



# FINANC STAT



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# IAL EMENTS

# Directors' Report

The Directors are pleased to submit their annual report to the members together with the audited financial statements of the Group and Company for the financial year ended 31 December 2003.

## PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and civil constructions. The principal activities of the subsidiary companies are disclosed in Note 12 to the financial statements. There was no significant change in the nature of the principal activities of the Company or its subsidiary companies during the financial year.

## FINANCIAL RESULTS

	<i>Group</i>	<i>Company</i>
	<i>RM</i>	<i>RM</i>
Profit from ordinary activities after taxation	11,731,333	6,085,870
Minority interest	(172,129)	0
Net profit attributable to shareholders	11,559,204	6,085,870

## DIVIDENDS

The dividends on ordinary shares paid by the Company since 31 December 2002 were as follows:

	<i>RM</i>
In respect of the financial year ended 31 December 2002, as shown in the Directors' report of that financial year, final gross dividend of 8 sen per share on 68,000,000 ordinary shares, less income tax of 28%, paid on 28 July 2003	3,916,800

The Directors now recommend the payment of a final gross dividend of 8 sen per share on 68,000,000 ordinary shares, less income tax of 28%, amounting to RM3,916,800, subject to the approval of members at the forthcoming Annual General Meeting of the Company.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Datuk Abdul Rashid bin Abdul Manaff  
Loh Kim Tai  
Loh Kim Kah  
Lee Hon Keong  
Danny Ng Siew L'Leong  
Hooi Kah Hung  
O Wai Tiong  
Yong Weng Fai  
Dato' Voon Tin Yow

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS (CONTINUED)

In accordance with Article 118 of the Company's Articles of Association, Loh Kim Tai, Danny Ng Siew L'Leong and O Wai Tiong retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Section 129(2) of the Companies Act, 1965, the office of Mr. Hooi Kah Hung, who is over the age of seventy years old, shall become vacant at the conclusion of the forthcoming Annual General Meeting. The Directors recommend his appointment under Section 129(6) of the said Act.

### DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects 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.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the directors' fees and other emoluments disclosed in Note 4 to 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 he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 27 to the financial statements.

### DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year in shares in the Company are as follows:

	<i>Number of ordinary shares of RM1 each in the Company</i>			
	<i>At 1.1.2003</i>	<i>Bought</i>	<i>Sold</i>	<i>At 31.12.2003</i>
<b>Direct interest</b>				
Lee Hon Keong	95,625	0	0	95,625
<b>Indirect interest</b>				
Loh Kim Tai	30,265,931	100,000	0	30,365,931

By virtue of his interests in the Company, Loh Kim Tai is deemed to be interested in the shares of the subsidiary companies to the extent the Company has an interest.

Other than disclosed above, according to the register of Directors' shareholdings, the other Directors in office at the end of the financial year did not hold any interest in shares in the Company or its related corporations during the financial year.

### NUMBER OF EMPLOYEES

The number of employees (excluding Directors) as at the end of the financial year of the Group and Company were 378 (2002: 256) and Nil (2002: Nil) respectively.

## DIRECTORS' REPORT (CONTINUED)

### STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets 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 satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

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

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and 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 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 the Company misleading or inappropriate.

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 or the Company to meet their obligations when they fall due.

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

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

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

### AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 26 April 2004.

DATUK ABDUL RASHID BIN ABDUL MANAFF  
DIRECTOR

LOH KIM TAI  
DIRECTOR

# Income Statements

For The Financial Year Ended 31 December 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
Revenue	3	166,977,747	145,027,992	18,476,341	9,743,105
Cost of sales		(138,238,161)	(112,491,816)	(9,517,261)	(3,702,331)
Gross profit		28,739,586	32,536,176	8,959,080	6,040,774
Other operating income		1,522,319	10,057,260	9,715	209,531
Administrative expenses		(12,699,769)	(20,719,949)	(703,575)	(1,034,707)
Profit from operations	4	17,562,136	21,873,487	8,265,220	5,215,598
Finance cost	5	(128,165)	(126,885)	0	0
Profit from operating activities		17,433,971	21,746,602	8,265,220	5,215,598
Share of results of an associated company		0	57,070	0	0
Profit from ordinary activities before taxation		17,433,971	21,803,672	8,265,220	5,215,598
Taxation	6	(5,702,638)	(7,137,492)	(2,179,350)	(1,692,900)
Profit from ordinary activities after taxation		11,731,333	14,666,180	6,085,870	3,522,698
Minority interest		(172,129)	323,723	0	0
Net profit attributable to shareholders		11,559,204	14,989,903	6,085,870	3,522,698
Earnings per share (sen) - basic	7	17	22		
Dividend per share (sen) - final dividend - proposed	8	8	8		

The notes on pages 35 to 63 form an integral part of the financial statements.

# Balanced Sheets

as at 31 December 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
PROPERTY, PLANT AND EQUIPMENT	9	26,049,840	26,493,759	0	0
INVESTMENT PROPERTIES	10	25,829,123	23,487,295	0	0
OTHER LONG TERM INVESTMENTS	11	22,610,460	24,723,701	22,315,935	24,429,176
SUBSIDIARY COMPANIES	12	0	0	89,575,189	89,575,189
ASSOCIATED COMPANIES	13	50	795,520	0	0
GOODWILL		1,910,888	2,865,373	0	0
RESERVE ON CONSOLIDATION		(69,737)	(104,606)	0	0
<b>CURRENT ASSETS</b>					
Trade and other receivables	14	57,194,698	89,855,089	1,017,322	8,190,162
Inventories, at cost	16	1,309,157	1,555,185	0	0
Short term investments	17	6,914,935	5,987,221	6,909,535	5,981,821
Deposits, cash and bank balances	18	56,441,579	34,364,394	29,438,532	18,766,193
		121,860,369	131,761,889	37,365,389	32,938,176
<b>CURRENT LIABILITIES</b>					
Trade and other payables	19	48,448,503	64,514,551	54,466,671	54,132,054
Short term borrowings	20	0	3,310,031	0	0
Taxation		521,667	1,227,794	252,370	442,085
		48,970,170	69,052,376	54,719,041	54,574,139
<b>NET CURRENTASSETS/ (LIABILITIES)</b>		72,890,199	62,709,513	(17,353,652)	(21,635,963)
<b>LESS: NON CURRENT LIABILITIES</b>					
Hire purchase creditors	21	483,534	367,128	0	0
Deferred tax liabilities	22	3,424,499	3,461,838	0	0
		3,908,033	3,828,966	0	0
		145,312,790	137,141,589	94,537,472	92,368,402

## BALANCE SHEETS (CONTINUED)

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
CAPITALAND RESERVES					
SHARE CAPITAL	23	68,000,000	68,000,000	68,000,000	68,000,000
RESERVES		76,790,489	68,791,418	26,537,472	24,368,402
SHAREHOLDERS' FUNDS		144,790,489	136,791,418	94,537,472	92,368,402
MINORITY INTERESTS		522,301	350,171	0	0
		145,312,790	137,141,589	94,537,472	92,368,402

The notes on pages 35 to 63 form an integral part of the financial statements.

# Consolidated Statement of Changes in Equity

for the Financial Year Ended 31 December 2003

	Issued and fully paid ordinary shares of RM1 each		Merger deficit RM	Non-distributable		Distributable	Total RM
	Number of shares RM	Nominal value RM		Revaluation reserve RM	Retained earnings RM		
At 1 January 2003	68,000,000	68,000,000	(13,158,519)	8,272,046	73,677,891		136,791,418
Net profit for the financial year	0	0	0	0	11,559,204		11,559,204
Revaluation adjustment in respect of overprovision of deferred taxation reversed out	0	0	0	356,667	0		356,667
Dividend for the financial year ended - 31 December 2002 (final)	0	0	0	0	(3,916,800)		(3,916,800)
<b>At 31 December 2003</b>	<b>68,000,000</b>	<b>68,000,000</b>	<b>(13,158,519)</b>	<b>8,628,713</b>	<b>81,320,295</b>		<b>144,790,489</b>
At 1 January 2002	68,000,000	68,000,000	(13,158,519)	8,260,936	61,069,454		124,171,871
Net profit for the financial year	0	0	0	0	14,989,903		14,989,903
Revaluation realised due to disposal of investment property	0	0	0	(66,534)	66,534		0
Revaluation adjustment due to waiver of cost of investment property	0	0	0	77,644	0		77,644
Dividend for the financial year ended - 31 December 2001 (final)	0	0	0	0	(2,448,000)		(2,448,000)
<b>At 31 December 2002</b>	<b>68,000,000</b>	<b>68,000,000</b>	<b>(13,158,519)</b>	<b>8,272,046</b>	<b>73,677,891</b>		<b>136,791,418</b>

The notes on pages 35 to 63 form an integral part of the financial statements.

# Company Statement of **Changes in Equity**

for the Financial Year Ended 31 December 2003

	<i>Issued and fully paid ordinary shares of RM1 each</i>		<i>Non-distributable</i>	<i>Distributable</i>	<i>Total RM</i>
	<i>Number of shares RM</i>	<i>Nominal value RM</i>	<i>Revaluation reserve RM</i>	<i>Retained earnings RM</i>	
At 1 January 2003	68,000,000	68,000,000	21,145,500	3,222,902	92,368,402
Net profit for the financial year	0	0	0	6,085,870	6,085,870
Dividends for the financial year ended - 31 December 2002	0	0	0	(3,916,800)	(3,916,800)
<b>At 31 December 2003</b>	<b>68,000,000</b>	<b>68,000,000</b>	<b>21,145,500</b>	<b>5,391,972</b>	<b>94,537,472</b>
At 1 January 2002	68,000,000	68,000,000	21,145,500	2,148,204	91,293,704
Net profit for the financial year	0	0	0	3,522,698	3,522,698
Dividends for the financial year ended - 31 December 2001	0	0	0	(2,448,000)	(2,448,000)
<b>At 31 December 2002</b>	<b>68,000,000</b>	<b>68,000,000</b>	<b>21,145,500</b>	<b>3,222,902</b>	<b>92,368,402</b>

The notes on pages 35 to 63 form an integral part of the financial statements.

# Cash Flow Statements

for the Financial Year Ended 31 December 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net profit attributable to shareholders		11,559,204	14,989,903	6,085,870	3,522,698
Adjustments for:					
Accretion of discount net of amortisation of premium on purchase of unquoted bonds		145,127	44,842	145,127	44,842
Dividend income from investment in quoted shares		(92,048)	(82,981)	(92,048)	(82,981)
Dividend from subsidiary company		0	0	(5,426,250)	(3,617,500)
Interest expense		128,165	126,885	0	0
Interest income		(3,024,932)	(2,784,037)	(2,428,703)	(2,454,877)
Share of profit in an associated company		0	(57,070)	0	0
Depreciation of property, plant and equipment		1,147,308	1,501,452	0	0
Gain on disposal of property, plant and equipment		(458,580)	(511,811)	0	0
Property, plant and equipment written off		20,943	9,333	0	0
Loss on disposal of an associated company		2	0	0	0
Loss on disposal of investment property		0	28,012	0	0
Management cost paid to asset management company		57,332	80,717	57,332	80,717
(Gain)/loss on sale of bonds		(45,214)	131,180	(45,214)	131,180
(Gain)/loss on disposal of investment in quoted shares		(636,126)	158,672	(636,126)	158,672
Allowance for doubtful debts net of writeback		239,406	6,727,014	0	0
Allowance for diminution in value of investments written back		(566,371)	(128,566)	(566,371)	(128,566)
Unrealised (gain)/loss on foreign exchange		(105,342)	59,356	0	0
Waiver of amount owing to creditors		0	(6,810,454)	0	0
Amortisation of goodwill net of reserve on consolidation		919,616	919,616	0	0
Taxation		5,702,638	7,137,492	2,179,350	1,692,900
Minority interest		172,130	(323,732)	0	0
		15,163,258	21,215,823	(727,033)	(652,915)

CASH FLOW STATEMENTS (CONTINUED)

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
Changes in construction contracts		8,643,947	(22,325,139)	0	0
Decrease/(increase) in receivables		21,897,084	(14,755,591)	7,172,840	139,856
(Decrease)/increase in inventories		246,028	(600,773)	0	0
(Decrease)/increase in payables		(10,134,663)	7,493,322	24,627	(1,157,337)
Changes in intercompany balances		0	0	309,990	(11,216,138)
Proceeds from disposal of investment property		0	819,978	0	0
<b>Net cash from operations</b>		<b>35,815,654</b>	<b>(8,152,380)</b>	<b>6,780,424</b>	<b>(12,886,534)</b>
Taxation paid		(6,941,979)	(9,786,103)	(849,715)	(942,652)
Interest paid		(17,321)	(11,692)	0	0
<b>Net cash from operating activities</b>		<b>28,856,354</b>	<b>(17,950,175)</b>	<b>5,930,709</b>	<b>(13,829,186)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from disposal of property, plant and equipment		622,987	747,752	0	0
Proceeds from disposal of quoted investments		212,956	449,991	212,956	449,991
Proceeds from disposal of an associated company		369,609	0	0	0
Dividend from associated company		425,859	495,390	0	0
Proceeds from redemption of bonds		3,055,216	4,000,000	3,055,216	4,000,000
Purchase of property, plant and equipment		(2,291,134)	(1,926,914)	0	0
Proceeds from unit trust		1,040,269	0	1,040,269	0
Investment in quoted shares		(883,010)	(5,400)	(883,010)	0
Investment in unquoted bonds		(1,036,542)	(8,380,600)	(1,036,542)	(8,380,600)
Investment by asset management company		0	(3,000,000)	0	(3,000,000)
Proceeds from disposal of bonds		0	5,374,555	0	5,374,555
Interest income received		2,937,227	2,719,902	2,340,998	2,380,320
Dividend received		21,643	2,804	3,928,543	2,607,404
Purchase of investment property		(2,811,828)	(1,900,000)	0	0
Increase in investment property related expenses		0	(64,309)	0	0
<b>Net cash from investing activities</b>		<b>1,663,252</b>	<b>(1,486,829)</b>	<b>8,658,430</b>	<b>3,431,670</b>

CASH FLOW STATEMENTS (CONTINUED)

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Repayment of hire purchase creditors		(1,215,590)	(1,123,800)	0	0
Interest expense paid		0	(115,193)	0	0
Net (payment)/drawdown of short term borrowings		(2,606,893)	2,606,893	0	0
Dividends paid		(3,916,800)	(2,448,000)	(3,916,800)	(2,448,000)
<b>Net cash from financing activities</b>		<b>(7,739,283)</b>	<b>(1,080,100)</b>	<b>(3,916,800)</b>	<b>(2,448,000)</b>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
		22,780,323	(20,517,104)	10,672,339	(12,845,516)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR					
		33,661,256	54,178,360	18,766,193	31,611,709
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR					
	18	56,441,579	33,661,256	29,438,532	18,766,193

The notes on pages 35 to 63 form an integral part of the financial statements.

# Summary of Significant Accounting Policies

## for the Financial Year Ended 31 December 2003

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements.

### A BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared under the historical cost convention, as modified by the revaluation of investment in subsidiary companies, investment properties and certain property, plant and equipment, in accordance with the provisions of Companies Act, 1965, and the applicable approved accounting standards in Malaysia.

The new applicable approved accounting standards adopted in these financial statements are as follows:

Retrospective application

MASB 25 "Income Taxes"  
MASB 29 "Employee Benefits"

There is no material financial impact to the financial statements resulting from the adoption of these new applicable approved accounting standards.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965, and the applicable approved accounting standards in Malaysia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

### B BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. Acquisitions of subsidiary companies which meet the criteria for merger accounting under Malaysian Accounting Standard 2, Accounting for Acquisitions ("MAS 2") are accounted for under that method. If the criteria of MAS 2 are not met, then the acquisitions are accounted for under the acquisition method of accounting.

Under the merger method of accounting, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying value of the investment in these subsidiary companies over the nominal value of the shares acquired is taken to merger reserve.

The acquisition of Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd. which meet the criteria for merger accounting under MAS 2 are accounted for under that method.

In accordance with the merger relief provisions of Section 60(4) of the Companies Act, 1965, Loh & Loh Corporation Berhad has recorded its investment in Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd. at the nominal value of the ordinary shares issued as consideration.

Under the acquisition method of accounting, the results of the subsidiary companies acquired or disposed off during the financial year are included from the date of acquisition or up to the date of disposal respectively.

Goodwill arising on consolidation represents the excess of the purchase price over the fair value of the net assets of the subsidiary companies at the date of acquisition. Reserve on consolidation represents the excess of the fair value of the net assets of the subsidiary company over the purchase price. Goodwill and reserve on consolidation are amortised over a period of 5 years.

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C INVESTMENTS

Investments in subsidiary companies, associated companies and other long term investments are stated at cost or valuation. Short term investments are stated at the lower of cost and market value. Any write down of carrying value is charged to the income statement. Investment in unquoted bonds is stated at cost net of amortisation of premiums or accretion of discount over the period between acquisition and maturity of the bonds.

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

The Company revalued its investment in subsidiary companies for a special corporate exercise for a bonus issuance of shares (Note 12).

Profit and loss arising on sale of investment are credited or charged to the income statement.

### D ASSOCIATED COMPANIES

The Group considers an associated company as a company in which a long term equity interest of between 20% and 50% is held and it has participation in the management through representation on the Board of Directors. Goodwill and reserve arising from acquisition of associated companies are amortised over a period of 5 years. As at the end of the financial year, the Group has equity accounted for its share of the results of its associated companies.

### E REVENUE RECOGNITION

Revenue from construction contracts is recognised on the percentage of completion method. Percentage of completion is measured by reference to the proportion that contract cost incurred for work performed to date bear to the estimated total costs of the contract.

Revenue from quarry operations is recognised based on invoiced value of goods delivered to customers.

Revenue from dividends is recognised in the financial statements when the Company's right to receive payment is established.

Revenue from sale of investment properties is recognised on the completion of the sales and purchase agreement.

Revenue from interest income is recognised based on the accrual basis.

### F PROFIT RECOGNITION ON CONSTRUCTION CONTRACTS

Profit is recognised on the percentage of completion method. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent that it is probable that the related contract costs incurred will be recovered.

When it is probable that the total contract costs exceed total contract revenue, foreseeable losses on contracts are provided for in full.

No profit is recognised on a contract if the contract is in its initial stage or has not reached a stage of completion where it is possible to assess the financial outcome of the contract with reasonable accuracy.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### G AMOUNT DUE TO/(FROM) CUSTOMERS ON CONSTRUCTION CONTRACTS

Amount due to/(from) customers on construction contracts are stated at cost plus attributable profits, less provision for foreseeable losses and progress payments. Cost comprises all costs relating directly to the contracts and includes administrative expenses specifically attributable to the contracts.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings up to the financial year end.

Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as amount due from customers on contracts under trade and other receivables. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as amount due to customers on contracts under trade and other payables.

### H PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Freehold land is stated at cost or Directors' valuation based on independent professional valuers' reports, with no depreciation charge. The carrying amount of property, plant and equipment will be written down if the Directors are of the opinion that the recoverable amount of the property, plant and equipment is lower than the carrying amount. The amount written down is charged to the income statement.

Buildings are amortised over 40 years.

Depreciation of other property, plant and equipment is provided on the reducing balance basis to write off the cost of the assets over their estimated useful lives at the following annual rates:

Plant and machinery	10% - 20%
Office equipment, furniture and fittings	7.5% - 33.3%
Motor vehicles	20%

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

### I HIRE PURCHASE

Property, plant and equipment acquired under hire purchase are capitalised in the financial statements and depreciated in accordance with the policy set out in H above. The corresponding outstanding obligations due under hire purchase after deducting finance expenses are included as liabilities in the financial statements. Finance charges are allocated to the income statement over the period of the respective hire purchase.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### J INCOME TAX

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

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

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

Prior to the adoption of MASB 25: Income Taxes, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

### K FOREIGN CURRENCY

Transactions arising in foreign currencies have been converted into Ringgit Malaysia at rates of exchange approximating those ruling on transaction dates except for transactions uncompleted at the financial year end, which have been translated at rates of exchange approximating those ruling at that date. All exchange differences are taken up in the income statement.

The principal closing rates used in translation of foreign currency amounts are as follows:

	2003	2002
	RM	RM
1 Singapore Dollar	2.250	2.197
1 Papua New Guinea Kina	1.138	0.866
1 USD	3.800	3.800
1 Euro	4.830	4.020
1 Sterling Pound	6.850	6.152

### L INVESTMENT PROPERTIES

Investment properties are held for long term rental yields and long term capital appreciation. Investment properties acquired are initially stated at cost and upon revaluation, the investment properties are stated at Directors' valuation based upon latest independent valuation by professional valuers. No depreciation is provided on investment properties. These properties are revalued at regular intervals of at least once in every five years by an independent professional valuer.

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### L INVESTMENT PROPERTIES (CONTINUED)

Any surplus or deficit arising on revaluation is taken to revaluation reserve unless the deficit arising exceeds the surplus previously recognised for that asset in the reserve, in which case the difference is charged to the income statement.

Revaluation surplus relating to an asset disposed off is transferred from revaluation reserve to retained earnings.

### M CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, net of outstanding bank overdraft.

### N RECEIVABLES

Receivables are carried at invoiced amount less allowance for doubtful debt made for debts which the Directors consider are doubtful of recovery.

### O INVENTORIES

Inventories are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories. The cost of inventories consists of direct materials, direct labour, direct charges and variable production overheads, determined on a weighted average basis.

### P FINANCIAL INSTRUMENTS

#### (i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

#### (ii) Financial instruments not recognised on the balance sheet

The Group is a party to financial instruments which comprise foreign currency forward contracts. These instruments are not recognised in the financial statements on inception.

##### Foreign currency forward contracts

The Company uses forward foreign exchange contracts to hedge its exposure to foreign exchange arising from operational activities.

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

#### (iii) Fair value estimation for disclosure purposes

The face values of investment in unquoted bonds which are subject to accretion and amortisation over the tenor of the investment are assumed to approximate their fair values.

The fair value of marketable securities is based on quoted market prices at the balance sheet date.

The face values, less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

# Notes to the Financial Statements

- 31 December 2003

## 1 GENERAL INFORMATION

The principal activities of the Company consist of investment holding and civil constructions. The principal activities of the subsidiary companies are disclosed in Note 12 to the financial statements. There has been no significant change in the principal activities of the Company or its subsidiary companies during the financial year.

The Company is a public limited company, domiciled and incorporated in Malaysia, and listed on the Main Board of the Kuala Lumpur Stock Exchange.

The address of the registered office of the Company is as follows:

Level 13, Menara Milenium  
8 Jalan Damanlela  
Damansara Heights  
50490 Kuala Lumpur

The address of the principal place of business of the Company is as follows:

19 & 21, Jalan Sri Hartamas 7  
Taman Sri Hartamas  
50480 Kuala Lumpur

## 2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities are exposed to a variety of financial risks, including foreign currency exchange risk, interest rate risk, market risk, credit risk and liquidity and cash flow risks. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders. The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its foreign exchange, interest, credit and liquidity risks. The Group operates within clearly defined guidelines that are approved by the Board.

### **Interest rate risk**

The Group's primary interest rate risk relates to interest-bearing debt and deposits. The Group regularly reviews its debt portfolio, taking into account the investment holding period and the nature of its assets.

### **Market risk**

Market risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices of the financial instrument or security assets. For key product purchases, the Group establishes floating and fixed price levels that the Group considers acceptable and enters into physical supply contracts within these set parameters.

### **Credit risk**

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

### **Liquidity and cash flow risks**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met.

As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

**Foreign currency exchange risk**

The Group is exposed to various currencies, mainly United States Dollar, Euro and Sterling Pound. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material transactions with foreign exchange exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

3 REVENUE

	<i>Group</i>		<i>Company</i>	
	<i>2003 RM</i>	<i>2002 RM</i>	<i>2003 RM</i>	<i>2002 RM</i>
Construction contracts	148,053,021	132,370,850	8,322,965	2,017,672
Quarry operations	4,622,082	1,950,552	0	0
Rental income	132,000	104,167	0	0
Sale of investments	2,206,375	1,570,075	2,206,375	1,570,075
Interest income	2,428,703	2,454,877	2,428,703	2,454,877
Dividends				
- unquoted investments in subsidiaries	0	0	5,426,250	3,617,500
- other investments, quoted in Malaysia	92,048	82,981	92,048	82,981
Sale of goods	9,443,518	6,494,490	0	0
	166,977,747	145,027,992	18,476,341	9,743,105

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 PROFIT FROM OPERATIONS

	<i>Group</i>		<i>Company</i>	
	<i>2003 RM</i>	<i>2002 RM</i>	<i>2003 RM</i>	<i>2002 RM</i>
Profit from operations is arrived at after charging/(crediting):				
Rental on hiring of plant and machinery	52,215	32,026	0	0
Rental of site premises	18,000	18,000	0	0
Allowance for doubtful debts				
- creation	239,406	8,014,921	0	0
- writeback	0	(1,287,907)	0	0
Unrealised (gain)/loss on foreign exchange	(105,342)	59,356	0	0
Auditors' remuneration	83,000	83,000	9,000	9,000
Accretion of discount net of amortisation of premium on purchase of unquoted bonds	145,127	44,842	145,127	44,842
Staff costs	5,395,947	5,299,959	0	0
Directors' remuneration paid:				
- fees	798,000	768,000	534,000	504,000
- other emoluments	956,480	956,480	0	0
Allowance for diminution in value of investments written back	(566,371)	(128,566)	(566,371)	(128,566)
Loss on disposal of investment property	0	28,012	0	0
Rental income of plant and machinery	(84,600)	(500,000)	0	0
Property, plant and equipment				
- depreciation	1,147,308	1,501,452	0	0
- gain on disposal	(458,580)	(511,811)	0	0
- write off	20,943	9,333	0	0
Waiver of amount due to creditors	0	(6,810,454)	0	0
Income from rental of office premises	(51,960)	(51,960)	0	0
Interest income	(596,229)	(329,161)	0	0
Loss on disposal of an associated company	2	0	0	0
(Gain)/loss on sale of bonds	(45,214)	131,180	(45,214)	131,180
(Gain)/loss on disposal of investment in quoted shares	(636,126)	158,672	(636,126)	158,672
Amortisation of goodwill net of reserve on consolidation	919,616	919,616	0	0

Contract cost of the Group recognised as an expense during the financial year amounted to RM116,750,016 (2002: RM104,815,853).

The estimated monetary value of benefits provided to Directors of the Company during the financial year by way of usage of the Group's assets, provision of accommodation and other similar benefits amounted to RM54,200 (2002: RM57,200).

Fees paid for professional services to firms of which a Director of the Company is a member amounted to RM66,356 (2002: RM65,864) and RM15,573 (2002: RM31,343) for the Group and Company respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 FINANCE COST

	<i>Group</i>		<i>Company</i>	
	<i>2003 RM</i>	<i>2002 RM</i>	<i>2003 RM</i>	<i>2002 RM</i>
Interest expenses				
- hire purchase	110,844	115,193	0	0
- short term loan interest	0	11,692	0	0
- others	17,321	0	0	0
	128,165	126,885	0	0

6 TAXATION

	<i>Group</i>		<i>Company</i>	
	<i>2003 RM</i>	<i>2002 RM</i>	<i>2003 RM</i>	<i>2002 RM</i>
In Malaysia				
Current taxation				
- Company and subsidiary companies	5,000,611	6,510,550	2,179,350	1,692,900
- under provision in prior financial years	382,699	52,711	0	0
Deferred taxation (Note 22)	319,328	574,231	0	0
	5,702,638	7,137,492	2,179,350	1,692,900

The effective tax rate on the Group's and the Company's profit from ordinary activities before taxation differs from the statutory tax rate of 28% and is reconciled as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2003 %</i>	<i>2002 %</i>	<i>2003 %</i>	<i>2002 %</i>
Statutory income tax rate	28	28	28	28
Income not subject to tax	(2)	(2)	(2)	0
Expenses not deductible for tax purposes	4	4	0	4
Deferred tax assets not recognised	0	3	0	0
	30	33	26	32

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 EARNINGS PER SHARE

The earnings per share is calculated by dividing the Group earnings of RM11,559,204 (2002: RM14,989,903) by the weighted average number of shares amounting to RM68,000,000 (2002: RM68,000,000) in issue during the financial year.

8 DIVIDENDS

	<i>2003</i>	<i>2002</i>
	<i>RM</i>	<i>RM</i>
<b>2002</b>		
Final gross dividend of 8 sen per share less tax at 28%	0	3,916,800
<b>2003</b>		
Proposed final gross dividend of 8 sen per share less tax at 28%	3,916,800	0
	3,916,800	3,916,800

The financial statements do not reflect the proposed final dividend which will only be accounted for in shareholders' equity as an appropriation of retained earnings in the year ended 31 December 2004 if and when approved by the shareholders in the Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 PROPERTY, PLANT AND EQUIPMENT

	<i>Freehold land and buildings</i>	<i>Plant and machinery</i>	<i>Office equipment, furniture and fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
<b>Group</b>					
<b>2003</b>					
<b>COST/VALUATION</b>					
At 1.1.2003					
- Cost	0	34,821,420	3,866,395	10,947,912	49,635,727
- Valuation	3,235,000	0	0	0	3,235,000
Additions	0	1,035,487	379,258	2,224,189	3,638,934
Disposals/write off	0	(265,589)	(38,800)	(1,054,273)	(1,358,662)
At 31.12.2003	3,235,000	35,591,318	4,206,853	12,117,828	55,150,999
<b>ACCUMULATED DEPRECIATION</b>					
At 1.1.2003	154,375	18,964,635	1,532,189	5,725,769	26,376,968
Charge for the financial year	19,375	2,317,982	274,961	1,285,185	3,897,503
Released on disposals/write off	0	(242,934)	(36,931)	(893,447)	(1,173,312)
At 31.12.2003	173,750	21,039,683	1,770,219	6,117,507	29,101,159
<b>NET BOOK VALUE</b>					
At 31.12.2003	3,061,250	14,551,635	2,436,634	6,000,321	26,049,840

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	<i>Freehold land and buildings</i>	<i>Plant and machinery</i>	<i>Office equipment, furniture and fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
<b>Group</b>					
<b>2002</b>					
<b>COST/VALUATION</b>					
At 1.1.2002					
- Cost	0	39,294,744	3,423,554	9,648,107	52,366,405
- Valuation	3,235,000	0	0	0	3,235,000
Additions	0	800,461	548,003	1,374,379	2,722,843
Disposals	0	(5,218,879)	(37,103)	(52,574)	(5,308,556)
Write off	0	(54,906)	(68,059)	(22,000)	(144,965)
At 31.12.2002	3,235,000	34,821,420	3,866,395	10,947,912	52,870,727
<b>ACCUMULATED DEPRECIATION</b>					
At 1.1.2002	135,000	21,258,934	1,364,874	4,672,635	27,431,443
Charge for the financial year	19,375	2,769,505	248,505	1,116,109	4,153,494
Released on disposals/write off	0	(5,063,804)	(81,190)	(62,975)	(5,207,969)
At 31.12.2002	154,375	18,964,635	1,532,189	5,725,769	26,376,968
<b>NET BOOK VALUE</b>					
At 31.12.2002	3,080,625	15,856,785	2,334,206	5,222,143	26,493,759

The depreciation charge relating to the Group's property, plant and equipment used at construction sites was capitalised in contract work-in-progress forming part of construction contracts (Note 15) and amounted to RM2,750,195 (2002: RM2,652,042).

Freehold land and building were revalued in financial year 2001 and the book values were adjusted to reflect the revaluation and the resultant deficit was booked into the revaluation reserve account.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in the Group's property, plant and equipment are assets acquired under hire purchase agreements with net book values as follows:

	2003	2002
	<i>RM</i>	<i>RM</i>
Motor vehicles	2,802,316	2,957,834
Plant and machinery	0	130,733
	2,802,316	3,088,567

Included in the Group's additions to property, plant and equipment are assets purchased under hire purchase agreements as follows:

	2003	2002
	<i>RM</i>	<i>RM</i>
Motor vehicles	1,930,985	1,126,409

Had the property, plant and equipment been carried at historical cost less accumulated depreciation, the carrying amount of each class of property, plant and equipment that would have been included in the financial statements at the end of the financial year would be as follows:

	<i>Group</i>	
	2003 <i>RM</i>	2002 <i>RM</i>
Freehold land and buildings	855,109	869,683
Plant and machinery	14,551,635	15,856,785
Office equipment, furniture and fittings	2,436,634	2,334,206
Motor vehicles	6,000,321	5,222,143
	23,843,699	24,282,817

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 INVESTMENT PROPERTIES

			<i>Group</i>
	<i>Investment properties</i>	<i>Investment property related expenses</i>	<i>Total</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>
As at 1.1.2002	20,707,784	1,663,192	22,370,976
Purchase of investment property	1,900,000	64,309	1,964,309
Disposal during the year	(847,990)	0	(847,990)
As at 31.12.2002	21,759,794	1,727,501	23,487,295
Purchase of investment property	2,811,828	0	2,811,828
Reclassification to other receivables	(470,000)	0	(470,000)
As at 31.12.2003	24,101,622	1,727,501	25,829,123

In financial year 2000, Loh & Loh Development Sdn Bhd, a wholly owned subsidiary company of Loh & Loh Corporation Bhd, sold certain parcels of freehold land under compulsory acquisition, for a total consideration of RM1,212,865 which included 2 units of double storey terrace factory lots valued at RM470,000. As Loh & Loh Development Sdn Bhd had yet to receive ownership titles to these properties, the amount has now been reclassified to other receivables in the current financial year.

Investment properties were revalued in financial year 2001 and the book values were adjusted to reflect the revaluation and the resultant surpluses were credited into the revaluation reserve account.

11 OTHER LONG TERM INVESTMENTS

	<i>Group</i>		<i>Company</i>	
	<i>2003 RM</i>	<i>2002 RM</i>	<i>2003 RM</i>	<i>2002 RM</i>
Investment in unquoted shares				
At cost	340,000	340,000	0	0
Impairment losses	(45,475)	(45,475)	0	0
	294,525	294,525	0	0
Investment in unquoted bonds				
At cost	22,772,886	24,741,000	22,772,886	24,741,000
Amortisation of discount net of amortisation of premium	(456,951)	(311,824)	(456,951)	(311,824)
	22,315,935	24,429,176	22,315,935	24,429,176
	22,610,460	24,723,701	22,315,935	24,429,176
Fair value	22,610,460	24,723,701	22,315,935	24,429,176

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 SUBSIDIARY COMPANIES

	Company	
	2003 RM	2002 RM
Unquoted shares at valuation	89,575,189	89,575,189

The subsidiary companies are:

Name	Principal activities	Country of incorporation	Percentage of equity held	
			2003 %	2002 %
<b>Direct subsidiary companies:</b>				
Loh & Loh Constructions Sdn. Bhd.	Building and civil construction and investment holding	Malaysia	100	100
Loh & Loh Development Sdn. Bhd.	Property investment	Malaysia	100	100
Water Engineering Technology Sdn. Bhd.	Trading, contracting and mechanical & electrical engineering related activities	Malaysia	100	100
<b>Subsidiary companies of Loh &amp; Loh Constructions Sdn. Bhd.:</b>				
Jutakim Sdn. Bhd.	Civil engineering	Malaysia	100	100
Turf-Tech Sdn. Bhd.	Turfing and other construction related works	Malaysia	100	100
Loh & Loh Sato Kogyo JV Sdn. Bhd.	Civil engineering	Malaysia	51	51
Quality Quarry Sdn. Bhd.	Quarry operations	Malaysia	68	68
Loh & Loh Ikhmas Sdn. Bhd.	Civil engineering	Malaysia	70	70

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 SUBSIDIARY COMPANIES (CONTINUED)

<i>Name</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>Percentage of equity held</i>	
			<i>2003 %</i>	<i>2002 %</i>
<b>Subsidiary company of Water Engineering Technology Sdn. Bhd.:</b>				
WET Sales and Services Sdn. Bhd.	Trading and contracting in water related equipment	Malaysia	100	100

All the subsidiary companies are audited by PricewaterhouseCoopers, Malaysia with the exception of Water Engineering Technology Sdn. Bhd. and WET Sales and Services Sdn. Bhd.

The acquisitions of Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd. in prior years which met the criteria for merger accounting under MAS 2 were accounted for under that method. In accordance with the merger relief provisions of Section 60(4) of the Companies Act, 1965, Loh & Loh Corporation Berhad recorded its investments in Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd. at the nominal value of the ordinary shares issued as consideration. On consolidation, the excess of the carrying values of the investments over the nominal value of the shares acquired were taken to merger reserve.

All the subsidiary companies of Loh & Loh Constructions Sdn. Bhd. and Water Engineering Technology Sdn. Bhd. are consolidated based on the acquisition method of accounting in the financial statements of Loh & Loh Corporation Berhad.

The unquoted shares are stated at valuation as the Company revalued its investment in subsidiary companies for a special corporate exercise for a bonus issuance of shares in prior years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 ASSOCIATED COMPANIES

	<i>Group</i>	
	<i>2003 RM</i>	<i>2002 RM</i>
Unquoted shares - at cost	50	367,550
Amortisation of reserve on acquisition	0	6,870
Share of post acquisition profits	0	421,100
	50	795,520
Group's share of net assets	50	795,520

The associated companies are:

<i>Name</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>Percentage of equity held</i>	
			<i>2003 %</i>	<i>2002 %</i>
Gold Bridge - Loh & Loh Sdn. Bhd.	Dormant	Malaysia	50	50
Bukit Maju Construction 3 Sdn. Bhd.	Construction related works	Malaysia	0	49

14 TRADE AND OTHER RECEIVABLES

	<i>Group</i>		<i>Company</i>	
	<i>2003 RM</i>	<i>2002 RM</i>	<i>2003 RM</i>	<i>2002 RM</i>
Trade receivables	33,492,621	49,809,692	120,016	1,150,995
Retention sums	19,833,909	24,921,801	712,309	6,931,277
Total trade receivables	53,326,530	74,731,493	832,325	8,082,272
Allowance for doubtful debts	(13,682,178)	(13,964,771)	0	0
	39,644,352	60,766,722	832,325	8,082,272
Amount due from customers on contracts (Note 15)	14,631,394	26,477,837	0	0
Deposits	459,834	617,710	0	0
Prepayments	155,707	166,719	0	0
Other receivables	1,345,697	1,198,931	184,997	107,890
Allowance for doubtful debts	(584,658)	(62,660)	0	0
Tax recoverable	1,542,372	689,830	0	0
	57,194,698	89,855,089	1,017,322	8,190,162

All trade and other receivables are denominated in Ringgit Malaysia.

The credit terms of trade receivables ranged from 90 days to 120 days. The Group is not exposed to any individual customer or counter party nor does it have any major concentrations of credit risk related to trade receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 CONSTRUCTION CONTRACTS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Costs of contract work-in-progress incurred	559,800,667	732,572,633	274,531,433	266,208,467
Attributable profits	104,323,450	129,233,844	0	0
	664,124,117	861,806,477	274,531,433	266,208,467
Progress billings	(658,963,743)	(850,752,351)	(274,531,433)	(266,208,467)
	5,160,374	11,054,126	0	0
Amount due from customers on contracts (Note 14)	14,631,394	26,477,837	0	0
Amount due to customers on contracts (Note 19)	(9,471,020)	(15,423,711)	0	0
	5,160,374	11,054,126	0	0
Advances received on contracts	12,294,565	1,631,316	0	0
Included in the costs of contract work-in-progress are charges incurred during the year:				
Depreciation of property, plant and equipment (Note 9)	2,750,195	2,652,042	0	0
Rental of site premises	235,015	158,605	0	0
Rental on hiring of plant and machinery	273,592	272,539	0	0

Also included in the costs of contract work-in-progress are:

Estimated monetary value of benefits provided to a Director of the Company during the financial year by way of usage of the Group's assets, provision of accommodation and other similar benefits amounted to RM24,550 (2002: RM24,550).

Fees paid for advisory services rendered by a Director of the Company to the Group amounted to RM54,000 (2002: RM54,000).

Remuneration paid to a Director of the Company for services rendered to the Group amounted to RM313,600 (2002: RM313,600).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 INVENTORIES, AT COST

	Group	
	2003 RM	2002 RM
Water related equipment	1,166,287	1,221,005
Quarry stocks	142,870	334,180
	1,309,157	1,555,185

17 SHORT TERM INVESTMENTS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>Investment by asset management companies</b>				
At cost	4,902,360	4,219,541	4,902,360	4,219,541
Impairment losses	0	(54,769)	0	(54,769)
	4,902,360	4,164,772	4,902,360	4,164,772
<b>Investment in trust bond fund</b>				
At cost	0	1,000,000	0	1,000,000
Impairment losses	0	0	0	0
	0	1,000,000	0	1,000,000
<b>Investment in shares quoted in Malaysia</b>				
At cost	3,173,543	2,495,018	3,168,143	2,489,618
Impairment losses	(1,160,968)	(1,672,569)	(1,160,968)	(1,672,569)
	2,012,575	822,449	2,007,175	817,049
	6,914,935	5,987,221	6,909,535	5,981,821
<b>Market value of investment in trust bond fund</b>				
	0	1,019,336	0	1,019,336
<b>Market value of investment in quoted shares</b>				
	2,012,575	822,449	2,007,175	817,049

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following balance sheet amounts:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Short term deposits with licensed banks	51,037,593	22,809,531	28,972,543	18,010,652
Cash and bank balances	5,403,986	11,554,863	465,989	755,541
	56,441,579	34,364,394	29,438,532	18,766,193
Less: Bank overdrafts (Note 20)	0	(703,138)	0	0
	56,441,579	33,661,256	29,438,532	18,766,193

	Group		Company	
	2003 %	2002 %	2003 %	2002 %

**Weighted average interest rates  
at financial year end**

Short term deposits with licensed banks	3.11	3.11	3.11	3.11
---	------	------	------	------

Short term deposits with licensed banks of the Group and the Company have an average maturity of 23 days (2002: 30 days).

Cash and cash equivalents are denominated in Ringgit Malaysia.

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade payables	33,157,945	43,491,501	0	0
Amount due to customers on contracts (Note 15)	9,471,020	15,423,711	0	0
Amount due to subsidiary companies	0	0	53,906,636	53,596,646
Amount due to an associated company	0	440,274	0	0
Amount due to a related party	1,005,222	1,068,269	0	0
Other payables	1,982,761	1,427,864	560,035	535,408
Accruals	1,920,278	1,878,303	0	0
Hire purchase creditors (Note 21)	911,277	784,629	0	0
	48,448,503	64,514,551	54,466,671	54,132,054

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 TRADE AND OTHER PAYABLES (CONTINUED)

	<i>Group</i>		<i>Company</i>	
	<i>2003 RM</i>	<i>2002 RM</i>	<i>2003 RM</i>	<i>2002 RM</i>
The currency exposure profile of trade and other payables is as follows:				
- Ringgit Malaysia	47,908,559	63,039,609	54,466,671	54,132,054
- Euro	1,410	1,111,456	0	0
- United States Dollar	0	134,848	0	0
- Sterling Pound	538,534	228,638	0	0
	48,448,503	64,514,551	54,466,671	54,132,054

The credit terms of trade payables ranged from 60 days to 90 days.

The amount due to subsidiary companies is unsecured, interest free and has no fixed terms of repayment.

The amount due to an associated company in 2002 was unsecured, interest free and had no fixed terms of repayment.

The amount due to a related party (Saroma Engineering Sdn Bhd) is unsecured, interest free and has no fixed terms of repayment.

20 SHORT TERM BORROWINGS

	<i>Group</i>	
	<i>2003 RM</i>	<i>2002 RM</i>
Bankers' acceptance	0	454,000
Bank overdrafts (unsecured)	0	703,138
Trust receipts	0	2,152,893
	0	3,310,031

Weighted average effective interest rates

	<i>2002</i>
	<i>%</i>
Banker's acceptance	4.25
Bank overdrafts	7.90
Trust receipts	7.4 – 7.9

The short term borrowings in 2002 of a subsidiary company, Water Engineering Technology Sdn. Bhd. are secured by way of a corporate guarantee from Loh & Loh Corporation Berhad and a deposit with a licensed bank amounting to RM2,211,685.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 HIRE PURCHASE CREDITORS

	Group	
	2003 RM	2002 RM
Amount payable	1,525,653	1,275,934
Finance charges	(130,842)	(124,177)
	1,394,811	1,151,757
Amount due within 1 year classified as payables (Note 19)	911,277	784,629
Amount due between 1 to 2 years	483,534	367,128
	1,394,811	1,151,757

22 DEFERRED TAXATION

	Group	
	2003 RM	2002 RM
At 1 January	3,461,838	2,887,607
Net transfer to income statement (Note 6)	319,328	574,231
Revaluation adjustment in respect of overprovision of deferred taxation reversed out	(356,667)	0
At 31 December	3,424,499	3,461,838
The balance comprises the tax effects of:		
- surplus on revaluation of investment properties	278,534	635,201
- excess of capital allowances over depreciation	4,142,378	4,055,024
- others	(996,413)	(1,228,387)
	3,424,499	3,461,838

23 SHARE CAPITAL

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Ordinary shares of RM1.00 each				
Authorised				
At 1 January and 31 December	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
At 1 January and 31 December	68,000,000	68,000,000	68,000,000	68,000,000

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 24 MERGER DEFICIT

The difference between the nominal value of shares of the Company issued as consideration and the nominal value of Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd.'s shares transferred to the Company has been classified as a merger deficit and is set off against reserves in the consolidated financial statements.

The merger deficit is derived as follows:

	<i>RM</i>
Shares issued in conjunction with the acquisition of Loh & Loh Constructions Sdn. Bhd. and Loh & Loh Development Sdn. Bhd.	25,393,519
Nominal value of shares acquired	(12,235,000)
	13,158,519

### 25 RETAINED EARNINGS

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank approximately RM7,534,200 of its retained profits as at 31 December 2003 if paid out as dividends.

Subject to agreement with the Inland Revenue Board, the tax exempt income account balance as at 31 December 2003 for the Company is approximately RM1,415,400 (2002: RM1,379,800).

### 26 CONTINGENT LIABILITIES (UNSECURED)

	<i>Group</i>		<i>Company</i>	
	<i>2003 RM</i>	<i>2002 RM</i>	<i>2003 RM</i>	<i>2002 RM</i>
Guarantees given to banks for performance/tender guarantees granted to third parties	39,568,979	43,315,597	3,885,539	3,885,539

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 SIGNIFICANT RELATED PARTY DISCLOSURES

**Related parties and relationships**

The related parties of the Company are as follows:

<i>Related parties</i>	<i>Relationships</i>
Loh & Loh Constructions Sdn Bhd	Wholly owned subsidiary company
Loh & Loh Development Sdn Bhd	Wholly owned subsidiary company
Water Engineering Technology Sdn Bhd	Wholly owned subsidiary company
WET Sales and Services Sdn Bhd	Subsidiary company of Water Engineering Technology Sdn Bhd
Jutakim Sdn Bhd	Subsidiary company of Loh & Loh Constructions Sdn Bhd
Turf-Tech Sdn Bhd	Subsidiary company of Loh & Loh Constructions Sdn Bhd
Loh & Loh Sato Kogyo JV Sdn Bhd	Subsidiary company of Loh & Loh Constructions Sdn Bhd
Quality Quarry Sdn Bhd	Subsidiary company of Loh & Loh Constructions Sdn Bhd
Loh & Loh Ikhmas Sdn Bhd	Subsidiary company of Loh & Loh Constructions Sdn Bhd
Gold Bridge-Loh & Loh Sdn Bhd	Associated company
Ikhmas Jaya Sdn Bhd	Corporate shareholder of subsidiary company of Loh & Loh Constructions Sdn Bhd
Saroma Engineering Sdn Bhd	Corporate shareholder of subsidiary company of Loh & Loh Constructions Sdn Bhd
Sato Kogyo Co. Ltd	Corporate shareholder of subsidiary company of Loh & Loh Constructions Sdn Bhd
Sato Kogyo (M) Sdn Bhd	Associated company of Sato Kogyo Co. Ltd.
Rashid & Lee Management Services Sdn Bhd	Related company
Shahrizat, Rashid & Lee	Related company
Asia Hall Sdn Bhd	A company in which a Director of the Group has interest

**Significant transactions with related parties**

In the ordinary course of business, the Company's significant transactions with its related companies are as follows:

	2003	2002
	RM	RM
Progress billings received/receivable from:		
Loh & Loh Sato Kogyo JV Sdn Bhd	0	657,732
Progress billings paid/payable to:		
Sato Kogyo (M) Sdn Bhd	1,668,452	5,513,886
Sato Kogyo Co. Ltd	0	598,924
Saroma Engineering Sdn Bhd	432,978	687,517
Loh & Loh Constructions Sdn Bhd	8,322,966	2,017,672
Loh & Loh Ikhmas Sdn Bhd	0	2,310,090
Hire of plant and machineries from:		
Jutakim Sdn Bhd	40,200	43,200
Hire of plant and machineries to:		
Saroma Engineering Sdn Bhd	0	504,000
Purchase of products:		
Quality Quarry Sdn Bhd	400,244	813,906
WET Sales and Services Sdn Bhd	1,419,180	345,126

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

**Transactions with companies, firms in which the Directors of the Company have interest**

	<i>Group</i>		<i>Company</i>	
	<i>2003 RM</i>	<i>2002 RM</i>	<i>2003 RM</i>	<i>2002 RM</i>
Secretarial fees paid to Rashid & Lee Management Services Sdn Bhd, a company in which Datuk Abdul Rashid Bin Abdul Manaff is a major shareholder and Director	20,638	33,229	15,573	15,293
Legal fees paid to Shahrizat, Rashid & Lee, a firm which in which Datuk Abdul Rashid Bin Abdul Manaff is a partner	45,718	32,635	0	16,050
Progress billings received/receivable from Asiahall Sdn. Bhd., a company in which Datuk Abdul Rashid bin Abdul Manaff is a major shareholder	2,666	1,208,617	0	0

The related party transactions described above were entered into in the normal course of business and have been established under negotiated terms.

28 CAPITAL COMMITMENTS

	<i>Group</i>	
	<i>2003 RM</i>	<i>2002 RM</i>
Capital expenditure: Approved and contracted for	2,644,073	2,720,393

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 SEGMENTAL INFORMATION

The Group is primarily engaged in construction and construction related activities within Malaysia.

	Constructions	Investments	Quarry and trading	Eliminations	Total
	RM	RM	RM	RM	RM
<b>2003</b>					
<b>REVENUE</b>					
Revenue from external customers	148,053,021	4,859,126	14,065,600	0	166,977,747
Revenue from transactions with other business segments	15,249,117	5,930,250	2,383,571	(23,562,938)	0
	163,302,138	10,789,376	16,449,171	(23,562,938)	166,977,747
Segment results	22,262,147	9,566,990	3,868,377	(6,351,809)	29,345,705
Unallocated corporate expenses					(11,783,569)
Profit from operations					17,562,136
Finance cost					(128,165)
Taxation					(5,702,638)
Net profit attributable to shareholders					11,731,333
<b>OTHER INFORMATION</b>					
Segment assets	152,776,277	199,451,851	7,620,278	(163,263,646)	196,584,760
Unallocated corporate assets	1,350,709	63,861	191,663	0	1,606,233
Consolidated assets	154,126,986	199,515,712	7,811,941	(163,263,646)	198,190,993
Segment liabilities	51,861,056	64,828,950	5,137,374	(72,895,357)	48,932,023
Unallocated corporate liabilities	2,711,003	606,956	628,221	0	3,946,180
Consolidated liabilities	54,572,059	65,435,906	5,765,595	(72,895,357)	52,878,203
Capital expenditure	2,460,394	2,811,828	61,390	(230,650)	5,102,962
Depreciation	3,357,199	9,508	546,315	(15,519)	3,897,503
Non-cash transaction other than depreciation	(1,486,413)	(8,992,052)	8,683	62,797	(10,406,985)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 SEGMENTAL INFORMATION (CONTINUED)

The Group is primarily engaged in construction and construction related activities within Malaysia.

	Constructions	Investments	Quarry and trading	Eliminations	Total
	RM	RM	RM	RM	RM
<b>2002</b>					
<b>REVENUE</b>					
Revenue from external customers	132,370,850	4,212,100	8,445,042	0	145,027,992
Revenue from transactions with other business segments	2,675,405	4,121,500	2,832,243	(9,629,148)	0
	135,046,255	8,333,600	11,277,285	(9,629,148)	145,027,992
Segment results	28,320,255	6,829,345	1,703,663	(4,107,556)	32,745,707
Unallocated corporate expenses					(10,872,220)
Profit from operations					21,873,487
Finance cost					(126,885)
Share of net profit of associated companies					57,070
Taxation					(7,137,492)
Net profit attributable to shareholders					14,666,180
<b>OTHER INFORMATION</b>					
Segment assets	193,669,227	158,912,334	9,241,649	(159,143,784)	202,679,426
Unallocated corporate assets	8,187,380	73,369	340,000	(1,257,244)	7,343,505
Consolidated assets	201,856,607	158,985,703	9,581,649	(160,401,028)	210,022,931
Segment liabilities	69,293,630	62,030,728	7,480,113	(71,393,255)	67,411,216
Unallocated corporate Liabilities	993,566	582,594	65,000	-	1,641,160
Consolidated liabilities	70,287,196	62,613,322	7,545,113	(71,393,255)	69,052,376
Capital expenditure	1,728,855	1,964,309	185,000	0	3,878,164
Depreciation	2,652,042	0	478,719	0	3,130,761
Non-cash transaction other than depreciation	4,537,228	2,927,372	0	0	7,464,600

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 30 MATERIAL LITIGATION

Loh & Loh Constructions Sdn Bhd (“LLCSB”), a wholly owned subsidiary of LLCB had filed a suit at the Kuala Lumpur High Court by way of a Writ of Summons No. D5-22-375-93 dated 13 May 1993 (“the Suit”) against Quota Innovations Sdn Bhd (“QISB”) for breach of Contract Agreement and against all QISB’s directors for breach of guarantee and against Kassim Chan Management Services Sdn Bhd (“KCMS”) for breach of duty of care towards LLCSB. The claim is for a sum of approximately RM3,623,000 under the Contract Agreement including a sum of RM1,100,000 by way of loan granted to QISB. KCMS is sued jointly for this loan sum of RM1,100,000 as the loan monies was disbursed through the project account managed by KCMS. There is a counter-claim filed by QISB against LLCSB for wrongful termination of the Contract Agreement. In respect of QISB and its director, the claim and counter-claim have been remitted for arbitration.

The Learned Arbitrator made an Interim Award in favour of LLCSB but did not grant the full sum for Liquidated Ascertained Damages (“LAD”) claimed by LLCSB. The Interim Award is for the sum of RM739,770.25 being payment under the Contract Agreement, RM1,100,000 being the loan sum and RM287,668 being LAD and interest at the rate of 8% per annum on the same beginning from 10 February 1993.

The 1st to 7th Defendants applied for a stay pending Arbitration which was granted by the Court. The High Court proceedings are only as against KCMC at this juncture. LLCSB had filed a List of Documents and Affidavit Verifying the List of Documents against KCMC.

- (i) On 27/09/2002 LLCSB obtained order in terms for its’ application to register the Arbitrator’s Interim Award as Judgement;
- (ii) On 02/07/2002 QISB and its directors had filed an application to stay LLCSB’s application for registration of the Interim Award and the said application was dismissed with costs on 27/09/2002
- (iii) On 23/07/2002 LLCSB has filed an application to vary the Injunctive Order dated 16/04/1993 against the 8th Defendant

The trial against KCMC is fixed for Continued Hearing on 12/08/2004.

LLCSB had issued a Statutory Demand under S218(2) of the Company Act 1965 against QISB and is now in the midst of filing the Winding-up Petition.

Status of the Suit against the directors of QISB:

- (i) Ipoh High Court BKCY No: 29-275-2003  
Re: Woon Mooi

On 28/02/2003 LLCSB had filed a fresh Bankruptcy Notice and served the same on the Judgement Debtor. On 23/12/2003 LLCSB had obtained order for substituted service and have filed the fair copies of the same. LLCSB is now awaiting extraction of the sealed copy of the same. The Creditor’s Petition is fixed for Hearing on 27/04/2004.

- (ii) Ipoh High Court BKCY No: 29-274-2003  
Re: Leong Hong Min

On 28/02/2003 LLCSB had filed a fresh Bankruptcy Notice and served the same on the Judgement Debtor. Adjudication and Receiving Orders were obtained on 23/12/2003.

- (iii) Ipoh High Court BKCY No: 29-276-2003  
Re: Leong Yoke Luen

On 28/02/2003 LLCSB had filed a fresh Bankruptcy Notice and served the same on the Judgement Debtor. LLCSB had served the Bankruptcy Notice on the abovenamed debtor. LLCSB had filed the Creditors Petition and is now waiting for extraction of the sealed copies from Court.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 30 MATERIAL LITIGATION (CONTINUED)

- (iv) Temerloh High Court BKYC No: 29-94-2003  
Re: Lam Hoi Song

On 28/02/2003 LLCsB had filed a fresh Bankruptcy Notice and served the same on the Judgement Debtor. The Judgement Debtor filed an application to stay of bankruptcy proceedings and is fixed for Hearing on 28/05/2004.

- (v) Temerloh High Court BKYC No: 29-101-2003  
Re: Lam Hong Chang

On 28/02/2003 LLCsB had filed a fresh Bankruptcy Notice and served the same on the Judgement Debtor. The Judgement Debtor filed an application to stay of bankruptcy proceedings and is fixed for Hearing on 28/05/2004.

### 31 FINANCIAL INSTRUMENTS

#### Forward foreign exchange contracts

Forward foreign exchange contracts are entered into by the Group in currencies other than their functional currency to manage exposure to fluctuations in foreign currency exchange rates on specific transactions. In general, the Group's policy is to enter into forward foreign exchange contracts for up to 100% of anticipated payments except for USD payments.

As at 31 December 2003, the open forward contracts for the Group are as follows:

<i>Hedging Items</i>	<i>Currency to be received</i>	<i>Currency to be paid</i>	<i>Contracted amounts</i>	<i>Ringgit Malaysia equivalent</i>
Trade payables	Ringgit Malaysia	Sterling Pound	90,284	538,534
Future purchase of raw materials over following 6 months:	Ringgit Malaysia	Euro	98,000	404,495
	Ringgit Malaysia	Sterling Pound	270,922	1,700,944

#### Fair values

The carrying amounts of financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values as disclosed in the respective notes to the financial statements except the following

	<i>Group</i>		<i>Company</i>	
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Foreign currency forward contracts	2,643,973	2,948,881	0	0

## Statement by **Directors**

Pursuant to Section 169(15) of the Companies Act, 1965

We, Datuk Abdul Rashid bin Abdul Manaff and Loh Kim Tai, being two of the Directors of Loh & Loh Corporation Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 27 to 63 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2003 and of the results of the Group and the Company and the cash flows of the Group and the Company for the year ended on that date in accordance with the applicable approved accounting standards in Malaysia and comply with the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 26 April 2004.

DATUK ABDUL RASHID BIN ABDUL MANAFF  
DIRECTOR

LOH KIM TAI  
DIRECTOR

Kuala Lumpur

## Statutory **Declaration**

Pursuant to Section 169(16) of the Companies Act, 1965

I, Loh Kim Kah, the Director primarily responsible for the financial management of Loh & Loh Corporation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 27 to 63 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.

LOH KIM KAH

Subscribed and solemnly declared by the abovenamed Loh Kim Kah at Petaling Jaya in Malaysia on 26 April 2004, before me.

S. AROKIASAMY  
COMMISSIONER FOR OATHS  
(No. B 003)  
No. 26A, Jalan Yong Shook Lin  
42600 Petaling Jaya, Selangor

# Report of the Auditors

to the Members of LOH & LOH Corporation Berhad (Company No. 389765 V)

We have audited the financial statements set out on pages 27 to 63. 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 auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared 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 matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at 31 December 2003 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors 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 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 financial statements of the subsidiaries were not subject to any qualification and do not include any comments made under subsection 3 of Section 174 of the Act.

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

LEE YOKE KHAI  
(No. 1589/08/05 (J))  
Partner of the firm

Kuala Lumpur  
26 April 2004