



Knusford Berhad
(Company No. 380100-D)
(Incorporated in Malaysia)
and its subsidiaries

**Financial statements for the year
ended 31 December 2003**

Domiciled in Malaysia
Registered office
33-35, 2nd Floor
Wisma Ekovest
Jalan Desa Gombak 6
Taman Sri Setapak
Off Jalan Gombak
53000 Kuala Lumpur

Knusford Berhad
 (Company No. 380100-D)
 (Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2003

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2003.

Principal activities

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 22 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Net profit for the year	10,754	472

Reserves and provisions

There were no material transfers to or from reserves and provisions during the year.

Dividends

Since the end of the previous financial year, the Company paid a final dividend of 1% less tax totalling RM533,102 in respect of the year ended 31 December 2002 on 18 September 2003.

The final dividend recommended by the Directors in respect of the year ended 31 December 2003 is 1% less tax totalling RM702,209.

Directors of the Company

Directors who served since the date of the last report are:

Lim Kang Swee
 Abdul Aziz Bin Ismail
 Dato' Lim Kang Hoo
 Khoo Nang Seng @ Khoo Nam Seng
 Aznam Bin Mansor
 Lim Ts-Fei
 Dr. Wong Kai Fatt
 Chan Seng Chow

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The holdings and deemed holdings in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2003	Bought	Sold	At 31.12.2003
Shareholdings in which Directors have direct interest in the Company				
Lim Kang Swee	8,004,000	150,000	-	8,154,000
Abdul Aziz Bin Ismail	10,000	50,000	-	60,000
Dato' Lim Kang Hoo	465,749	-	-	465,749
Khoo Nang Seng @ Khoo Nam Seng	7,824,122	-	-	7,824,122
Aznam Bin Mansor	8,000	-	-	8,000
Lim Ts-Fei	10,000	-	-	10,000

Shareholdings in which Directors have indirect interest in the Company through:

i) Kinston Park Sdn. Bhd.

Abdul Aziz Bin Ismail	32,410,000	-	-	32,410,000
Dato' Lim Kang Hoo	32,410,000	-	-	32,410,000
Aznam Bin Mansor	32,410,000	-	-	32,410,000

ii) Bidarcita Sdn. Bhd.

Lim Kang Swee	439,000	-	-	439,000
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	Number of options over ordinary shares of RM1.00 each			
	At 1.1.2003	Granted	Exercised	At 31.12.2003
Company,				
Lim Kang Swee	-	300,000	(150,000)	150,000
Abdul Aziz Bin Ismail	-	740,000	(50,000)	690,000
Dato' Lim Kang Hoo	-	300,000	-	300,000
Khoo Nang Seng @ Khoo Nam Seng	-	300,000	-	300,000

By virtue of their interests in the shares of the Company, the above named Directors are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Knusford Berhad has an interest.

None of the other Directors holding office at 31 December 2003 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 24 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the Employees' Share Option Scheme.

Issue of shares

During the financial year, the Company issued 22,212,000 ordinary shares of RM1.00 each for cash arising from the private placement exercise at the price of RM1.36 per share and 1,275,000 ordinary shares of RM1.00 each arising from the exercise of Employees' Share Option Scheme at the option price of RM1.25 per share.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of options pursuant to the Employees' Share Option Scheme.

At an extraordinary general meeting held on 29 January 2003, the Company's shareholders approved the establishment of an employees' share option scheme ("ESOS") of not more than 10% of the issued share capital of the Company at any point in time during the duration of the ESOS to eligible Executive Directors and employees of the Group.

The options offered to take up unissued ordinary shares of RM1.00 each and the option prices are as follows:

Date of offer	Option Price	Number of options over ordinary shares of RM1 each			Balance at 31.12.2003
		Balance at 1.1.2003	Granted	Exercised	
2.7.2003	1.25	-	9,625,000	(1,275,000)	8,350,000

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The salient features of the scheme are as follows:

- i) Eligible employees are those who are employed full time by and on the payroll of a company within the Group as at the date of offer.
- ii) The option is personal to the grantee and is non-assignable.
- iii) The options granted may be exercised at any time within a period of five years from the date of offer of the option or such shorter period as may be specifically stated in the offer upon giving notice in writing.
- iv) The options granted may be exercised in full or in lesser number of ordinary shares provided that the number shall be in multiples of 1,000 shares.

The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

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

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) 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
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

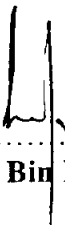
No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and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

In the opinion of the Directors, except for the changes in accounting policies as disclosed in Note 27 of these financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2003 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:


.....
Abdul Aziz Bin Ismail


.....
Dato' Lim Kang Hoo

Kuala Lumpur,

Date: 27 April 2004

Knusford Berhad
(Company No. 380100-D)
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**Statement by Directors pursuant to Section 169(15)
of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 10 to 48 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2003 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:


.....
Abdul Aziz Bin Ismail


.....
Dato' Lim Kang Hoo

Kuala Lumpur,


Date: 27 April 2004

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

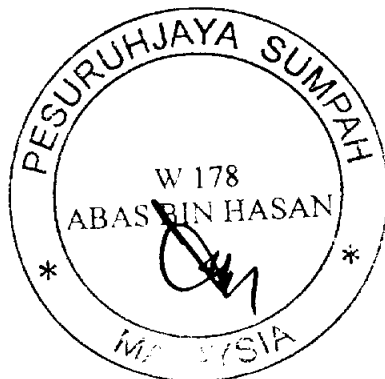
I, **Lim Siong Seong**, the officer primarily responsible for the financial management of Knusford Berhad, do solemnly and sincerely declare that the financial statements set out on pages 10 to 48 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 27 April 2004.



.....
Lim Siong Seong

Before me:



1st, Floor Putra Flatlet
101, Jalan Putra
50350 Kuala Lumpur

KPMG (Firm No. AF 0758)
Chartered Accountants
Wisma KPMG
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur, Malaysia

P.O. Box 10047
50702 Kuala Lumpur
Malaysia

Tel + (603) 2095 3388
Fax + (603) 2095 0971
Email: info@kpmg.com.my

www.kpmg.com.my

Report of the auditors to the members of Knusford Berhad

(Company No. 380100-D)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 10 to 48. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the 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 all the information and explanations, which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:


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

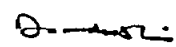


Company No. 380100-D

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

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.


KPMG
Firm Number: AF 0758
Chartered Accountants


Lim Hun Soon @ David Lim
Partner
Approval Number: 1514/5/04(J)

Kuala Lumpur,

Date: 27 April 2004

Knusford Berhad
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Balance sheets at 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Property, plant and equipment	2	40,654	22,297	-	-
Investments in subsidiaries	3	-	-	65,892	57,892
Properties under development	4	32,874	21,333	-	-
Deferred tax assets	5	687	841	-	-
		<u>74,215</u>	<u>44,471</u>	<u>65,892</u>	<u>57,892</u>
Current assets					
Inventories	6	25,337	24,326	-	-
Properties under development	4	15,530	-	-	-
Trade and other receivables	7	53,372	58,614	38,441	12,576
Tax recoverable		5,570	3,759	-	-
Cash and cash equivalents	8	45,834	34,659	24,209	18,470
		<u>145,643</u>	<u>121,358</u>	<u>62,650</u>	<u>31,046</u>
Current liabilities					
Trade and other payables	9	39,355	33,600	8,209	136
Borrowings	10	3,733	2,874	-	-
Taxation		646	342	70	28
		<u>43,734</u>	<u>36,816</u>	<u>8,279</u>	<u>164</u>
Net current assets		<u>101,909</u>	<u>84,542</u>	<u>54,371</u>	<u>30,882</u>
		<u><u>176,124</u></u>	<u><u>129,013</u></u>	<u><u>120,263</u></u>	<u><u>88,774</u></u>

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Balance sheets at 31 December 2003

(continued)

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Financed by:					
Capital and reserves					
Share capital	11	97,529	74,042	97,529	74,042
Reserves	12	58,322	40,038	22,734	14,732
Shareholders' funds		<u>155,851</u>	<u>114,080</u>	<u>120,263</u>	<u>88,774</u>
Negative goodwill	13	6,895	13,790	-	-
Long term and deferred liabilities					
Borrowings	10	10,444	1,143	-	-
Deferred tax liabilities	5	2,934	-	-	-
		<u>176,124</u>	<u>129,013</u>	<u>120,263</u>	<u>88,774</u>

The financial statements were approved and authorised for issue by the Board of Directors on 27 April 2004

The notes set out on pages 18 to 48 form an integral part of, and should be read in conjunction with, these financial statements.

Knusford Berhad
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Income statements for the year ended 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue	15	124,750	113,145	745	-
Operating profit/(loss)	15	11,862	13,884	196	(282)
Interest income		882	859	638	454
Interest expense	17	(404)	(203)	-	-
Profit before taxation		12,340	14,540	834	172
Tax expense	18	(1,586)	(3,581)	(362)	(140)
Profit after taxation		10,754	10,959	472	32
Add: Minority interests		-	5	-	-
Net profit for the year		10,754	10,964	472	32
Basic earnings per ordinary share (sen)	19	12.7	14.8		
Diluted earnings per ordinary share (sen)	19	12.5	14.8		
Dividends per ordinary share - net (sen)	20	0.7	0.7	0.7	0.7

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**Statements of changes in equity for year ended
 31 December 2003**

Group	Note	<i>Non-distributable</i>		<i>Distributable</i>	Total RM'000
		Share capital RM'000	Share premium RM'000	Retained profits RM'000	
At 1 January 2002		74,042	14,105	19,766	107,913
Effect of adopting MASB 25	27	-	-	534	534
Restated balance		74,042	14,105	20,300	108,447
Dividend - 2001 final	20	-	-	(5,331)	(5,331)
Net profit for the year		-	-	10,964	10,964
At 31 December 2002		<u>74,042</u>	<u>14,105</u>	<u>25,933</u>	<u>114,080</u>
At 1 January 2003		74,042	14,105	25,092	113,239
Effect of adopting MASB 25	27	-	-	841	841
Restated balance		74,042	14,105	25,933	114,080
Issue of shares:					
Private placement		22,212	7,996	-	30,208
Share options		1,275	319	-	1,594
Net losses not recognised in the income statement:					
Shares issuance expenses		-	(252)	-	(252)
Dividends - 2002 final	20	-	-	(533)	(533)
Net profit for the year		-	-	10,754	10,754
At 31 December 2003		<u>97,529</u>	<u>22,168</u>	<u>36,154</u>	<u>155,851</u>
		Note 11	Note 12	Note 12	

Statements of changes in equity for year ended 31 December 2003

(continued)

Company	Note	Share capital RM'000	<i>Non- distributable</i>		<i>Distributable</i> Retained profits RM'000	Total RM'000
			Share premium RM'000			
At 1 January 2002		74,042	14,105		5,926	94,073
Dividends - 2001 final	20	-	-		(5,331)	(5,331)
Net profit for the year		-	-		32	32
At 31 December 2002		74,042	14,105		627	88,774
Issue of shares:						
Private placement		22,212	7,996		-	30,208
Share options		1,275	319		-	1,594
Net losses not recognised in the income statement:						
Shares issuance expenses		-	(252)		-	(252)
Dividends - 2002 final	20	-	-		(533)	(533)
Net profit for the year		-	-		472	472
At 31 December 2003		97,529	22,168		566	120,263
		Note 11	Note 12		Note 12	

The notes set out on pages 18 to 48 form an integral part of, and should be read in conjunction with, these financial statements.

Knusford Berhad
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Cash flow statements for the year ended 31 December 2003

	Note	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash flows from operating activities					
Profit before taxation		12,340	14,540	834	172
Adjustments for:					
Depreciation		4,699	4,149	-	-
Dividend income		-	-	(745)	-
Gain on disposal of property, plant and equipment		(183)	(299)	-	-
Interest expense		404	203	-	-
Interest income		(882)	(859)	(638)	(454)
Amortisation of negative goodwill		(6,895)	(6,895)	-	-
Operating profit/(loss) before working capital changes		9,483	10,839	(549)	(282)
Changes in working capital:					
Properties under development		4,990	-	-	-
Inventories		(996)	(314)	-	-
Trade and other receivables		8,286	2,591	80	(83)
Trade and other payables		(18,623)	2,413	8,073	47
Cash generated from/(used in) operations		3,140	15,529	7,604	(318)
Dividends received		-	-	745	-
Income taxes paid		(3,112)	(11,412)	(320)	(100)
Net cash generated from /(used in) operating activities		28	4,117	8,029	(418)

Cash flow statements for the year ended 31 December 2003

(continued)

	Group		Company		
	Note	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash flows from investing activities					
Interest received		882	859	638	454
Acquisitions of subsidiaries, net of cash acquired (Note 23)		(7,622)	(5)	(8,000)	-
Purchase of property, plant and equipment (i)		(10,832)	(3,267)	-	-
Proceeds from disposal of property, plant equipment		342	440	-	-
Deposits pledged with banks		(129)	(3,266)	(88)	(3,223)
Development expenditure on land held for future development		-	(3,713)	-	-
Net cash used in investing activities		(17,359)	(8,952)	(7,450)	(2,769)
Cash flows from financing activities					
(Advances to)/Repayments from subsidiaries		-	-	(25,945)	4,903
Dividends paid (Note 20)		(533)	(5,331)	(533)	(5,331)
Interest paid		(404)	(203)	-	-
Proceeds from the issuance of shares		31,802	-	31,802	-
Shares issuance expenses paid		(252)	-	(252)	-
Repayments of finance lease liabilities		(2,236)	(1,018)	-	-
Proceeds from revolving credit		-	1,000	-	-
Trust receipts		-	(916)	-	-
Net cash generated from/(used in) financing activities		28,377	(6,468)	5,072	(428)
Net increase/(decrease) in cash and cash equivalents		11,046	(11,303)	5,651	(3,615)
Cash and cash equivalents at beginning of year		28,527	39,830	15,247	18,862
Cash and cash equivalents at end of year	(ii)	39,573	28,527	20,898	15,247

Cash flow statements for the year ended 31 December 2003 (continued)

(i) *Purchase of property, plant and equipment*

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM23,228,000 (2002 - RM6,632,000) of which RM12,396,000 (2002 - RM3,365,000) were acquired by means of finance lease arrangements.

(ii) *Cash and cash equivalents*

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Cash and bank balances	13,613	4,271	131	67
Deposits with licensed banks (excluding deposits pledged)	25,960	24,256	20,767	15,180
	<u>39,573</u>	<u>28,527</u>	<u>20,898</u>	<u>15,247</u>

The notes set out on pages 18 to 48 form an integral part of, and should be read in conjunction with, these financial statements.