated profit as at December 31, 2003 by way of dividends without having to incur any additional income tax. Any dividends declared and proposed out of the aforesaid tax-exempt accounts will be tax-exempt in the hands of shareholders.

**26 PRIOR YEAR ADJUSTMENTS**

During the financial year, the Group and the Company adopted the provision of MASB 25, Income Taxes, which became operative for annual financial statements covering periods beginning on or after July 1, 2002. The effects of the adoption of MASB 25 have been applied retrospectively, and the effects on prior financial years have been taken up as prior year adjustments in the financial statements. Accordingly, the following accounts in prior years have been restated to reflect the effects of the accounting changes:

<b>The Group</b>	<b>As previously reported RM</b>	<b>Adjustments RM</b>	<b>As restated RM</b>
<b>For the financial year ended December 31, 2002</b>			
Income statement:			
Net profit for the year	(16,718,826)	(3,548)	(16,722,374)
Minority interest	293,725	1,119	294,844
Income tax expense	4,007,099	(4,667)	4,002,432
Statement of changes in equity:			
Unappropriated profit	(84,023,549)	89,603	(83,933,946)
Revaluation reserve	(83,747)	83,747	—
Reserve on consolidation	(1,493,699)	127,628	(1,366,071)
<b>As at December 31, 2002</b>			
Balance sheet:			
Minority interest	(5,408,039)	44,758	(5,363,281)
Deferred tax liability	(5,107,000)	(365,736)	(5,472,736)
Deferred tax asset	—	20,000	20,000
<b>For the financial year ended December 31, 2001</b>			
Statement of changes in equity:			
Unappropriated profit	(70,886,400)	93,151	(70,793,249)
Revaluation reserve	(83,747)	83,747	—
Reserve on consolidation	(1,493,699)	127,628	(1,366,071)
<b>As at December 31, 2001</b>			
Balance sheet:			
Minority interest	(5,114,314)	45,877	(5,068,437)
Deferred tax liability	(4,693,000)	(372,403)	(5,065,403)
Deferred tax asset	—	22,000	22,000



## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 26 PRIOR YEAR ADJUSTMENTS (continued)

The Company	As previously reported RM	Adjustments RM	As restated RM
<b>For the financial year ended December 31, 2002</b>			
Income statement:			
Net profit for the year	(12,648,224)	(3,348)	(12,651,572)
Income tax expense	2,415,948	(3,348)	2,412,600
Statement of changes in equity:			
Unappropriated profit	(65,202,678)	149,211	(65,053,467)
Revaluation reserve	(83,747)	83,747	—
<b>As at December 31, 2002</b>			
Balance sheet:			
Deferred tax liability	(3,700,000)	(232,958)	(3,932,958)
<b>For the financial year ended December 31, 2001</b>			
Statement of changes in equity:			
Unappropriated profit	(56,136,131)	152,559	(55,983,572)
Revaluation reserve	(83,747)	83,747	—
<b>As at December 31, 2001</b>			
Balance sheet:			
Deferred tax liability	(3,700,000)	(236,306)	(3,936,306)

The comparative net tangible assets per share as reported in the balance sheet of the Group has also been restated from RM2.09 to RM2.08 to take into account the effect of the change in accounting policy as mentioned above.

## 27 DIVIDENDS

	The Group and The Company	
	2003 RM	2002 RM
Final dividends paid		
5%, less tax for 2002 (5%, less tax for 2001):		
Proposed in previous year	3,579,444	3,588,516
Addition due to exercise of options for shares	6,948	9,252
Reduction due to shares repurchased	(720)	(15,336)
	3,585,672	3,582,432

The directors proposed a final dividend of 6%, less 28% tax, amounting to RM4,357,411 in respect of the year ended December 31, 2003. The dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements. Dividend per share is 4.32 sen (2002: 3.60 sen).

**28 CONTINGENT LIABILITIES (UNSECURED)**

Kent Engineering Works Sdn. Bhd. (KEW), a debtor of Taik Bee Hardware Sdn. Bhd. (TBH) which is a subsidiary of Choo Bee Metal Industries Berhad, filed a suit for defamation on March 7, 2000 against TBH for an amount of RM10 million claiming that the drawdown of a bank guarantee provided by KEW in favour of TBH was defamatory to KEW. In response, TBH has filed a writ of summons on defence with the High Court of Malaya on April 24, 2000 against the defamation suit and for the recovery of a debt amounting to RM118,092.

The matter has been set for trial at a hearing date to be fixed by the Court.

Guarantees granted to licensed banks and suppliers of the subsidiary companies for facilities extended to the subsidiary companies are not disclosed as contingent liabilities to the Company because the Company considers the possibility of an outflow of resources for settlement of present obligations as remote.

**29 CAPITAL COMMITMENTS**

	<b>The Group and The Company</b>	
	<b>2003</b>	<b>2002</b>
	<b>RM</b>	<b>RM</b>
Capital expenditure:		
Contracted but not provided for	543,620	1,512,900
Approved but not contracted for	54,000,000	—
	54,543,620	1,512,900

**30 SUBSEQUENT EVENT**

Subsequent to the financial year end, one of the subsidiary companies, Choo Bee Hardwares Sdn. Berhad entered into a sale and purchase agreement to dispose off its leasehold land and building for a consideration of RM100,000.

**31 FINANCIAL INSTRUMENTS****Financial Risk Management 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 risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Group and the policies in respect of the major areas of treasury activities are set out below:

**Foreign currency risk**

The Group is exposed to foreign currency risk as a result of its normal trading activities, mainly in connection with the purchase of raw materials, where the currency base differs from the local currency, Ringgit Malaysia (RM). The Group's policy is to minimize the exposure to foreign currency risk by matching local currency income against purchases made in foreign currency by hedging the foreign currency against fluctuation risks. As at the financial year end, the Group has not entered into any hedging transactions as there were no material fluctuation risks arising from foreign currency transactions.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****31 FINANCIAL INSTRUMENTS (continued)*****Interest rate risk***

The Group finances its operations by a mixture of internal funds and bank and other borrowings. The Group regularly reviews the interest rate profile of borrowings against prevailing and anticipated market rates. The repayment and maturity profiles of borrowings are structured after taking into consideration the cash inflows expected to be generated from the underlying assets or operations and the economic life of the assets or operations being financed.

The Group's policy is to borrow both on the fixed and floating rate basis. The objective for the mix between fixed and floating rate borrowings is set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

***Market risk***

The Group's principal exposure to market risk arises mainly from the changes in steel raw material and finished goods prices. Both raw materials and finished goods are classified as current assets and are available for sale and the Group manages the sales of finished goods and procurement of its raw materials to optimise return on realization of its inventories.

***Credit risk***

Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. This is done through reference to credit information resources, direct and indirect enquiries and other references. In all instances, an internal credit review is conducted by the Credit Risk Committee.

***Liquidity and Cash flow risk***

The Group seeks to achieve a balance between the certainty of funding of short-term cash requirements and a flexible cash investment policy in order to optimise returns from any cash surplus generated from operations. Financial assets and liabilities are managed on a prudent basis to maintain sufficient cash and cash equivalents or credit facilities for contingent funding of working capital.

***Financial Assets***

The Group's principal financial assets are short-term deposits, cash and bank balances, trade and other receivables, amount owing by related companies and equity investments.

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

***Financial Liabilities***

The Group's principal financial liabilities include trade and other payables, bills payable, bank overdrafts and bankers' acceptances.

Bank overdrafts and bankers' acceptances are recorded at the proceeds received. Finance charges are accounted for on an accrual basis.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**31 FINANCIAL INSTRUMENTS (continued)****Fair Values**

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

	Note	The Group		The Company	
		Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Other investments					
- quoted shares and warrants	14	1,811,302	1,916,739	1,811,302	1,916,739
- unit trusts	14	4,224,963	4,291,047	4,224,963	4,291,047

The market values of quoted investments, unit trusts and warrants as at balance sheet date approximate their fair values.

The carrying amounts of short-term financial assets and liabilities such as cash and cash equivalents, trade and other receivables, inter-company indebtedness, trade and other payables, bills payable, bank overdrafts and bankers' acceptances, with the exception of unsecured advances included in inter-company indebtedness approximate fair values because of the short maturity of these instruments.

It is not practical to determine the fair value of unsecured advances included in inter-company indebtedness with sufficient reliability given that these balances have no fixed terms of repayment.

**32 CASH FLOW STATEMENTS**

The components of cash and cash equivalents comprise the following:

	The Group		The Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Short-term deposits with licensed banks	1,750,000	7,900,000	1,750,000	7,900,000
Investment funds	—	4,001,551	—	4,001,551
Cash and bank balances	1,436,272	950,530	1,073,813	347,664
Bank overdrafts	(1,786,660)	(889)	—	(889)
	1,399,612	12,851,192	2,823,813	12,248,326

**33 COMPARATIVE FIGURES**

Other than as disclosed in Note 26, certain comparative figures in the financial statements have been reclassified to conform with current year's presentation, as follows:

	The Group		The Company	
	As previously reported RM	As restated RM	As previously reported RM	As restated RM
<b>Cash Flow Statements</b>				
Cash Flows From/(Used In)				
Operating Activities				
Interest income	714,025	290,939	1,465,888	1,057,889
Finance costs paid	(284,656)	—	(36,479)	—
Cash Flows From/(Used In)				
Investing Activities				
Interest on investment funds and fixed and short-term deposits	—	423,086	—	407,999
Cash Flows From/(Used In)				
Financing Activities				
Finance costs paid	—	(284,656)	—	(36,479)

**STATEMENT BY DIRECTORS**

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

Signed in accordance with a resolution of the Directors,

**SOON AH KHUN @ SOON LIAN HUAT**

**SOON CHENG HAI**

Ipoh,  
February 27, 2004

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

I, **PAUL LIM JOO HENG**, the officer primarily responsible for the financial management of **CHOO BEE METAL INDUSTRIES BERHAD**, do solemnly and sincerely declare that the accompanying balance sheets and statements of income, changes in equity and cash flows are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**PAUL LIM JOO HENG**

Subscribed and solemnly declared by the abovenamed **PAUL LIM JOO HENG** at **IPOH** this 27th day of February, 2004.

Before me,

**COMMISSIONER FOR OATHS**  
**ABD. RAHIM B. HJ. MAT TAIB, AMN., AMP.**

**LIST OF GROUP'S PROPERTIES  
AS AT DECEMBER 31, 2003**

LOCATION	DESCRIPTION	AREA	TENURE	AGE OF BUILDING (YEARS)	NET BOOK VALUE RM	USAGE
<b>Choo Bee Metal Industries Berhad</b>						
1) Geran 26343 Mukim of Kuala Lumpur	Freehold land with a semi-detached single-storey house	10,200 sq.ft.	Freehold	23	187,599	Let out
2) HS(D)Ka 5678/80 Lot 17800 District of Kinta, Perak Darul Ridzuan	Industrial land with single-storey factory	4 acres	Leasehold 99 years expiring on 20.7.2079	26	657,361	Warehouse
3) Lot 70076 District of Kinta, Perak Darul Ridzuan	Industrial land with single-storey factory	4.25 acres	Leasehold 99 years expiring on 29.12.2076	32	2,574,956	Factory
4) Lot 65580, Kawasan Perusahaan Pengkalan 1, Perak Darul Ridzuan	Industrial land with single-storey factory	29.11 acres	Leasehold 60 years expiring on 3.11.2052	10.5	12,442,597	Factory
5) CII Apartment Greenhill Resort Cameron Highlands	Apartment	1,006 sq.ft.	Leasehold 46 years expiring on 27.10.2038	8	163,217	Staff use
6) HS(D) 86887 PT 74 Mukim Damansara, Daerah Petaling, Selangor Darul Ehsan	Condominium	1,668 sq.ft.	Freehold	5	352,588	Staff use
7) Country Lease No. 045324141 KM 25, Jalan Tuaran, District of Tuaran, Sabah	Industrial land with semi-completed single storey factory	2.95 acres	Leasehold 99 years expiring on 31.12.2090	7	1,909,045	Warehouse

**LIST OF GROUP'S PROPERTIES  
AS AT DECEMBER 31, 2003 (continued)**

LOCATION	DESCRIPTION	AREA	TENURE	AGE OF BUILDING (YEARS)	NET BOOK VALUE RM	USAGE
<b>Choo Bee Hardwares Sdn Berhad</b>						
1) Lots 5592S and 5593S, Town of Ipoh, District of Kinta, Perak Darul Ridzuan (No. 48 and 46 Lebu Raya Bendahara, Ipoh)	Commercial land with three-storey shophouse	Lot 5592S 1,916.6 sq.ft.  Lot 5593S 1,829.5 sq.ft.	Freehold  Freehold	23 ) ) ) 23 ) )	477,997	Office
2) Lots 5594S, Town of Ipoh, District of Kinta, Perak Darul Ridzuan (No.44 Lebu Raya Bendahara, Ipoh)	Commercial land with three-storey shophouse	1,829.5 sq.ft.	Freehold	23	84,858	Office
3) Lots 2874S and 2875S, Town of Ipoh, District of Kinta, Perak Darul Ridzuan (No.42 and 44 Jalan Bendahara, Ipoh)	Commercial land with double-storey shophouse	Lot 2874S 2,400 sq.ft.  Lot 2875S 1,742 sq.ft.	Freehold  Freehold	42 ) ) ) 42 ) )	123,616	Office
4) Lots 18001 and 22970, Mukim of Ulu Kinta, District of Ulu Kinta, Perak Darul Ridzuan	Land with no specific zoning; has a steel portal frame-work building used as a warehouse on Lot 18001 and a single-storey detached house which is owner occupied on Lot 22970	Lot 18801 131,499 sq.ft.  Lot 22970 117,886.5 sq.ft.	Long-term leasehold 999 years expiring on 5.8.2895	N/A ) ) ) 32 ) ) )	997,482	Warehouse
5) Lot P.T.23017, Mukim of Ulu Kinta, District of Kinta, Perak Darul Ridzuan (619 & 619A Jalan Tasek, Taman Seri Tasek, Ipoh)	Commercial land with two-storey shophouse	1,540 sq.ft.	Leasehold 99 years expiring on 11.3.2079	16	99,244	Let out



**LIST OF GROUP'S PROPERTIES  
AS AT DECEMBER 31, 2003 (continued)**

LOCATION	DESCRIPTION	AREA	TENURE	AGE OF BUILDING (YEARS)	NET BOOK VALUE RM	USAGE
<b>Choo Bee Hardwares Sdn Berhad</b>						
6) Lot 5595S, Town of Ipoh District of Kinta, Perak Darul Ridzuan	Commercial land with a temporary shed constructed on the land for cars and motor-cycles	1,829.5 sq.ft.	Freehold	N/A	12,834	Car Park
7) Lot 19493 & Lot 6969, Mukim of Kinta, Perak Darul Ridzuan	Commercial land	Lot 19493 4,356 sq.ft.  Lot 6969 20,963.25 sq.ft.	Freehold  Freehold	N/A ) ) ) ) ) )	67,027	Warehouse
8) HSD 85138 P.T.5582 Desa Anggerik, Phase 4 Mukim of Setul, Seremban	Double-storey house	1,650 sq. ft.	Freehold	5	122,029	Vacant
9) PM No. 12735 Lot No. 66108, Mukim Ulu Kinta, Perak Darul Ridzuan	Commercial land	1,320 sq.ft.	Leasehold 60 years expiring on 21.8.2055	N/A	31,693	Vacant
<b>* Taik Bee Hardware Sdn Bhd (TBH)/Pan Asian Management Consultants Sdn Bhd (PAMC)</b>						
1) P.T.38826 HS (D) Ka 6233/82, Mukim Ulu Kinta, Perak Darul Ridzuan	Industrial land with single-storey factory	2.30 acres	Leasehold 60 years expiring on 25.8.2042	12	2,079,035	Factory

\* The industrial land is registered in the name of PAMC while the building is owned by TBH.

**STATEMENT OF SHAREHOLDINGS AS AT APRIL 27, 2004**

Authorised Capital	:	RM500,000,000
Issued and fully paid-up capital	:	RM101,811,000 (Excluding 2,746,000 Treasury Shares)
Class of Shares	:	Ordinary shares of RM1.00 each fully paid
Voting Rights	:	One vote per RM1.00 share

**BREAKDOWN OF SHAREHOLDINGS**

Range of Shareholdings	No. of Shareholders	Percentage of Shareholders	No. of RM1.00 Shares	Percentage of Issued Capital
less than 100	15	0.32	340	0.00
100 to 1,000	1,362	28.66	1,251,410	1.23
1,001 – 10,000	2,991	62.93	10,781,973	10.59
10,001 – 100,000	341	7.17	8,699,710	8.55
100,001 – 5,090,549 *	41	0.86	17,156,567	16.85
5,090,550 and above **	3	0.06	63,921,000	62.78
<b>TOTAL</b>	<b>4,753</b>	<b>100.00</b>	<b>101,811,000</b>	<b>100.00</b>

Note: \* - Less than 5% of issued holdings

\*\* - 5% and above of issued holdings

**DIRECTORS' INTERESTS AS AT APRIL 27, 2004**

Shares in the Company	Ordinary Shares of RM1.00 each					
	Direct Interest	%	Deemed Interest	%	Total Interest	%
Soon Ah Khun						
@ Soon Lian Huat	892,600	0.88	53,571,000	52.61	54,463,600	53.49
Soon Cheng Hai	304,000	0.30	—	—	304,000	0.30
Soon Cheng Boon	298,000	0.29	—	—	298,000	0.29
Soon Hean Hooi	2,249,055	2.21	—	—	2,249,055	2.21
Leong Keng Yuen	26,000	0.03	—	—	26,000	0.03
Lee Sieng Tzi @ Vincent Lee	118,000	0.12	—	—	118,000	0.12
Dato' Robert Lim Git Hooi, DPMP, JP	14,000	0.01	69,000	0.07	83,000	0.08

Options in the Company	Options over Ordinary Shares of RM1.00 each at a price of RM1.20 each					
	Granted	%	Exercised	%	Balance	%
Soon Ah Khun @ Soon Lian Huat	600,000	6.88	240,000	2.75	360,000	4.13
Soon Cheng Hai	600,000	6.88	—	—	600,000	6.88
Soon Cheng Boon	600,000	6.88	—	—	600,000	6.88
Soon Hean Hooi	600,000	6.88	—	—	600,000	6.88
Lee Sieng Tzi @ Vincent Lee	600,000	6.88	—	—	600,000	6.88

## STATEMENT OF SHAREHOLDINGS AS AT APRIL 27, 2004 (continued)

## DIRECTORS' INTERESTS AS AT APRIL 27, 2004 (continued)

## Ordinary Shares of RM1.00 each

Shares in holding company,  
Soon Lian Huat Holdings Sdn. Berhad

Director	Direct		Deemed		Total	
	Interest	%	Interest	%	Interest	%
Soon Ah Khun @ Soon Lian Huat	62,000	55.36	—	—	62,000	55.36
Soon Cheng Hai	226,667*	33.33*	—	—	226,667*	33.33*
Soon Cheng Boon	226,667*	33.33*	—	—	226,667*	33.33*
Soon Hean Hooi	226,666*	33.33*	—	—	226,666*	33.33*

\* Denotes 5% non-cumulative preference shares of RM1.00 each.

## Ordinary Shares of RM1.00 each

Shares in related company,  
Choo Bee Holdings Sdn. Bhd.

Director	Direct		Deemed		Total	
	Interest	%	Interest	%	Interest	%
Soon Ah Khun @ Soon Lian Huat	—	—	1,660,584	50.43	1,660,584	50.43
Soon Cheng Hai	161,829	4.91	—	—	161,829	4.91
Soon Cheng Boon	161,829	4.91	—	—	161,829	4.91
Soon Hean Hooi	161,829	4.91	—	—	161,829	4.91

## Ordinary Shares of RM1.00 each

Shares in subsidiary company,  
Taik Bee Hardware Sdn. Bhd.

Director	Direct		Deemed		Total	
	Interest	%	Interest	%	Interest	%
Soon Ah Khun @ Soon Lian Huat	—	—	4,556,360	87.62	4,556,360	87.62
Soon Cheng Hai	24,400	0.47	—	—	24,400	0.47
Soon Cheng Boon	24,400	0.47	—	—	24,400	0.47
Soon Hean Hooi	24,400	0.47	—	—	24,400	0.47

By virtue of his interest in the Company and in the holding company, Soon Ah Khun @ Soon Lian Huat is also deemed to have an interest in the shares of all the subsidiary companies to the extent that the Company and the holding company has an interest.

Other than as disclosed above, none of other directors have any direct or deemed interest in the shares of the Company or its related companies.

## STATEMENT OF SHAREHOLDINGS AS AT APRIL 27, 2004 (continued)

## LIST OF TOP THIRTY SHAREHOLDERS AS AT APRIL 27, 2004

	Name	Shareholdings Percentage
1.	Choo Bee Holdings Sdn Bhd	42,347,000 41.59
2.	Soon Lian Huat Holdings Sdn. Berhad	11,224,000 11.02
3.	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	10,350,000 10.17
4.	Soon Hean Hooi	2,249,055 2.21
5.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pheim Asset Management Sdn Bhd for Employees Provident Fund	1,353,400 1.33
6.	Allianz Life Insurance Malaysia Berhad	1,080,000 1.06
7.	Yeo Lee Hong Betty	1,059,000 1.04
8.	Allianz Life Insurance Malaysia Berhad	1,048,600 1.03
9.	Allianz General Insurance Malaysia Berhad	969,300 0.95
10.	Soon Ah Khun @ Soon Lian Huat	892,600 0.88
11.	Soon Siew Leh	750,000 0.74
12.	Employees Provident Fund Board	695,800 0.68
13.	Soon Lian Lim	470,990 0.46
14.	Soon Lian Lim	427,875 0.42
15.	HSBC Nominees (Tempatan) Sdn. Bhd. HSBC (Malaysia) Trustee Berhad for Apex Malaysia Growth Trust	421,300 0.41
16.	Yeoh Kean Hua	365,000 0.36
17.	Hong Leong Finance Berhad Pledged Securities Account For Surinder Singh A/L Wassan Singh	305,000 0.30
18.	Soon Cheng Hai	304,000 0.30
19.	Chor Sek Choon	300,000 0.29
20.	Malaysia Nominees (Tempatan) Sendirian Berhad Malaysian Trustees Berhad for Alliance Vision Fund	298,000 0.29
21.	Soon Cheng Boon	298,000 0.29
22.	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Smallcap Fund	285,000 0.28
23.	M & A Nominee (Tempatan) Sdn Bhd M&A Securities Sdn. Bhd.	280,440 0.28
24.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Su Ming Keat	250,000 0.25
25.	AMMB Nominees (Tempatan) Sdn Bhd Malaysian Assurance Alliance Bhd for Annuity Par	241,300 0.24
26.	Citicorp Nominees (Asing) Sdn. Bhd. CBNY for DFA Emerging Markets Fund	235,700 0.23
27.	Malaysia Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Soon Lian Lim	224,607 0.22
28.	Tan Goh Mee	196,300 0.19
29.	Leong Fook @ Leong Kim San	194,000 0.19
30.	RHB Nominees (Asing) Sdn Bhd GK Goh SPL for Hup Huat Food Industries (S) Pte Ltd	180,000 0.18
	79,296,267	77.88

## STATEMENT OF SHAREHOLDINGS AS AT APRIL 27, 2004 (continued)

**SUBSTANTIAL SHAREHOLDERS AS AT APRIL 27, 2004**

According to the register required to be kept under Section 69L of the Companies Act, 1965, the following are the substantial shareholders of the Company:-

Name of Substantial Shareholder	No. of RM1.00 Shares in which Shareholder has direct interest		Other Shareholdings in which Shareholder is deemed interested		Total interest in number of RM1.00 shares (A+B)	
	(A)	%	(B)	%	(A+B)	%
Amanah Raya Berhad - Skim Amanah Saham Bumiputera	10,350,000	10.17	—	—	10,350,000	10.17
Choo Bee Holdings Sdn. Bhd.	42,347,000	41.59	—	—	42,347,000	41.59
Soon Ah Khun @ Soon Lian Huat	892,600	0.88	53,571,000	52.61	54,463,600	53.49
Soon Lian Huat Holdings Sdn. Berhad	11,224,000	11.02	42,347,000	41.59	53,571,000	52.61
Tang Kim Heok	—	—	53,571,000	52.61	53,571,000	52.61

## FORM OF PROXY

**CHOO BEE METAL INDUSTRIES BERHAD (10587-A)**  
(Incorporated in Malaysia)

I/We, \_\_\_\_\_  
of \_\_\_\_\_  
being a member of Choo Bee Metal Industries Berhad hereby appoint +the Chairman of the Meeting  
\_\_\_\_\_ of \_\_\_\_\_ or failing him,  
\_\_\_\_\_ of \_\_\_\_\_ as my / our  
proxy, to vote for me/us and on my/our behalf at the 2004 Annual General Meeting of the Company to  
be held on June 11, 2004 and at any adjournment thereof in the manner indicated below in respect of the  
following Resolutions:

<b>Resolutions relating to:-</b>	<b>For</b>	<b>Against</b>
1. The adoption of Audited Financial Statements		
2. The declaration of a Final Dividend		
3. The payment of increased Directors' fee of RM188,000/-		
4. The re-election of Directors:		
Datuk Ismail bin Haji Ahmad		
Leong Keng Yuen		
Soon Hean Hooi		
5. The appointment of Auditors and their remuneration		
6. Ordinary Resolution No. 1 - Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965		
7. Ordinary Resolution No. 2 - Authority to allot and issue shares pursuant to the Employees' Share Option Scheme		
8. Ordinary Resolution No. 3 - Proposed Renewal of Share Buy Back Authority		
9. Ordinary Resolution No. 4 - Proposed Renewal of Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature and in the Nature of Provision of Financial Assistance		
10. Ordinary Resolution No. 5 - Proposed Renewal of Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature involving Amalgamated Industrial Steel Berhad, A Related Party		

Please indicate with ( ✓ ) how you wish your vote to be cast

No. of shares held	
CDS A/C No.	

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Shareholder

**NOTES**

A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company, No. 35 Jalan Hussein, 30250 Ipoh, Perak Darul Ridzuan, Malaysia not less than 48 hours before the time appointed for holding the Meeting.

+If it is desired to appoint another person as a proxy, the words “the Chairman of the Meeting” should be deleted and the name of the proxy should be inserted in block capitals, and the alteration should be initialled.

Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

If this Form is signed and returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.

In the case of a corporation, the proxy must be executed under its Common Seal, or under the hand of a duly authorised officer.

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