

5. INVESTMENT IN A SUBSIDIARY (CONTD.)

(iii) The fair value of assets acquired and liabilities assumed from the acquisition of the subsidiary is as follows:

	<u>30.4.2002</u>
	RM
Property, plant and equipment	33,757,104
Inventories	3,173,021
Trade and other receivables	9,712,468
Trade and other payables	(3,568,155)
Hire purchase payables	(820,846)
Bank borrowings	(16,327,331)
Provision for taxation	(999,101)
Deferred taxation	<u>(2,227,564)</u>
	22,699,596
Reserve on acquisition	<u>(2,599,596)</u>
Total purchase consideration	20,100,000
Satisfied by :	
Shares issued	<u>(20,100,000)</u>
	-
Add : Bank overdraft of a subsidiary acquired	<u>(8,177,739)</u>
Cash flow arising on acquisition of a subsidiary	<u><u>(8,177,739)</u></u>

6. AMOUNT OWING BY A SUBSIDIARY

The amount owing by a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

7. RESERVE ON CONSOLIDATION

	Group 2002 RM
At 1 January 2002	-
Arising on acquisition of a subsidiary	<u>2,599,596</u>
At 31 December 2002	<u><u>2,599,596</u></u>

8. INVENTORIES

	Group 2002 RM
At cost :	
Finished goods	1,636,986
Raw materials	1,452,988
Packing materials	<u>301,474</u>
	<u><u>3,391,448</u></u>

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM17,519,439.

9. TRADE RECEIVABLES

	Group 2002 RM
Trade receivables	10,356,447
Less: Provision for doubtful debts	<u>(425,459)</u>
	<u><u>9,930,988</u></u>

Included in trade receivables is an amount of RM97,139 due from Seong Chan Sauce & Foodstuff Sdn Bhd, a company in which certain directors, Fang Chew Ham, Foong Chiew Fatt, Fong Chiew Hean and Fong Chu King @ Tong Chu King have substantial financial interests.

10. OTHER RECEIVABLES

	Group 2002 RM	Company 2002 RM	2001 RM
Sundry receivables, deposits and prepayments	327,636	1,160	-
Less: Provision for doubtful debts	<u>(180,000)</u>	<u>-</u>	<u>-</u>
	<u>147,636</u>	<u>1,160</u>	<u>-</u>

11. OTHER PAYABLES

Included in other payables is an amount of RM4,037 due to Excellent Chemicals Industrial Sdn Bhd, a company in which certain directors, Fang Chew Ham, Foong Chiew Fatt, Fong Chiew Hean and Fong Chu King @ Tong Chu King have substantial financial interests.

The amount due to a company in which directors have substantial financial interests is unsecured, interest-free with no fixed terms of repayment.

12. HIRE PURCHASE PAYABLES

	Group 2002 RM
Minimum instalments payable:	
Not later than one year	75,000
Later than one year and not later than five years	<u>143,750</u>
	218,750
Less : Finance charges allocated to future periods	<u>(43,750)</u>
Present value of hire purchase liabilities	<u>175,000</u>
Repayable as follows:	
Not later than one year (included under current liabilities)	60,000
Later than one year and not later than five years	<u>115,000</u>
	<u>175,000</u>

The hire purchase liabilities bore interest during the year of between 9.15% to 10.11% per annum.

13. BANK BORROWINGS

	Group 2002 RM
Short Term Borrowings	
Secured:	
Term loans	-
Bank overdrafts	4,266,517
Bankers acceptances	<u>6,596,367</u>
	<u><u>10,862,884</u></u>

The term loans were fully settled during the year.

The average effective interest rates are as follows:

	Group 2002 %
Bank overdraft	7.90
Bankers acceptances	3.10 - 4.60
Term loans	8.40

The bank borrowings are secured by:

- the leasehold land and factory and office buildings of the subsidiary (Note 3);
- debentures incorporating fixed and floating charges over all assets and undertakings of the subsidiary, both present and future;
- joint and several guarantees by the directors of the subsidiary.

14. SHARE CAPITAL

Group and Company

	2002		2001	
	No. of shares	RM	No. of shares	RM
Authorised:				
At 1 January				
Ordinary shares of RM1 (2001: RM1) each	100,000	100,000	100,000	100,000
Created during the year				
Ordinary shares of RM1 (2001: RM1) each	49,900,000	49,900,000	-	-
Additional number of ordinary shares arising from subdivision of each of the ordinary shares of RM1 each into 5 ordinary shares of RM0.20 each	200,000,000	-	-	-
At 31 December				
Ordinary shares of RM0.20 (2001: RM1) each	250,000,000	50,000,000	100,000	100,000

14. SHARE CAPITAL (CONTD.)

Group and Company

	2002		2001	
	No. of shares	RM	No. of shares	RM
Issued and fully paid:				
At 1 January				
Ordinary shares of RM1 (2001: RM1) each	2	2	2	2
Issue of ordinary shares of RM1 each as consideration for acquisition of a subsidiary (Note 5)	20,100,000	20,100,000	-	-
Additional number of ordinary shares arising from subdivision of each of the ordinary shares of RM1 each into 5 ordinary shares of RM0.20 each	80,400,008	-	-	-
Issued during the year				
- Public issue				
Ordinary shares of RM0.20 each	39,500,000	7,900,000	-	-
At 31 December				
Ordinary shares of RM0.20 (2001: RM1) each	140,000,010	28,000,002	2	2

15. DEFERRED TAXATION

	Group 2002 RM
At 1 January 2002	-
Arising on acquisition of subsidiary	2,227,564
Transfer from income statement (Note 19)	<u>673,364</u>
At 31 December 2002	<u><u>2,900,928</u></u>

16. REVENUE

Revenue represents the invoiced value of goods sold less sales tax, goods returned and trade discounts.

17. PROFIT FROM OPERATIONS

	Group 2002 RM	Company 2002 RM	2001 RM
Profit from operations is stated after charging/(crediting):			
Staff costs (excluding directors' remuneration)	2,920,171	-	-
Directors' remuneration	840,404	15,000	-
Auditors' remuneration			
- current year	35,000	10,000	1,000
- underprovision in previous year	10,000	-	-
Depreciation	1,161,174	117	-
Unrealised foreign exchange losses	1,294	-	-
Provision for doubtful debts	105,000	-	-
Rental of premises	3,200	-	-
Realised exchange gain	(136,087)	-	-
Interest income	<u>(21,402)</u>	<u>(21,402)</u>	<u>-</u>

17. PROFIT FROM OPERATIONS (CONTD.)

	Group 2002 RM	Company	
		2002 RM	2001 RM
Directors of the Company			
Executive:			
Salaries and other emoluments	753,304	-	-
Fees	-	-	-
Bonus	68,500	-	-
Benefits-in-kind	-	-	-
	<u>821,804</u>	<u>-</u>	<u>-</u>
Non-executive:			
Salaries and other emoluments	18,600	15,000	-
Fees	-	-	-
Bonus	-	-	-
Benefits-in-kind	-	-	-
	<u>18,600</u>	<u>15,000</u>	<u>-</u>
Total	<u><u>840,404</u></u>	<u><u>15,000</u></u>	<u><u>-</u></u>
Analysis excluding benefits-in-kind:			
Total executive directors' remuneration	821,804	-	-
Total non-executive directors' remuneration	<u>18,600</u>	<u>15,000</u>	<u>-</u>
Total directors' remuneration	<u><u>840,404</u></u>	<u><u>15,000</u></u>	<u><u>-</u></u>

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

	Number of directors 2002
Executive directors:	
RM50,001 - RM100,000	1
RM150,001 - RM200,000	1
RM200,001 - RM250,000	1
RM350,000 - RM400,000	1
Non-Executive directors:	
Below RM50,000	3

18. FINANCE COSTS

	Group 2002 RM
Interest expense on:	
Term loans	64,253
Other bank borrowings	509,076
Hire purchase	55,731
Bank charges	73,743
	<hr/>
	702,803
	<hr/> <hr/>

19. TAXATION

	Group 2002 RM
Malaysian taxation based on results for the year:	
Current	39,532
Transfer to deferred taxation (Note 15)	673,364
	<hr/>
	712,896
	<hr/> <hr/>

There is no tax charge for the year for the Company as the Company is in a tax loss position.

The effective tax rate of the Group is lower than the statutory tax rate due to the utilisation of reinvestment allowances against taxable income by a subsidiary.

Subject to the agreement by the Inland Revenue Board, the estimated unutilised reinvestment allowances of the Group available for utilisation against future taxable income prior to year of assessment 2001 is RM2,382,000. The estimated unutilised reinvestment allowances of the Group available for utilisation against future taxable income after year of assessment 2001 is RM6,995,000.

20. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group 2002
Net profit for the year (RM)	1,876,839
Weighted average number of ordinary shares in issue	80,166,677
Basic earnings per share (sen)	2.3

Diluted earnings per share is not presented as the Company does not have any potential ordinary shares outstanding as at year end.

21. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group 2002 RM	Company 2002 RM	2001 RM
Acquisition of a subsidiary in which certain directors, Fang Chew Ham, Foong Chiew Fatt, Fong Chiew Hean, Fong Chu King @ Tong Chu King and Dato' Mohd Nor Bin Abdul Wahid have substantial financial interests (Note 5)	-	20,100,000	-
Loan to a subsidiary	-	(9,200,000)	-
Payment made on behalf by a subsidiary	-	359,127	-
Repayment to a director, Fang Chew Ham by a subsidiary	(4,126)	-	-
Sales to Seong Chan Sauce & Foodstuff Sdn Bhd, a company in which certain directors, Fang Chew Ham, Foong Chiew Fatt, Fong Chiew Hean and Fong Chu King @ Tong Chu King have substantial financial interests	(407,147)	-	-
	<u>(407,147)</u>	<u>-</u>	<u>-</u>

The directors are of the opinion that the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

22. CAPITAL COMMITMENTS

As at 31 December 2002, the Group has the following capital commitments in respect of property, plant and equipment:

	Group 2002 RM
Approved and contracted for	<u>1,250,000</u>

23. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks.

(b) Interest Rate Risk

The Group's exposure to market risk for changes in the interest rate environment principally relates to its debts obligations. The Group ensures that it obtains borrowings at interest rates that are not materially different from the market rates.

Information relating to the Group's interest rate is disclosed in the Notes 12 and 13 to the financial statements.

(c) Foreign Exchange Risk

The Group is exposed to the effects of foreign currency exchange rate fluctuations, primarily in relation to the Singaporean dollar.

The Group's policy is to manage all its foreign financial assets and liabilities using the best available foreign currency exchange rates. Transactional exposures in currencies other than the entity's functional currency are kept at a minimal level.

24. FINANCIAL INSTRUMENTS (CONTD.)

(d) Liquidity Risk

The Group actively manages its cash and cash equivalents, operating cash flows and the availability of funding so as to ensure that there is adequate working capital and that repayment and funding needs are met.

The Group does not anticipate any problems in obtaining external funding in the foreseeable future if the need arises.

(e) Credit Risk

Credit risk is the risk that counter parties will be unable to meet their obligations resulting in financial loss to the Group.

It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that the goods sold are to the customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The trade receivables represent the Group's maximum exposure to credit risk in the event the counter parties fail to perform their obligations. There was no significant concentration of credit risk to the Group as at year end.

(f) Fair value

The carrying amounts of inventories, trade and other receivables, cash and cash equivalents, trade and other payables and hire purchase payables approximate their fair values due to their short-term nature.

It is not practical to estimate the fair values of amounts owing by subsidiary due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The fair values of the other non-current liabilities are not materially different from their carrying value as at 31 December 2002.

24. SEGMENT INFORMATION

No segmental reporting is presented as the Group's activities are predominantly in one industry segment and occur predominantly in Malaysia.

25. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The Company acquired the entire issued and paid-up share capital of San Soon Seng Food Industries Sdn. Bhd. for a purchase consideration of RM20,100,000 on 30 April 2002 in which certain directors of the Company have substantial financial interests, as disclosed in Note 21 to the financial statements.
- (b) The Company issued 39,500,000 ordinary shares of RM0.20 each, at an issue price of RM0.25 per share by way of public issue and private placement.
- (c) The Company was listed on the MESDAQ Market of the Kuala Lumpur Stock Exchange on 13 August 2002.

26. COMPARATIVE FIGURES

There are no Group comparative figures as this is the first set of Group financial statements presented by the Group.