



AUTOAIR HOLDINGS BERHAD

(Company No. 414010-M)

Annual Report 2003



Contents

02	Notice of Annual General Meeting
04	Statement Accompanying the Notice of Annual General Meeting
05	Corporate Information
06	Group Structure
07	Chairman's Statement
09	Profile of Directors
12	Statement on Corporate Governance
18	Statement on Internal Control
20	Audit Committee Report
26	Other Disclosure Information
27	Reports and Financial Statements
82	List of Properties
83	Analysis of Shareholdings
85	Analysis of Warrantholdings
87	Proxy Form

02|Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of Autoair Holdings Berhad will be held at Bilik Perdana, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Tuesday, 23 December 2003, at 9.30 a.m. for the transaction of the following business:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 30 June 2003 together with the Reports of the Directors and the Auditors thereon. **(Resolution 1)**
2. To approve the increase in Directors' fees from RM49,000/- to RM52,708/- in respect of the year ended 30 June 2003. **(Resolution 2)**
3. To re-elect the following Directors who retire pursuant to the Company's Articles of Association and, being eligible, offer themselves for re-election:-
 - (a) Mr. Yeaw Kok Sing (Article 92) **(Resolution 3)**
 - (b) Madam Tan Po Moi (Article 92) **(Resolution 4)**
 - (c) Mr. Yeaw Kok Ho (Article 92) **(Resolution 5)**
 - (d) Mr. Sha Thiam Fook (Article 97) **(Resolution 6)**
4. To re-appoint Messrs. Moore Stephens as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**
5. As Special Business:-
To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-

(a) Ordinary Resolution 1

Authority to allot shares pursuant to Section 132D of the Companies Act, 1965

"THAT subject always to the Companies Act 1965, Articles of Association of the Company and approvals of the relevant governmental/regulatory bodies where such approvals shall be necessary, the Directors be and are hereby authorised and empowered pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Kuala Lumpur Stock Exchange."

(Resolution 8)

(b) Ordinary Resolution 2

Authority to allot shares pursuant to the Employees' Share Option Scheme

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company from time to time under the Employees' Share Option Scheme as approved by an ordinary resolution passed at the Extraordinary General Meeting of the Company held on 1 November 2002 provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

(Resolution 9)

6. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD,

CHOW CHOOI YOONG
HAZLINA BT HARUN
Secretaries

Kuala Lumpur
1 December 2003

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. In the case of a corporate body, the proxy appointed must be in accordance with the Memorandum and Articles of Association, and the instrument appointing a proxy shall be given under the Company's Common Seal or under the hand of an officer or attorney duly authorised.
4. The Form of Proxy must be deposited at the Company's Registered Office at Lot 4.100, Tingkat 4, Wisma Central, Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the time set for the meeting or any adjournment thereof.
5. Explanatory Notes On Special Business
 - (a) **Resolution pursuant to Section 132D of the Companies Act, 1965**
Resolution No. 8 proposed under item 5(a), if passed, will give the Directors of the Company from the date of the above General Meeting, authority to allot and issue ordinary shares from the unissued capital of the Company being for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares. This authority will, unless revoked or varied by the Company in General Meeting, expire at the next Annual General Meeting.
 - (b) **Resolution pursuant to Employees' Share Option Scheme**
Resolution No. 9 proposed under item 5(b), if passed, will empower the Directors of the Company to allot and issue shares to those employees who have exercised their options under the Employees' Share Option Scheme.



04 | Statement Accompanying the Notice of Annual General Meeting

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Kuala Lumpur Stock Exchange)

1. Directors who are standing for re-election at the Seventh Annual General Meeting of the Company

- | | |
|------------------------|--------------|
| (a) Mr. Yeaw Kok Sing | (Article 92) |
| (b) Madam Tan Po Moi | (Article 92) |
| (c) Mr. Yeaw Kok Ho | (Article 92) |
| (d) Mr. Sha Thiam Fook | (Article 97) |

2. Details of attendance of Directors at Board Meetings

Details of attendance of Directors at Board Meetings held during the financial year ended 30 June 2003 are set out on page 12 of the Annual Report.

3. Place, Date and Time of the Seventh Annual General Meeting

The Seventh Annual General Meeting of the Company will be held at Bilik Perdana, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Tuesday, 23 December 2003, at 9.30 a.m.

4. Further details of Directors who are standing for re-election

Further details of Directors who are standing for re-election are set out on pages 9 to 11 of the Annual Report.

BOARD OF DIRECTORS

Leow Bock Lim	(Chairman)
Yeaw Kok Sing	(Group Managing Director)
Tan Po Moi	(Executive Director)
Yeaw Kok Ho	(Executive Director)
You Kook Sing	(Executive Director)
Haji Abdul Rashid bin Mohd. Yusoff	(Executive Director)
Sha Thiam Fook	(Non-Executive Director)
Chai Moi Kim	(Independent Non-Executive Director)
Tan Loy Fatt	(Independent Non-Executive Director)



AUDIT COMMITTEE

Chai Moi Kim	(Chairman - Independent Non-Executive Director)
Yeaw Kok Sing	(Member – Group Managing Director)
Tan Loy Fatt	(Member – Independent Non-Executive Director)

REMUNERATION COMMITTEE

Yeaw Kok Sing	(Chairman - Group Managing Director)
Tan Loy Fatt	(Member – Independent Non-Executive Director)
Chai Moi Kim	(Member – Independent Non-Executive Director)

NOMINATION COMMITTEE

Tan Loy Fatt	(Chairman - Independent Non-Executive Director)
Chai Moi Kim	(Member – Independent Non-Executive Director)
Leow Bock Lim	(Member – Independent Non-Executive Chairman)

COMPANY SECRETARIES

Chow Chooi Yoong	(MAICSA 0772574)
Hazlina bt Harun	(LS 03078)



AUDITORS

Messrs. Moore Stephens
Chartered Accountants
8A Jalan Sri Semantan Satu,
Damansara Heights,
50490 Kuala Lumpur.

REGISTERED OFFICE

Lot 4.100, Tingkat 4,
Wisma Central, Jalan Ampang,
50450 Kuala Lumpur.
Tel : 03-2161 9733
Fax : 03-2162 8157

SHARE REGISTRAR

Insurban Corporate Services Sdn. Bhd.
149-B, Jalan Aminuddin Baki,
Taman Tun Dr. Ismail,
60000 Kuala Lumpur.
Tel : 03-7729 5529
Fax : 03-7728 5948

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
Bumiputra-Commerce Bank Berhad
Bank Industri & Teknologi Malaysia Berhad

STOCK EXCHANGE

The Second Board of the Kuala Lumpur Stock Exchange

06 | Group Structure



On behalf of the Board of Directors, I am pleased to present this Annual Report and Financial Statements of the Group for the financial year ended 30 June 2003.

FINANCIAL PERFORMANCE

For the financial year under review, the Group achieved a revenue of RM32.7 million, representing a marginal increase of 1.6 % as compared to RM32.2 million in the previous year. Profit before tax was recorded at RM0.5 million for the financial year ended 30 June 2003 as compared to RM0.9 million in 2002, representing a decrease of 44.4 %.

REVIEW OF OPERATIONS

During the financial year, the Group continued to invest in plant and machinery to increase its production capacity, particularly hose and fittings, accumulators and fan motors. The lower profit before tax was mainly attributed to the higher depreciation charge on new plant and machinery and interest expense.

CORPORATE DEVELOPMENT

During the year, the Company successfully completed the corporate exercise involving private placement of 2,500,000 new ordinary shares of RM1/- each, bonus issue of 16,500,000 new ordinary shares of RM1/- each ("Bonus Issue") and additional allotment of 6,498,292 warrants 2000/2005. With the increase of issued and paid-up share capital of the Company from RM25.0 million to RM44.0 million, it has now complied with the minimum issued and paid-up capital requirement of at least RM40.0 million for companies listed on the Second Board of the Kuala Lumpur Stock Exchange.

EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme was established on 31 January 2003 after the completion of the Bonus Issue exercise. This Scheme is valid for a period of 5 years and provides the opportunity for eligible employees to participate actively in the growth and development of the Group. As at 30 June 2003, no option had been granted yet.



DIVIDEND

In view of the need to retain earnings for the Group's working capital requirement, the Board does not recommend any dividend for the financial year ended 30 June 2003.

PROSPECTS

With the liberalisation of the automotive market, the Group anticipates the automotive industry to face greater challenges. The Group has taken and will continue to take measures to strengthen its R & D and production capabilities, to develop new air-conditioning components and to widen its products range in order to broaden its revenue base. The Group will be making greater efforts to garner a larger share of the OEM market both locally and overseas in order to meet its objective of becoming a global air-conditioning component supplier.

ACKNOWLEDGEMENT

I note with regret the resignation of Encik Azam bin Azman, our Non-Executive Director and would like to take this opportunity to thank him for his active participation during his tenure of office. At the same time, I would like to take this opportunity to warmly welcome Mr Sha Thiam Fook to our Board as Non-Executive Director.

We have a dedicated and capable team who are committed to building a world class corporation and the Board wishes to express its appreciation to the management and staff for their valued contribution and untiring effort in ensuring the continued growth and success of the Group.

I would also like to thank my fellow directors for their invaluable support and contribution and to our shareholders, business partners, valued customers, suppliers, bankers and regulatory authorities for their co-operation, support, and confidence in the Group.

Leow Bock Lim

Chairman

1 December 2003

Leow Bock Lim (Independent Non-Executive Chairman), aged 61, a Malaysian, was appointed to the Board of Autoair Holdings Berhad ("AHB") on 16 October 2002 as an Independent Non-Executive Chairman. He is also a member of the Nomination Committee of AHB.

Mr. Leow is a retired banker who has had over 35 years of banking experience in various local and foreign banks. He is an Associate of The Institute of Chartered Secretaries & Administrators and an Associate of The Institute of Canadian Bankers. He began his career with the OCBC Bank in 1960. In 1962, he left to join United Malayan Banking Corporation as an Operations Officer. Mr. Leow held various operational and treasury positions in The Chase Manhattan Bank between 1966 to 1970. From 1971 to 1972, he served as the Chief Operating Officer of Oriental Bank. Mr. Leow was the Head of Treasury of The Bank of Nova Scotia from 1973 to 1977. He joined the Security Pacific Asian Bank in 1978 and was its Country Head for 12 years. In 1994, he joined Alliance Bank as its Senior Vice President and served as its Head of Treasury and International Banking Division, prior to his retirement in 2000. Currently, Mr. Leow also sits on the Board of Chuan Huat Resources Berhad, Kumpulan Belton Berhad, Discomp Berhad and Fortuna International Holdings Limited.

Mr. Leow does not have any family relationship with any other directors or substantial shareholders of AHB and has no conflict of interests with the Company. He has no convictions for offences within the past 10 years.

Yeaw Kok Sing (Group Managing Director), aged 46, a Malaysian, is the founder of the AHB Group. He was appointed to the Board on 1 October 1997 and is currently the Managing Director of the Group. He is also a member of the Audit Committee and the Chairman of the Remuneration Committee of AHB.

Upon the completion of his secondary education, Mr. Yeaw joined J & E Marketing Sdn. Bhd., a trading company dealing in electrical home appliances, in 1977 as a Marketing Executive. In 1982, he moved to Kennex Electronic Marketing Co., a trading company specialising in auto accessories, where he served as a Senior Marketing Executive before starting his own sole proprietorship, William Enterprise, in 1985. William Enterprise specialised in trading of automotive accessories and automotive air-conditioning parts. In 1986, he started Unicla Trading & Air Cond Services, which is a trading and servicing company in automotive air-conditioning parts, a partnership involved in marketing automotive air-conditioning components, services and car accessories. Seeing an opportunity in the market due to the small number of local air-conditioning component manufacturers, Mr. Yeaw then turned his attention to the manufacturing of components in 1989 with the inception of Autoair Industries Sdn. Bhd. and subsequently the rest of the Group. He holds directorships in several other private limited companies in the AHB Group of companies.

Yeaw Kok Sing is the brother of Yeaw Kok Ho and You Kook Sing who are Executive Directors of AHB. Yeaw Kok Sing is also the husband of Tan Po Moi who is an Executive Director of AHB. Yeaw Kok Sing has no conflict of interests with AHB and has no convictions for offences within the past 10 years.

Tan Po Moi (Executive Director), aged 41, a Malaysian, was appointed to the Board on 1 October 1997 and is currently the Executive Director of the Group.

Ms. Tan started her career in 1980 with Swee Chong Leong Sdn. Bhd. as a Computer Programmer upon completion of her City & Guild computer programming course at Tuanku Abdul Rahman College. In 1982, she joined Unicla Sales and Services Sdn. Bhd., a company specialising in automotive air-conditioning servicing, as a Customer Service Executive until 1985. She then started Unicla Trading & Air Cond Services, which is a trading and servicing company in automotive air-conditioning parts in 1986, a partnership involved in marketing automotive air-conditioning components, services and car accessories, until 1989, when she became one of the founding members of Autoair Industries Sdn. Bhd. and subsequently, the rest of the Group. She holds directorships in several other private limited companies in the AHB Group of companies.

Tan Po Moi is the wife of Yeaw Kok Sing who is the Group Managing Director of AHB. Tan Po Moi has no conflict of interests with AHB and has no convictions for offences within the past 10 years.

10 | Profile of Directors (Cont'd)

Yeaw Kok Ho (Executive Director), aged 52, a Malaysian, was appointed to the Board on 1 October 1997 and is currently the Executive Director of the Group.

Mr. Yeaw completed his secondary education in 1969 when he joined Yik Seng Hardware Sdn. Bhd. as Co-ordinator. Yik Seng Hardware Sdn. Bhd. is a trading company in hardware for construction building material. In 1982, he left and was self-employed as an Engineering Contractor specifically metal work contractor, before joining Autoair Industries Sdn. Bhd. in 1989 as one of the pioneers of the company, and assumed the post of Factory Manager, then promoted as General Manager and currently as Production Executive Director. He holds directorships in several other private limited companies in the AHB Group of companies.

Yeaw Kok Ho has no conflict of interests with AHB and has no convictions for offences within the past 10 years. He is the brother of Yeaw Kok Sing and You Kook Sing who are the Group Managing Director and Executive Director of AHB respectively.

You Kook Sing (Executive Director), aged 55, a Malaysian, was appointed to the Board on 1 October 1997 and is currently the Executive Director of the Group.

Upon the completion of his secondary education, Mr. You joined Lim Boon Aik Construction Sdn. Bhd., a building construction company in 1966, where he served for 22 years until 1988, when he left as Site Manager. In 1989, he joined Autoair Industries Sdn. Bhd. as one of the pioneer staff, and assumed the post of Executive Director. He holds directorship in one of the subsidiary companies in the AHB Group of companies.

You Kook Sing has no conflict of interests with AHB and has no convictions for offences within the past 10 years. He is the brother of Yeaw Kok Sing and Yeaw Kok Ho who are the Group Managing Director and Executive Director of AHB respectively.

Haji Abdul Rashid bin Mohd. Yusoff (Executive Director), aged 48, a Malaysian, was appointed to the Board on 1 October 1997 and is currently the Chief Operating Officer of the Group.

After his local pre-university studies, Haji Abdul Rashid proceeded to Institut Teknologi Mara and graduated with a Diploma in Accountancy. Upon the completion of his studies, Haji Abdul Rashid joined the audit firm, Hanafiah Raslan & Mohamad, for four years, and left in 1982 as an Audit Senior. He joined an investment holding company namely Rumpun Hijau Corporation Sdn. Bhd. as an Assistant Accountant until 1985, and then joined Patco Malaysia Berhad, a subsidiary of Rumpun Hijau Capital Berhad, which specialises in manufacturing of condenser and evaporator, assembly of compressor and trading of air-conditioner parts, as Group Financial Controller in 1986. In 1989, Haji Abdul Rashid was promoted to General Manager, and became Managing Director in 1995. In 1996, he was transferred to the head office, Rumpun Hijau Capital Berhad as Chief Operating Officer. In September 2000, he was appointed as an independent director in Auto Industries Ventures Berhad and resigned on 1 October 2001. In October 2000, he was appointed as Group Chief Operating Officer of AHB Group and is responsible for overseeing the financial and operation functions of the Group. Haji Abdul Rashid also sits on the Board of Jutajaya Holdings Berhad.

Haji Abdul Rashid has no family relationship with any other directors or substantial shareholders of AHB, has no conflict of interests with AHB and has no convictions for offences within the past 10 years.

Chai Moi Kim (Independent Non-Executive Director), aged 45, a Malaysian, was appointed to the Board on 1 October 1997 and is currently the Independent Non-Executive Director of the Group, Chairman of the Audit Committee, a member of Nomination and Remuneration Committee of AHB.

Mr. Chai started his career as an articled clerk with an established local audit firm in 1980, and subsequently worked with several other established audit firms including an international audit firm until 1988. He left for the FACB Group of companies in 1989, where he was the Group Accountant. In 1992, Mr. Chai joined MBf Holdings Berhad as senior manager in the Corporate Department, where he served until 1994. In 1995, he left to set up his own audit practice, Kim & Co., whereby he is still practicing his profession there. Mr. Chai is a member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and Malaysian Institute of Taxation. Mr. Chai also sits on the Board of CAM Resources Berhad and Widetech (Malaysia) Berhad.

Mr. Chai has no family relationship with any other directors or substantial shareholders of AHB, has no conflict of interests with AHB and has no convictions for offences within the past 10 years.

Tan Loy Fatt (Independent Non-Executive Director), aged 53, a Malaysian, was appointed to the Board on 15 May 1999 as an Independent Non-Executive Director. He is a member of the Audit and Remuneration Committee and Chairman of the Nomination Committee of AHB.

Mr. Tan graduated in 1976 with a B.Sc. in Mechanical Engineering from the University of Manitoba, Canada. He then spent 9 years in the Malaysian Armed Forces, rising from the rank of Captain to the rank of Major. In 1985, he joined the Soon Seng Group of companies as a Factory Manager, where he served until 1989, when he joined U.C.M. Industrial Corporation Berhad as Chief Factory Manager. In 1992, he was appointed Deputy General Manager, then General Manager of Mah Sing Plastic Industries Sdn. Bhd., where he stayed until 1994. For two years he ventured into property related business on self-employment, and joined the Group in 1996 as General Manager of Autoair Industries Sdn. Bhd.. He was in charge of the overall manufacturing division. He resigned from Autoair Industries Sdn. Bhd. in 1998.

Mr. Tan Loy Fatt has no family relationship with any other directors or substantial shareholders of AHB, has no conflict of interests with AHB and has no convictions for offences within the past 10 years.

Sha Thiam Fook (Non-Executive Director), aged 53, a Malaysian, was appointed to the Board on 13 January 2003 as a Non-Executive Director of the Group.

Mr. Sha graduated from Nanyang University, Singapore with a Bachelor Degree in Commerce in 1974. He furthered his studies in Australia, where he was admitted to the Australian Society of Certified and Practising Accountants (currently known as CPA Australia) as an associate member in 1978. He was admitted to the Malaysian Institute of Accountants as a Public Accountant in July 1980. He started his own public accountant firm, Sha & Co in 1981 (now known as Sha, Tan & Co). Currently, Mr. Sha also sits on the Board of Ken Holdings Berhad and Geahin Engineering Berhad.

Mr. Sha is the brother-in-law of the Executive Director, Ms. Tan Po Moi. He has no conflict of interests with AHB and has no convictions for offences within the past 10 years.

12 | Statement on Corporate Governance

The Board recognises the importance of Corporate Governance and its implementation in conducting the business and affairs of the Company. The Board is continuously committed in instilling high standards of Corporate Governance. This statement illustrates the extent of which the Board has embodied and applied the principles and best practices of the Malaysian Code on Corporate Governance ("Code").

A. THE BOARD OF DIRECTORS

(i) Principal Responsibilities of the Board

The Board is responsible for the stewardship of the Group's business and affairs on behalf of the shareholders with a view to enhance long term shareholders' value whilst taking into account the interest of other stakeholders and maintaining high standards of transparency and accountability. The responsibilities of the Board are in tandem with the 6 principal responsibilities specified under Best Practices AAI of the Code.

(ii) Board Procedure

The Board meets at least four times a year, with additional meeting convened when necessary. During the financial year ended 30 June 2003, five (5) meetings were held.

The number of board meetings held and attendance of the directors for the financial year ended 30 June 2003 are as follows :

Directors	Attendance at the Board Meetings Attended/Held
Haji Mokatar Rudin Bin Wan Yusof (Resigned on 09.10.2002)	1/1*
Leow Bock Lim (Appointed on 16.10.2002)	4/4*
Yeaw Kok Sing	5/5
Tan Po Moi	4/5
Yeaw Kok Ho	4/5
You Kook Sing	3/5
Haji Abdul Rashid Bin Mohd.Yusoff	4/5
Azam Bin Azman (Resigned on 08.08.2003)	5/5
Chai Moi Kim	5/5
Tan Loy Fatt	5/5
Sha Thiam Fook (Appointed on 13.01.2003)	2/2*

* reflect the number of meetings held during the time the director held office.

The Board is fully aware of, and acts on specifically reserved matters for decision to ensure that the direction and control of the Group is firmly in its hand. Such matters, outlined in the Group's Authority Limits, clearly establish the authority of the Board and the management.

(iii) Board Structure and Balance

The Board consists of :

- Three Independent Non-Executive Directors
- The Group Managing Director
- Four Executive Directors
- One Non-Independent Non-Executive Director

(iii) Board Structure and Balance (Cont'd)

The Company is led and managed by a capable and experienced Board comprising members with a wide range of business, financial, banking, technical experience and expertise. This mix of skills and experience is vital for the successful direction of the Group. A brief profile of each Director is presented on pages 9 to 11 of this Annual Report.

There is a clear division of responsibilities between the Chairman and the Group Managing Director to maintain a balance of power and authority. In order to ensure this balance, the positions of the Chairman and the Group Managing Director are held by separate members of the Board and their respective roles are clearly defined. The Chairman is primarily responsible for ensuring Board effectiveness and conduct whilst the Group Managing Director oversees the daily business operation of the Group, implementation of the Board policies and decision, and making of operational decisions.

The presence of independent non-executive Directors is particularly important in corporate accountability as they provide unbiased and independent views, advice and judgement to take account of the interest, not only of the Group, but also of the shareholders, employees, customers, suppliers and the community. Furthermore, the Board has appointed Mr. Tan Loy Fatt as the Senior Independent Non-Executive Director. Any concerns with regards to the Group may be conveyed to him.

(iv) Supply of Information

All Directors have access to information with Board papers as well as minutes of meetings distributed in advance of meetings. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting.

All Directors have access to the advice and services of the Company Secretary and to take independent professional advice where necessary, to the extent that it is pertinent to the discharge of their duties as directors, is for the benefit of the Company and in appropriate circumstances.

(v) Appointments to The Board

The Nomination Committee comprises the following members:

Tan Loy Fatt (Chairman)	Independent Non-Executive Director
Chai Moi Kim	Independent Non-Executive Director
Leow Bock Lim (Appointed on 24.10.02)	Independent Non-Executive Chairman

The Committee is empowered by its terms of reference which had been approved by the Board to perform the following primary functions:

- a) recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board;
- b) consider, in making its recommendations, candidates for directorships proposed by the Group Managing Director and, with the bounds of practicability, by any senior executive or any Director or shareholder;
- c) recommend to the Board, Directors to fill the seats on the Board Committees;
- d) review annually the required mix of skills and experience and other qualities of Directors including core competencies of Non-Executive Directors; and
- e) implement a process to assess annually the effectiveness of the Board, the committees of the Board and the contribution of each individual Director.

(v) Appointments to The Board (Cont'd)

The Committee held two meetings during the financial year.

The appointment of the two new Non-Executive Directors was approved by the Board, after having considered the recommendation of the Committee. The Company Secretary ensures that all appointments are properly made, all necessary information is obtained, as well as all legal and regulatory obligations are met. There is an induction programme in place for the new Directors which includes briefing on the Group businesses.

The Committee has established a procedure for the assessment of Directors, the Board and Board Committees.

(vi) Directors' Training

All the Company Directors have successfully attended the Mandatory Accreditation Programme ("MAP") conducted by Research Institute of Investment Analysts Malaysia (RIIAM), an affiliate company of the KLSE. The Directors will continue to undergo the Continuing Education Programme ("CEP") training courses, pursuant to Practice Note No.15/2003 of KLSE Listing Requirements.

(vii) Re-election of Directors

Any Director appointed during the year is required under the Company's Articles of Association to retire and seek re-election by shareholders at the following Annual General Meeting immediately after his appointment. All Directors including the Managing Director shall retire from office once at least in three (3) years but shall be eligible for re-election at each Annual General Meeting. The election of a director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and their shareholdings in the Company of each Director standing for election are furnished in a separate statement accompanying the Notice of the Annual General Meeting.

B. DIRECTORS' REMUNERATION

(i) Level and Make-up of Remuneration

The Company is guided by the objective as recommended by the Code to determine the remuneration for Directors so as to ensure that the Company attracts and retains the Directors needed to run the Company successfully. For Executive Directors, the components of remuneration are structured so as to link rewards to the responsibilities, commitment, contribution, corporate and individual performance, experience and expertise of Directors. In the case of Non-Executive Directors, the level of remuneration reflects their experience and level of responsibilities.

(ii) Remuneration Committee

The Remuneration Committee comprises the following members:

Yeaw Kok Sing (Chairman)	Group Managing Director
Tan Loy Fatt	Independent Non-Executive Director
Chai Moi Kim	Independent Non-Executive Director

The Committee is empowered by its terms of reference which had been approved by the Board to perform the following primary functions:

- a) recommend to the Board the remuneration of Executive Directors in all forms;
- b) to determine the level of remuneration that should be sufficient to attract and retain the Directors needed to run the Company successfully; and

(ii) Remuneration Committee (Cont'd)

- c) ensure the remuneration for Executive Directors is linked to corporate and individual performance, responsibilities, commitment, contribution, experience and expertise.

Executive Directors should play no part in decisions of their own remuneration.

The Board as a whole determines the remuneration packages of the Non-Executive Directors, including the Non-Executive Chairman with individual Directors abstaining from decisions in respect of their own remuneration.

The Committee held its first meeting during the financial year.

(iii) Directors' Remuneration

Aggregate remuneration of Directors categorised into appropriate components for the financial year ended 30 June 2003 are as follows:

	Fees RM'000	Salaries RM'000	Bonus & Incentives RM'000	Benefits-in-kind RM'000	Others RM'000	Total RM'000
Executive Directors	100	753	15	36	281	1,185
Non-Executive Directors	28	-	-	-	-	28

The number of Directors of the Company who served during the financial year and whose total remuneration from the Group falling within the respective bands are as follows:

Range of Remuneration :-	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	6
RM50,001 to RM100,000	2	-
RM150,001 to RM200,000	1	-
RM300,001 to RM350,000	1	-
RM450,001 to RM500,000	1	-

The remuneration of the Non-Executive Directors is inclusive of the remuneration of two directors who had resigned on 9 October 2002 and 8 August 2003.

C. SHAREHOLDERS**(i) Shareholder Communication and Investor Relations**

The Board maintains an effective communication policy that enables both the Board and management to communicate effectively with its shareholders, stakeholders and the public generally. The Company recognises regular and timely dissemination of information to shareholders and investors of the Company via annual report and financial statements, circulars to shareholders, quarterly financial reports and various announcements made during the year. These will enable shareholders, investors and members of the public to have an overview of the Group's performance and operations.

The communication policy of the Group is to maintain dialogue with its investors and shareholders in order to communicate effectively which will provide them a clear and complete picture of the Group's operations, performance and position. The Board and management will consider the constructive feedback from shareholders.

(i) Shareholder Communication and Investor Relations (Cont'd)

While the Group endeavours to provide as much information as possible to its shareholders and other stakeholders, it is also conscious of the legal and regulatory framework governing the release of material and price-sensitive information.

In addition, the Group's website at www.autoairgroup.com provides easy and quick access to the latest corporate and other pertinent information on the Group. Alternatively, members of public may obtain the Company's latest announcements via the KLSE website at www.klse.com.my.

(ii) The Annual General Meeting ("AGM")

Annual General Meeting serves as an important forum for communicating with the shareholders of the Company and to gather their views. Notice of the AGM and Annual Report are sent to shareholders 21 days prior to the meeting. During the meeting, the Chairman and the Board members respond to all queries and undertake to provide sufficient information on issues and concerns raised by the shareholders. The Board has ensured that an explanatory statement will accompany each item of special business included in the notice of meeting on the effects of the proposed resolution.

D. ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

The Board is aware of its responsibilities to shareholders and the requirement to provide a balanced and comprehensive assessment of the Group's financial performance and prospects primarily through the annual report and quarterly financial statements. Before releasing to the KLSE, the quarterly financial results are reviewed by the Audit Committee and approved by the Board of Directors. The details of the Company's and the Group's financial position are included in the Financial Statements of the Annual Report.

(ii) Statement of Directors' Responsibility in Respect of the Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the results and cash flows of the Company and of the Group for the financial year. In preparing those financial statements, the Directors are required to:

- adopt appropriate accounting policies and then apply them consistently;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgement and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis.

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

(iii) Internal Control

The Board recognises the importance of a sound system of internal control and risk management in achieving corporate objectives and safeguarding shareholders' investment. The Board has undertaken a review of the adequacy and integrity of the Group's system of internal control and conducted business risk assessment of the Group.

The Statement on Internal Control of the Group is presented on page 18 and 19 of this Annual Report.

(iv) Relationship With the Auditors

The Company's external auditors, Messrs. Moore Stephens, have continued to report to members of the Company on their findings which are included as part of the Company's financial report with respect to each year's audit on the statutory financial statements. The Company has established and maintained a close and transparent relationship with the Company's external auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

18 | Statement on Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance sets out as a principle that the Board of a listed company should maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Board is committed to maintaining a sound system of internal control in the Group in accordance with paragraph 15.27(b) of the Kuala Lumpur Stock Exchange ("KLSE") Listing Requirements.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for maintaining a sound system of internal control for the Group and reviewing its adequacy and integrity. The system of internal control covers risk management and financial, organisational, operational and compliance controls. However, due to the limitations inherent in any system of internal control, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Associated company has not been dealt with as part of the Group for the purpose of this statement.

ENTERPRISE-WIDE RISK MANAGEMENT

The formalisation of the consolidated risk management framework involved the following initiatives:

- During the year, the Group had reviewed and restructured the risk management framework into formal and integrated risk management framework for the Group. As an outcome of this exercise, the Group's Risk Management Policy was updated.
- A meeting was held to discuss an integrated risk profile of the Group. Operational management has clear responsibility for identifying risks affecting their business and for instituting adequate procedures and internal controls to mitigate and monitor such risks on an on-going basis.
- The various risk events arising from various parts of the business value chain had been identified by Heads of Department together with appropriate measures and controls to effectively manage the risks. Key risks to each business unit's objectives aligned with the Group's strategic objectives, are identified and scored for the likelihood of occurrence and magnitude of impact.

Significant risk areas are highlighted and brought to the attention of Audit Committee and the Board for further assessment.

INTERNAL AUDIT FUNCTION

The Internal Audit function is an integral part of an effective internal control system and risk management framework.

The Group's Internal Audit Department performs regular reviews of business processes to assess the effectiveness of internal controls and to monitor compliance with procedures. Only significant risks impacting the Group are highlighted to the Audit Committee and the Board.

Internal audits are undertaken to provide independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control systems in anticipating potential risk exposures over key business processes and in controlling the proper conduct of business within the Group. The Audit Committee also has access to both internal and external auditors and reviews reports on all audits performed. The internal audit function adopts a risk based approach and prepares its half yearly audit plan based on the risk profiles of the business units of the Group.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from risk management and internal audit, the other key elements of internal control system of the Group are as follows :

- a) The Group has an appropriate organizational structure with clearly defined lines of responsibility and delegation of authority which enables adequate monitoring of the activities and ensures effective flow of information across the Group.
- b) The Board meets at least quarterly and has set a schedule of matters, which is required to be brought to it for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. In arriving at any decision, on recommendation by the Management, deliberation and discussion by the Board is a prerequisite. In addition, the Board is kept updated on the Group's activities and operations on regular basis.
- c) There are strategic planning and annual budgeting for financial year ending 30 June 2004 which are approved by the Board.
- d) Policies and procedures for key business processes are formalised and documented for each of the significant operating units. The policies and procedures are reviewed by the respective Heads of Department before table to the Audit Committee and the Board for adoption and implementation. Staff are required to read and understand the operational policies and procedures to ensure their duties can be performed effectively.
- e) Authority Limits Policy which clearly defined line of accountability and responsibility, sets out the decisions that need to be taken and the appropriate approving authority at various level of management including matters that require Board approval.
- f) The Group has control procedures in place to ensure that work is carried out to meet stated objectives, that risks are identified and reported in a timely way to enable corrective actions to be taken. Measures taken include Heads of Department Meeting and Production Meeting.
- g) The management submits a monthly management report directly to the Group Managing Director detailing inter-alia performance, operational problem and suggestion for improvement. Through this, Group performance is closely monitored, risks identified in a timely manner, their implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

CONCLUSION

During the financial year, there were no material losses arising from weaknesses in the internal controls. The Management continues to take measures to further enhance the system of internal controls in particular the performance management, budgetary controls and risk management system.

This statement is made in accordance with a resolution of the Board of Directors dated 27 October 2003.

20|Audit Committee Report

ESTABLISHMENT AND COMPOSITION

The Audit Committee of Autoair Holdings Berhad (“the Company”) was established on 8 October 1997. For the financial year ended 30 June 2003, the Audit Committee comprises the following three directors:-

Chairman

Mr. Chai Moi Kim (Independent Non-Executive Director) (*MIA Member*)

Members

Tan Loy Fatt (Independent Non-Executive Director)

Yeaw Kok Sing (Group Managing Director)

TERMS OF REFERENCE

Membership

1. The Audit Committee shall be appointed by the Board from amongst the directors of the Company and shall consist of not less than three members, of whom the majority shall be independent, not being:-
 - (a) an executive director of the Company or any related corporation;
 - (b) an officer or one who has been an officer within the last two years of the Company or any related corporation;
 - (c) a major shareholder of the Company or any related corporation;
 - (d) a relative of an executive director, officer or major shareholder of the Company or its related corporation, being a spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child;
 - (e) a nominee or representative of an executive director or major shareholder of the Company or any related corporation;
 - (f) a professional adviser of the Company or any related corporation;
 - (g) a person who has engaged in a transaction with the Company within the last two years for a value exceeding RM250,000/-; and
 - (h) a person having a relationship that, in the opinion of the directors, would interfere with the exercise of independent judgment in carrying out the duties of the Committee.
2. The Committee shall include at least one person who is a member of the Malaysian Institute of Accountants or alternatively a person who must have at least 3 years working experience and have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967 or is a member of one of the associations specified in Part II of the said Schedule.
3. No alternate director shall be appointed as a member of the Committee.

Membership (Cont'd)

4. The members of the Committee shall elect from among their numbers a Chairman who is non-executive and independent, as defined above.
5. If one or more members of the Committee resign, die or for any other reason cease to be a member with the result that the Listing Requirements of the Kuala Lumpur Stock Exchange are breached, the Board shall, within three months of the event, appoint such number of new members as may be required to correct the breach.
6. The Board shall review the term of office of Committee members no less than once every three years.

Authority

The Committee is authorised by the Board, in accordance with the procedures to be determined by the Board (if any) and at the cost of the Company, to:

- (a) investigate any activity within the Committee's terms of reference;
- (b) have resources which are reasonably required to enable it to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company or the Group;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) obtain outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;
- (f) convene meetings with the external auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

Duties

The duties of the Audit Committee shall be to review the following and report the same to the Board:-

- (a) any matters concerning the appointment and dismissal of the external auditor and the audit fee;
- (b) the nature and scope of the audit by the external auditors before commencement;
- (c) the external auditors' audit report, areas of concern arising from the audit and any other matters the external auditors may wish to discuss (in the absence of management if necessary);
- (d) any financial information for publication, including quarterly and annual financial statements, before submission to the Board, focusing particularly on:-
 - i) any changes in accounting policies and practices;
 - ii) significant and unusual events;
 - iii) significant adjustments arising from the audit;
 - iv) the going concern assumption;
 - v) compliance with accounting standards and other legal requirements;

Duties (Cont'd)

- (e) the external auditor's management letter and management's response;
- (f) to do the following where an internal audit function exists:-
 - i) review the adequacy of the scope, functions and resources of internal audit function, and that it has the necessary authority to carry out its work;
 - ii) review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - iii) review any appraisal or assessment of the performance of members of the internal audit function;
 - iv) approve any appointment or termination of senior staff members of the internal audit function;
 - v) inform itself of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.
- (g) to consider the major findings of internal audit work and management's response;
- (h) extent of co-operation and assistance given by the employees;
- (i) the propriety of any related party transactions and conflict of interest situations that may arise within the Company or the Group; and
- (j) any other matters as directed by the Board.

Overseeing the Internal Audit Function

- (a) The Committee shall oversee all internal audit functions and is authorized to commission investigations to be conducted by internal audit as it deems fit.
- (b) The Head of Internal Audit shall report directly to the Committee and shall have direct access to the Chairman of the Committee.
- (c) All proposals by management regarding the appointment, transfer or dismissal of the Head of Internal Audit shall require the prior approval of the Committee.

Quorum for Meetings

The quorum shall be formed only if there is a majority of members present at the meeting who are independent directors.

Attendance at Meetings

The Head of Finance, the Head of Internal Audit, and a representative of the External Auditors shall normally attend meetings. Other Board members and employees may attend any particular meeting only at the Audit Committee's invitation, specific to the relevant meeting. However, at least once a year the Committee shall meet with the External Auditors without executive Board members present.

Frequency of Meetings

The Chairman shall call for meetings, to be held not less than four times a year. The External Auditors may request a meeting if they consider one necessary.

Proceedings of Meetings

- 1) A member may at any time and the Secretary shall on the requisition of a member summons a meeting of the Audit Committee by giving the members not less than seven days notice thereof unless such requirement is waived.
- 2) In the absence of the Chairman, the Committee shall appoint one of its members present to chair the meeting.
- 3) A resolution put to vote shall be decided by a majority of the members present, each member having one vote.
- 4) The books containing the minutes of proceedings of any meeting of the Audit Committee shall be kept at the registered office of the Company and shall be opened to the inspection of any board member.

Reporting Procedures

- 1) The Company Secretary shall be the Secretary of the Committee. He shall record attendance of all members and invitees and take minutes to record the proceedings of every meeting of the Committee. All minutes of meetings shall be circulated to every member of the Board.
- 2) The Committee shall prepare an annual report to the Board that provides a summary of the activities of the Committee for inclusion in the Company's annual report.
- 3) The Committee shall assist the Board in preparing the following for publication in the Company's annual report:-
 - (a) Statement on the Company's application of the principles set out in Part 1 of the Malaysian Code on Corporate Governance;
 - (b) Statement on the extent of compliance with the Best Practices set out in Part 2 of the Malaysian Code on Corporate Governance, specifying reasons for any areas of non-compliance (if any) and the alternatives adopted in such areas;
 - (c) Statement on the Board's responsibility for preparing the annual audited accounts; and
 - (d) Statement about the state of internal control of the Group.
- 4) The Committee may report any breaches of the Listing Requirements, which have not been satisfactorily resolved, to the Kuala Lumpur Stock Exchange.

AUDIT COMMITTEE MEETINGS

The Audit Committee met five times during the financial year ended 30 June 2003. The details of Audit Committee's meetings held and attended by the Committee during the financial year are as follows:-

Audit Committee Member	Attendance at the Committee Meetings held from 1/7/2002 to 30/06/2003
Chai Moi Kim <i>(Independent Non-Executive Director)</i>	Attended 5 out of 5 meetings
Yeaw Kok Sing <i>(Group Managing Director)</i>	Attended 5 out of 5 meetings
Tan Loy Fatt <i>(Independent Non-Executive Director)</i>	Attended 5 out of 5 meetings

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 30 JUNE 2003

During the financial year ended 30 June 2003, the activities of the Audit Committee included the following:-

- (a) review of the quarterly financial results and announcements for the financial quarters ended 30/6/2002, 30/9/2002, 31/12/2002 and 31/3/2003 prior to submission to the Board of Directors for consideration and approval;
- (b) review of the audited financial statements for the financial year ended 30 June 2002;
- (c) review of the external auditors' reports for the financial year ended 30 June 2002 in relation to audit and accounting issues arising from the audit;
- (d) consider the nomination of the external auditors for recommendation to the Board for re-appointment;
- (e) review and approve the Group Audit Planning Memorandum for the year of 2003;
- (f) review of the internal audit and risk management reports of the Group;
- (g) review of the reports on the compliance of the Malaysian Code of Corporate Governance and the state of internal control of the Group;
- (h) review of the disclosure statements on compliance of the Malaysian Code of Corporate Governance and the state of internal control; and
- (i) review of budget for the financial year ending 30 June 2004.

INTERNAL AUDIT FUNCTION

The Audit Committee is supported by the internal audit department. The main role of the department is to undertake regular and systematic review of the systems of controls of the Group so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively.

The internal audits cover the following:

- (a) review and report on the extent of the Group's compliance with the provision set out under the Malaysian Code on Corporate Governance;
- (b) review of the risk management report on the risk profile of the Group and the adequacy and integrity of internal control system to manage these risks;
- (c) review and appraise the adequacy, effectiveness and reliability of internal control systems, policies and procedures; and
- (d) formulate, update and document the Group policies and procedures.

26 | Other Disclosure Information

UTILISATION OF PROCEEDS

In the financial year ended 30 June 2003, the Company has raised gross proceeds of RM2.88 million from the Private Placement of 2.5 million new ordinary shares.

As at 30 June 2003, the cash raised were utilized as follows:

	RM
Working capital	2,753,310
Share issuance expenses	126,690
	<u>2,880,000</u>

SHARE BUY-BACK

The Company did not make any share buy-back during the financial year ended 30 June 2003.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

No options, warrants or convertible securities were exercised in the financial year ended 30 June 2003.

AMERICAN DEPOSITORY RECEIPT (“ADR”) OR GLOBAL DEPOSITORY RECEIPT (“GDR”) PROGRAMME

During the financial year ended 30 June 2003, the Company did not sponsor any ADR or GDR programme.

IMPOSITION OF SANCTIONS/PENALTIES

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

NON AUDIT FEE

No non audit fees were paid to external auditors for the financial year ended 30 June 2003.

VARIATION IN RESULTS

There was no material variance between the audited results for the financial year ended 30 June 2003 and the unaudited results previously announced save for the following:-

The variance of RM254,000 between the consolidated net profit for the year stated in the announced unaudited Quarterly Report and the audited results for the financial year ended 30 June 2003 was mainly due to underprovision of deferred taxation in the Quarterly Report and allowance for diminution in value of quoted investments.

PROFIT GUARANTEE

The Company did not issue any profit guarantee during the financial year ended 30 June 2003.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiary companies which involve directors' and major shareholders' interests either still subsisting at the end of the financial year ended 30 June 2003 or entered into since the end of the previous financial year.



Financial Statements

28	Directors' Report
34	Statement by Directors
34	Statutory Declaration
35	Report of the Auditors to the Members
36	Balance Sheets
38	Income Statements
39	Statements of Changes in Equity
41	Cash Flow Statements
44	Notes to the Financial Statements

28|Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding and providing management services. The principal activities of the subsidiaries are referred to in note 5 to the financial statements. There have been no significant changes in the nature of these activities during the year.

RESULTS

	GROUP RM	COMPANY RM
Net profit for the year	<u>243,490</u>	<u>1,393</u>

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year and the Directors do not recommend any dividend payment for the current financial year.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the income statement and balance sheet of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and, the making of provision for doubtful debts, and have satisfied themselves that all known bad debts had been written off and that no provision for doubtful debts is required.

At the date of this report, the Directors are not aware of any circumstances which would require a provision to be made for doubtful debts or the amount written off for bad debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statement and balance sheet of the Group and of the Company were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company have 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 which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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 of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:-

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.
- (ii) 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 and of the Company for the financial year in which this report is made.

ISSUE OF SHARES

During the financial year, the following issues of shares were made by the Company:-

Class	Number	Terms of Issue	Purpose of Issue
Ordinary RM1/- :	2,500,000	Private placement for cash	For working capital purposes
Ordinary RM1/- :	16,500,000	Bonus issue via capitalisation of share premium and retained profits	To comply with the minimum share capital requirement for companies listed on the Second Board of Kuala Lumpur Stock Exchange ("KLSE")

WARRANT 2000/2005

On 19 December, 2002, the Company adjusted the exercise price and the number of outstanding 2000/2005 warrants as specified in the Deed Poll dated 12 April 2000 pursuant to the bonus issue of 16,500,000 new ordinary shares of RM1/- each.

The details of the adjustments on the exercise price and the number of outstanding warrants are as follows:-

	Before Bonus Issue	After Bonus Issue
Exercise price	RM3.60	RM2.25
Number of outstanding warrants	10,830,487	17,328,779

The additional 6,498,292 warrants were issued on the basis of 600 additional warrants for every 1,000 existing warrants held.

The summary of movements of warrants eligible to subscribe for new ordinary shares of RM1/- each as at the financial year end are as follows:-

Exercise Price Per Share RM	←----- Number of Warrants -----→			
	At 1.7.02	Adjustments pursuant to bonus issue	Exercise	At 30.6.03
3.60	10,830,487	(10,830,487)	-	-
2.25	-	17,328,779	-	17,328,779

The unexercised warrants 2000/2005 entitles the holder to subscribe for 1 new ordinary share of RM1/- each in the Company at any time not exceeding 18 May 2005 at the subscription price of RM2.25.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Group's ESOS was approved by the Securities Commission ("SC") on 4 June 2002, and shall be in force for a period of 5 years commencing from 31 January 2003.

The ESOS was approved by the shareholders at an Extraordinary General Meeting held on 1 November 2002.

The main features of the ESOS are:-

- (a) eligible persons are employees and executive directors of the Group who have served for at least a continuous period of 12 months and have attained the age of 18 years on or prior to the Date of Offer. The Date of Offer being the date when an offer in writing is made to eligible employees to participate in ESOS. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors;

EMPLOYEES' SHARE OPTION SCHEME ("ESOS") (Cont'd)

- (b) the maximum amount of shares available under ESOS shall not be more than ten percent of the issued and paid-up ordinary share capital of the Company at any point of time during the existence of ESOS;
- (c) not more than fifty percent of the shares available under the ESOS shall be allocated in aggregate to executive directors and senior management;
- (d) not more than ten percent of the shares available under the ESOS would be allocated to any individual executive director or eligible employee, who either singly or collectively through his/her associates holds twenty percent or more of the issued and paid-up share capital of the Company;
- (e) no option shall be granted for less than 1,000 shares nor exceed the Maximum Allowable Amount to any eligible employee. The option may be exercised in full or in such lesser number of ordinary shares provided that the number shall be in multiples of 1,000;
- (f) the ESOS subscription price for each ordinary share shall be based on the average of the mean market quotation of the shares of the Company as shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the five market days preceding the Date of Offer, provided that a discount, if any, of not more than ten percent from the weighted average market price is allowed or at the par value of the shares of the Company, whichever is higher; and
- (g) the ordinary shares to be allotted upon exercise of the option will, upon allotment and issue, rank pari passu in all respect with the existing issued and paid-up ordinary shares of the Company.

During the financial year, no options under ESOS were granted.

DIRECTORS OF THE COMPANY

The Directors in office since the date of the last report are:-

YEAW KOK SING

TAN PO MOI (F)

YEAW KOK HO

YOU KOOK SING

HAJI ABDUL RASHID BIN MOHD. YUSOFF

CHAI MOI KIM

AZAM BIN AZMAN (Resigned on 8.8.03)

TAN LOY FATT

LEOW BOCK LIM

SHA THIAM FOOK (Appointed on 13.1.03)

32|Directors' Report (Cont'd)

DIRECTORS OF THE COMPANY (Cont'd)

The interest of those who were directors at year end in the shares and warrants of the Company during the year are as follows:-

	Number of Ordinary Shares of RM1/- Each				At 30.6.03
	At 1.7.02	Bought	Bonus Issue	Sold	
Direct Interest					
Yeaw Kok Sing	6,006,036	-	3,603,622	-	9,609,658
Tan Po Moi	3,688,639	-	2,213,183	-	5,901,822
Haji Abdul Rashid bin Mohd. Yusoff	167,000	-	100,200	-	267,200
Indirect Interest					
Yeaw Kok Sing *	3,688,639	-	2,213,183	-	5,901,822
Tan Po Moi **	6,006,036	-	3,603,622	-	9,609,658
Haji Abdul Rashid bin Mohd. Yusoff ***	3,285,035	-	1,971,021	-	5,256,056

	Number of Warrants 2000/2005			At 30.6.03	
	At 1.7.02	Bought	Adjustment		Sold
Direct Interest					
Haji Abdul Rashid bin Mohd. Yusoff	171,333	-	102,800	-	274,133
Yeaw Kok Sing	2,332	-	1,399	-	3,731
Tan Po Moi	1,000	-	600	-	1,600
Indirect Interest					
Haji Abdul Rashid bin Mohd. Yusoff ***	2,191,739	-	1,315,043	-	3,506,782
Yeaw Kok Sing *	1,000	-	600	-	1,600
Tan Po Moi **	2,332	-	1,399	-	3,731

* Shares/Warrants held by his wife, Tan Po Moi.

** Shares/Warrants held by her husband, Yeaw Kok Sing.

*** Shares/Warrants held through a company in which Haji Abdul Rashid bin Mohd. Yusoff has substantial financial interest.

DIRECTORS OF THE COMPANY (Cont'd)

By virtue of their interest in the shares of the Company, the Directors as disclosed above are also deemed to have an interest in the shares of the subsidiaries to the extent of the shareholdings of the Company.

In accordance with Article 92 of the Company's Articles of Association, Mr. Yeaw Kok Sing, Madam Tan Po Moi and Mr. Yeaw Kok Ho retire from the board at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

In accordance with Article 97 of the Company's Articles of Association, Mr. Sha Thiam Fook retires from the board at the forthcoming annual general meeting and being eligible offers himself for re-election.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the Directors' remuneration and benefits-in-kind disclosed 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.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SIGNIFICANT EVENTS

Significant events arising during the year referred to in this report are set out in note 37 to the financial statements.

AUDITORS

The auditors, Messrs. Moore Stephens, have expressed their willingness to continue in office.

On Behalf of the Board

YEAW KOK SING

HAJI ABDUL RASHID BIN MOHD. YUSOFF

Kuala Lumpur
27 October 2003

34 | Statement by Directors

We, the undersigned, being two of the Directors of the Company, state that in the opinion of the Directors, the accompanying financial statements as set out on pages 36 to 81, 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 as at 30 June 2003 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date.

On Behalf of the Board

YEAW KOK SING

HAJI ABDUL RASHID BIN MOHD. YUSOFF

Kuala Lumpur
27 October 2003

Statutory Declaration

I, Yeaw Kok Sing, being the Director primarily responsible for the financial management of the Company, do solemnly and sincerely declare that the financial statements as set out on pages 36 to 81 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 at
Kuala Lumpur in the Federal Territory
this 27 day of October 2003

Before me

YEAW KOK SING

Haron Hashim (W128)
Commissioner For Oaths
Kuala Lumpur

Report of the Auditors to the Members of AUTOAIR HOLDINGS BERHAD And Its Subsidiaries

(Incorporated in Malaysia)

| 35

We have audited the financial statements set out on pages 36 to 81.

The preparation of the financial statements are 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 the 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 considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit 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 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 of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 30 June 2003 and of the results of the operations, changes in equity and cash flows of the Group and of the Company for the year ended on that date;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965, to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports of the subsidiaries for which we have not acted as auditors, as indicated in note 5 to the financial statements, being financial statements that are included in the consolidated financial statements.

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 auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Section 174(3) of the Companies Act, 1965.

MOORE STEPHENS
CHARTERED ACCOUNTANTS
(AF.0282)

AU TAI WEE
1551/01/05 (J)
PARTNER

Kuala Lumpur
27 October 2003

36 | Balance Sheets

as at 30 June 2003

	NOTE	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	44,005,569	44,023,921	-	468,238
Capital work-in-progress	4	6,188,159	2,453,974	-	-
Investment in subsidiaries	5	-	-	26,649,343	21,649,343
Investment in associated company	6	109,224	107,458	300,000	300,000
Quoted investments	7	5,085	50,901	-	-
Long term receivables	8	-	69,700	-	-
Goodwill on consolidation	9	3,198	7,365	-	-
		<u>50,311,235</u>	<u>46,713,319</u>	<u>26,949,343</u>	<u>22,417,581</u>
CURRENT ASSETS					
Inventories	10	12,137,834	10,204,335	-	-
Trade receivables	11	7,176,745	7,078,773	-	-
Other receivables, deposits and prepayments	12	617,993	272,632	1,000	21,320
Tax assets	13	224,321	383,849	6,142	49,281
Amount owing by subsidiaries	14	-	-	17,576,371	19,342,796
Fixed deposits with a licensed bank	15	368,000	151,681	-	-
Cash at banks and in hand		381,060	127,526	25,221	4,814
		<u>20,905,953</u>	<u>18,218,796</u>	<u>17,608,734</u>	<u>19,418,211</u>
CURRENT LIABILITIES					
Trade payables	16	5,124,877	6,711,859	-	-
Other payables and accruals		2,080,744	2,697,332	100,077	82,920
Amount owing to subsidiaries	14	-	-	-	49,575
Hire purchase payables	17	53,933	5,650	-	-
Bank overdrafts	18	2,313,186	2,998,616	-	-
Other bank borrowings	19	3,508,010	1,137,581	-	-
Taxation		67,145	806	-	-
		<u>13,147,895</u>	<u>13,551,844</u>	<u>100,077</u>	<u>132,495</u>
NET CURRENT ASSETS		<u>7,758,058</u>	<u>4,666,952</u>	<u>17,508,657</u>	<u>19,285,716</u>
		<u>58,069,293</u>	<u>51,380,271</u>	<u>44,458,000</u>	<u>41,703,297</u>

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

	NOTE	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
CAPITAL AND RESERVES					
Share capital	20	44,000,000	25,000,000	44,000,000	25,000,000
Reserves	21	2,099,881	18,103,160	458,000	16,703,297
SHAREHOLDERS' EQUITY		46,099,881	43,103,160	44,458,000	41,703,297
NON-CURRENT LIABILITIES					
Hire purchase payables	17	242,940	1,660	-	-
Term loans	22	8,602,272	5,074,351	-	-
Deferred tax liabilities	23	3,124,200	3,201,100	-	-
		11,969,412	8,277,111	-	-
		<u>58,069,293</u>	<u>51,380,271</u>	<u>44,458,000</u>	<u>41,703,297</u>

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

38 | Income Statements

for the year ended 30 June 2003

	NOTE	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
OPERATING REVENUE	24	32,731,635	32,230,923	181,249	12,898,749
COST OF SALES	25	(27,184,256)	(25,990,952)	-	-
GROSS OPERATING PROFIT		5,547,379	6,239,971	181,249	12,898,749
OTHER OPERATING REVENUE		443,228	407,355	-	-
DISTRIBUTION COSTS		(630,533)	(1,165,518)	-	-
ADMINISTRATIVE COSTS		(3,810,223)	(3,828,034)	(139,445)	(126,778)
OTHER OPERATING COSTS		(234,443)	(55,696)	(9,565)	-
		<u>(4,675,199)</u>	<u>(5,049,248)</u>	<u>(149,010)</u>	<u>(126,778)</u>
PROFIT FROM OPERATIONS		1,315,408	1,598,078	32,239	12,771,971
FINANCE COSTS		(853,159)	(623,015)	(14,588)	(6,364)
SHARE OF RESULTS OF ASSOCIATED COMPANY		1,766	(74,479)	-	-
PROFIT BEFORE TAXATION	26	464,015	900,584	17,651	12,765,607
TAXATION	27	(220,525)	(182,582)	(16,258)	(1,251,065)
NET PROFIT FOR THE YEAR		<u>243,490</u>	<u>718,002</u>	<u>1,393</u>	<u>11,514,542</u>
EARNINGS PER ORDINARY SHARE (SEN)	28	<u>0.56</u>	<u>1.80</u>		

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

Statements of Changes in Equity

for the year ended 30 June 2003

| 39

	ISSUED & PAID-UP SHARE CAPITAL RM	SHARE PREMIUM RM	TRANSLATION RESERVE RM	RETAINED PROFITS RM	TOTAL SHAREHOLDERS' EQUITY RM
GROUP					
At 1.7.01					
As previously reported	25,000,000	4,426,482	334	15,557,786	44,984,602
Prior year adjustments (note 29)	-	-	-	(2,599,200)	(2,599,200)
As restated	25,000,000	4,426,482	334	12,958,586	42,385,402
Currency translation differences *	-	-	(244)	-	(244)
Net profit for the year	-	-	-	718,002	718,002
At 30.6.02	25,000,000	4,426,482	90	13,676,588	43,103,160
Currency translation differences	-	-	(79)	-	(79)
Share issue expenses incurred	-	(126,690)	-	-	(126,690)
Net loss/expense not recognised in the income statement	-	(126,690)	(79)	-	(126,769)
Issuance of shares pursuant to					
- Private placements	2,500,000	380,000	-	-	2,880,000
- Bonus Issue	16,500,000	(4,636,000)	-	(11,864,000)	-
	19,000,000	(4,256,000)	-	(11,864,000)	2,880,000
Net profit for the year	-	-	-	243,490	243,490
At 30.6.03	44,000,000	43,792	11	2,056,078	46,099,881

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

40 | Statements of Changes in Equity (Cont'd) for the year ended 30 June 2003

	ISSUED & PAID-UP SHARE CAPITAL RM	SHARE PREMIUM RM	TRANSLATION RESERVE RM	RETAINED PROFITS RM	TOTAL SHAREHOLDERS' EQUITY RM
COMPANY					
At 1.7.01	25,000,000	4,426,482	-	762,273	30,188,755
Net profit for the year	-	-	-	11,514,542	11,514,542
At 30.6.02	25,000,000	4,426,482	-	12,276,815	41,703,297
Issuance of shares pursuant to					
- Private placements	2,500,000	380,000	-	-	2,880,000
- Bonus Issue	16,500,000	(4,636,000)	-	(11,864,000)	-
	19,000,000	(4,256,000)	-	(11,864,000)	2,880,000
Share issue expenses incurred *	-	(126,690)	-	-	(126,690)
Net profit for the year	-	-	-	1,393	1,393
At 30.6.03	44,000,000	43,792	-	414,208	44,458,000

* Represents net loss/expense not recognised in the income statement.

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements.

Cash Flow Statements

for the year ended 30 June 2003

	NOTE	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit Before Taxation		464,015	900,584	17,651	12,765,607
Adjustments for:-					
Allowance for diminution in value of quoted investments		22,316	-	-	-
Allowance for slow-moving inventories		101,771	115,706	-	-
Allowance for slow-moving inventories no longer required		(62,793)	(31,220)	-	-
Amortisation of leasehold land		16,229	16,229	-	-
Amortisation of goodwill on consolidation		4,167	3,472	-	-
Bad debts written off		23,766	-	9,565	-
Depreciation of property, plant and equipment		4,657,980	4,032,343	-	11,834
Long term receivables written off		69,700	-	-	-
Loss on disposal of freehold land and building		119,194	-	-	-
Dividend revenue		(135)	(1,320)	-	-
Gain on disposal of property, plant and equipment		(28,757)	(21,999)	-	-
Gain on disposal of quoted investments		(6,300)	(2,395)	-	-
Interest expenses		763,607	545,124	12,359	-
Interest revenue		(1,676)	(1,538)	-	-
Allowance for doubtful debts		-	27,310	-	-
Share of results of associated company		(1,766)	74,479	-	-
Operating Profit Before Working Capital Changes		6,141,318	5,656,775	39,575	12,777,441
Increase in inventories		(1,972,477)	(384,865)	-	-
(Increase)/Decrease in trade and other receivables		(467,099)	769,638	20,320	(21,320)
(Decrease)/Increase in trade and other payables		(2,203,570)	876,536	17,157	18,764
Cash Generated From Operations					
Carried Down		1,498,172	6,918,084	77,052	12,774,885

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements

42 | Cash Flow Statements (Cont'd)

for the year ended 30 June 2003

	NOTE	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
Cash Generated From Operations					
Brought Down		1,498,172	6,918,084	77,052	12,774,885
Interest paid		(763,607)	(545,124)	(12,359)	-
Interest received		1,676	1,538	-	-
Income tax refunded		104,390	-	28,610	-
Income tax paid		(175,916)	(578,125)	(1,729)	(1,241,699)
Net Cash Generated From Operating Activities		664,715	5,796,373	91,574	11,533,186
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiary, net of cash acquired	30(i)	-	(99,938)	-	-
Capital work-in-progress incurred		(3,833,193)	(2,453,974)	-	-
Dividend received		103	1,271	-	-
Incidental costs incurred on disposal of freehold land and building		(12,826)	-	-	-
Placement of fixed deposits		(368,000)	-	-	-
Proceeds from disposal of freehold land and building		460,000	-	-	-
Proceeds from disposal of property, plant and equipment		180,200	22,000	-	-
Proceeds from disposal of quoted investments		29,800	8,180	-	-
Purchase of property, plant and equipment	31	(4,974,660)	(6,345,342)	-	(480,072)
Purchase of investment in subsidiary		-	-	-	(100,000)
Repayments from subsidiaries		-	-	16,253,741	-
Advances to subsidiaries		-	-	(14,028,643)	(10,436,132)
Subscription of shares in a subsidiary		-	-	(5,000,000)	-
Purchase of quoted investments		-	(1,611)	-	-
Net Cash Used In Investing Activities		(8,518,576)	(8,869,414)	(2,774,902)	(11,016,204)
Balance carried down		(7,853,861)	(3,073,041)	(2,683,328)	516,982

The annexed notes form an integral part of,
and should be read in conjunction with, these financial statements

Cash Flow Statements (Cont'd)

for the year ended 30 June 2003

	NOTE	GROUP		COMPANY	
		2003 RM	2002 RM	2003 RM	2002 RM
Balance brought down		(7,853,861)	(3,073,041)	(2,683,328)	516,982
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of bankers' acceptance		14,760,000	1,958,000	-	-
Repayments of bankers' acceptance		(12,697,000)	(1,676,000)	-	-
Payments to hire purchase payables		(10,437)	(136,195)	-	-
Proceeds from issuance of shares		2,880,000	-	2,880,000	-
Proceeds from term loans		4,634,634	2,620,000	-	-
Repayments to subsidiary		-	-	(49,575)	(515,306)
Repayments of term loans		(799,284)	(376,088)	-	-
Share issue expenses incurred		(126,690)	-	(126,690)	-
Net Cash Generated From/ (Used In) Financing Activities		8,641,223	2,389,717	2,703,735	(515,306)
		787,362	(683,324)	20,407	1,676
Translation reserve		(79)	(244)	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		787,283	(683,568)	20,407	1,676
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(2,719,409)	(2,035,841)	4,814	3,138
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	32	(1,932,126)	(2,719,409)	25,221	4,814

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements

44 | Notes to the Financial Statements

30 June 2003

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

1. GENERAL INFORMATION

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

The registered office of the Company is located at Lot 4.100, Tingkat 4, Wisma Central, Jalan Ampang, 50450 Kuala Lumpur.

The principal place of business of the Company is located at Lot 1735, Batu 29, Jalan KL-Ipoh, Serendah, 44300 Batang Kali, Selangor Darul Ehsan.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 27 October 2003.

2. ACCOUNTING POLICIES

The following accounting policies adopted by the Group and the Company are consistent with those adopted in previous years except for the adoption of new applicable accounting standards as follows:-

(i) MASB 23, Impairment of Assets

This standard does not allow retrospective application.

(ii) MASB 24, Financial Instruments : Disclosure and Presentation

MASB 24 has been adopted prospectively and disclosed in note 38 to the financial statements. As permitted by the standard, no comparative figures are disclosed upon first application.

(iii) MASB 25, Income Taxes

MASB 25 has been applied retrospectively by way of prior year adjustments and comparative figures have been restated as disclosed in note 29 to the financial statements.

(iv) MASB 26, Interim Financial Reporting

MASB 26 has no impact on the financial statements of the Group and of the Company.

(v) MASB 27, Borrowing Costs

The adoption of MASB 27 does not affect any changes in accounting policies as the Group and the Company were already applying the principles in the standard.

(a) Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the respective accounting policies as set out below. Certain freehold land and buildings of a subsidiary are stated in the Group's financial statements at values reflecting the effective acquisition costs to the Group (group cost) of these assets.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiaries made up to the end of the financial year.

Intragroup balances, transactions and resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless cost cannot be recovered. Consolidated financial statements reflect external transactions only.

The financial statements of subsidiaries acquired or disposed off during the financial year are included in the consolidated financial statements based on the acquisition method from the effective date of acquisition or up to the effective date of disposal respectively.

(c) Goodwill or Reserve on Consolidation

Goodwill or reserve on consolidation represents the difference between the purchase consideration and the fair value of the Group's share of net assets of the subsidiary at the date of acquisition.

Goodwill or reserve on consolidation is amortised over a period of 3 years or the expected useful life, whichever is shorter. Goodwill on consolidation is written down when there is an impairment in their carrying value.

(d) Subsidiary

A subsidiary is defined as a company in which the Group has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities.

Investments in subsidiaries, which are eliminated on consolidation, are stated at cost less accumulated impairment losses, if any, in the Company's financial statements. An impairment loss is recognised when there is a impairment in the value of the investments determined on individual basis and is charged to the income statement as an expense. The difference between net disposal proceeds and its carrying amount is charged or credited to income statement upon disposal of the investment.

(e) Associated Company

An associated company is defined as a company, not being a subsidiary, in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associated companies are stated at cost less accumulated impairment loss, if any, in the Company's financial statements.

The Group's interest in an associated company is stated at cost plus adjustments for post-acquisition changes in the Group's share of net assets of the associated company. The Group's share of post-acquisition results of the associated company is accounted for using the equity method of accounting in the consolidated income statement.

The Group's share of post-acquisition losses is restricted to the carrying value of the investment in that associated company. Should the associated company subsequently reports profits, the Group will resume to recognise its share of profits after its share of the profits equals to its share of losses previously not recognised.

(f) Property, Plant and Equipment and Depreciation

In the subsidiary's financial statements, certain freehold land and buildings are stated at valuation less accumulated depreciation and accumulated impairment losses, if any, except for freehold land which is not depreciated. Additions subsequent to the date of the last valuation exercise are stated at cost less accumulated depreciation and accumulated impairment losses, if any. All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

In the consolidated financial statements, all property, plant and equipment are stated at the Group's cost less accumulated depreciation and accumulated impairment losses, if any.

Property, plant and equipment, except for freehold land which is not depreciated, are depreciated on the straight line method to write off the cost of the assets over their estimated useful lives.

The principal annual rates used for this purpose are:-

Leasehold land	Over remaining lease period of 73.92 years
Buildings	2%
Plant, machinery and factory equipment	10%
Furniture, fittings and office equipment	10%
Motor vehicles	20%

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(g) Impairment of Assets

The carrying amounts of assets other than inventories, financial assets and tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of net selling price and the value in use, which is measured by reference to discounted future cash flows. An impairment loss is recognised whenever the carrying amount of an item of assets exceeds its recoverable amount.

An impairment loss is recognised as an expense in the income statement. Any subsequent reversal of impairment loss due to an increase in recoverable amount is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior years. The reversal of impairment loss is recognised as revenue in the income statements.

(h) Capital Work-In-Progress

Capital work-in-progress consists of expenditure including borrowing costs incurred on construction of property, plant and equipment which take a substantial period of the time to be ready for their intended uses. This expenditure is stated at cost and no depreciation is provided. Upon completion, the cost will be transferred to property, plant and equipment.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value and are determined on the first-in-first-out basis. Cost include the actual cost of purchases and incidentals in bringing the inventories into store and for manufactured goods, they include labour and appropriate proportion of production overheads.

(i) Inventories (Cont'd)

In arriving at net realisable value, due allowance has been made for all obsolete and slow-moving inventories.

(j) Capitalisation of Borrowing Costs

Borrowing costs in respect of expenditure incurred on acquisition of property, plant and equipment is capitalised during the period when activities to plan, develop and construct these assets are undertaken. Capitalisation of borrowing costs ceases when the property, plant and equipment are ready for their intended use.

(k) Foreign Currencies

(i) Transactions in foreign currencies

Transactions in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the time of the transaction and where settlement had not taken place by 30 June 2003, at the approximate rates ruling as at that date. All gains and losses on exchange are included in the income statement.

(ii) Translation of foreign currency financial statements

Financial statements of foreign entities are translated at year end exchange rates with respect to assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are taken to reserves.

The principal exchange rates (denominated in units of Ringgit Malaysia per foreign currency) used in translating foreign currency amounts are as follows:-

	2003	2002
	RM	RM
Australian Dollars	2.5285	-
China Renminbi	-	0.4587
Japanese Yen	0.0317	0.0318
Korean Won	-	0.0032
New Taiwan Dollars	0.1098	0.1136
Singapore Dollars	2.1631	2.1400
United States Dollars	3.7994	3.7975

(l) Hire Purchase

Hire purchase instalment plans are agreements whereby the lender conveys to the hirer, in return for a series of instalment payments, the rights to use the assets which involved with an option for hirer to purchase the assets upon full settlement of the instalment payments.

Cost of property, plant and equipment acquired under the hire purchase instalment plans are capitalised as property, plant and equipment and depreciated in accordance with the Group's policy on depreciation of property, plant and equipment. The related finance charges are allocated to the income statement over the period of the instalment plans based on the sum-of-digit method and the total outstanding instalment payments after deducting the unexpired finance charges are included in creditors.

(m) Taxation

Taxation in the income statement represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year and any adjustments recognised in the year for current tax of prior years.

Deferred tax is recognised, using the liability method, on all temporary differences except where 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 period in which the assets are realised or the liabilities are settled.

Deferred tax is recognised in equity when it relates to items recognised directly in equity. When deferred tax arises from business combination that is an acquisition, the deferred tax is included in the resulting goodwill or negative goodwill.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxation authority to offset or when it is probable that future taxable income will be available against which the assets can be utilised.

(n) Revenue Recognition

Revenue from sales of goods and services are recognised when goods are delivered or services are performed respectively.

Dividend revenue is recognised when the right to receive the dividend is established.

Management fee and rental revenue are recognised on receivable basis.

Interest revenue is recognised on a time proportion basis that reflects the effective yield of the asset.

(o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value.

(p) Financial Instruments

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, losses and gains relating to financial instruments classified as assets or liabilities are reported as expense or revenue. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The recognised financial instruments comprise cash and cash equivalents, fixed deposits, trade and other receivables, trade and other payables, other non-current investments, bank borrowings and ordinary shares. These instruments are recognised in the financial statements when a contract or contractual arrangement has been entered into with the counter-parties.

The unrecognised financial instruments comprise financial guarantees given to financial institutions and a third party supplier for subsidiaries' banking and credit facilities. The financial guarantees would be recognised as liabilities when obligations to pay the counter-parties are assessed as being probable.

(p) Financial Instruments (Cont'd)

(i) Fixed Deposits and Receivables

Fixed deposits with a licensed bank are stated at costs.

Receivables are stated at cost less allowance for doubtful debts, if any, which are the anticipated realisable values. Known bad debts are written off and specific allowance is made for those debts considered to be doubtful of collection.

In previous years, long term receivables were in respect of annual premium paid on life insurance policies of eligible management employees. These premiums were to be refunded upon retirement or resignation of the staff involved. During the financial year, this scheme was terminated and all insurance premiums were charged out to the income statement.

(ii) Payables

Payables are stated at cost which are the fair values of the considerations to be paid in the future for goods and services received.

(iii) Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associated company are stated at cost less allowance for diminution in value, if any.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(iv) Interest Bearing Bank Borrowings

The interest bearing bank borrowings include bank overdrafts, bankers' acceptance and term loans are stated at the amount of proceeds received, net of transaction costs.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those external costs directly attributable to the equity transaction which would otherwise have been avoided. Cost of issuing equity securities in connection with a business combination are included in the cost of acquisition.

50 | Notes to the Financial Statements (Cont'd)

30 June 2003

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	FREEHOLD LAND RM	LONG TERM LEASEHOLD LAND RM	BUILDINGS RM	PLANT, MACHINERY & FACTORY EQUIPMENT RM	FURNITURE, FITTINGS & OFFICE EQUIPMENT RM	MOTOR VEHICLES RM	TOTAL RM
COST							
At 1.7.02	4,615,773	1,199,579	12,856,832	37,729,342	3,874,358	2,835,455	63,111,339
Additions	-	-	278,340	3,916,588	575,314	504,418	5,274,660
Transfer from capital work- in-progress (note 4)	-	-	-	99,008	-	-	99,008
Disposals	(315,781)	-	(284,219)	-	(58,785)	(371,770)	(1,030,555)
Written off	-	-	-	-	(4,295)	-	(4,295)
At 30.6.03	4,299,992	1,199,579	12,850,953	41,744,938	4,386,592	2,968,103	67,450,157
ACCUMULATED DEPRECIATION							
At 1.7.02	-	16,229	811,783	14,895,688	1,412,669	1,951,049	19,087,418
Charge for the year	-	16,229	257,068	3,668,981	387,958	343,973	4,674,209
Disposals	-	-	(33,632)	-	(41,121)	(237,991)	(312,744)
Written off	-	-	-	-	(4,295)	-	(4,295)
At 30.6.03	-	32,458	1,035,219	18,564,669	1,755,211	2,057,031	23,444,588
NET BOOK VALUE							
At 30.6.03	4,299,992	1,167,121	11,815,734	23,180,269	2,631,381	911,072	44,005,569
At 30.6.02	4,615,773	1,183,350	12,045,049	22,833,654	2,461,689	884,406	44,023,921
Depreciation charge for the year ended 30.6.02	-	16,229	254,139	3,096,735	312,433	369,036	4,048,572

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COMPANY	RENOVATION & ELECTRICAL INSTALLATION RM	FURNITURE, FITTINGS & OFFICE EQUIPMENT RM	MOTOR VEHICLES RM	TOTAL RM
COST				
At 1.7.02	187,520	193,180	99,372	480,072
Disposals	(187,520)	(193,180)	(99,372)	(480,072)
At 30.6.03	-	-	-	-
ACCUMULATED DEPRECIATION				
At 1.7.02	3,330	5,806	2,698	11,834
Disposals	(3,330)	(5,806)	(2,698)	(11,834)
At 30.6.03	-	-	-	-
NET BOOK VALUE				
At 30.6.03	-	-	-	-
At 30.6.02	184,190	187,374	96,674	468,238
Depreciation charge for the year ended 30.6.02	3,330	5,806	2,698	11,834

(a) The Group's long term leasehold land has an unexpired lease period of more than 50 years.

(b) Property, plant and equipment pledged as securities for borrowing facilities granted to the subsidiaries as mentioned in note 19 to the financial statements are as follows:-

	GROUP	
	2003 RM	2002 RM
Freehold land	4,127,157	4,442,938
Long term leasehold land	1,167,121	1,183,350
Buildings	11,709,400	11,936,301
Plant, machinery and factory equipment	10,379,363	3,917,164
	<u>27,383,041</u>	<u>21,479,753</u>

52 | Notes to the Financial Statements (Cont'd)

30 June 2003

3. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

(c) Included in the above property, plant and equipment are assets acquired under hire purchase instalment plans as follows:-

	GROUP	
	2003	2002
	RM	RM
MOTOR VEHICLES		
Cost	496,324	158,512
Net book value	<u>450,303</u>	<u>47,739</u>

4. CAPITAL WORK-IN-PROGRESS

	GROUP	
	2003	2002
	RM	RM
At cost:		
At beginning of the year	2,453,974	949,715
Additions during the year	3,833,193	2,453,974
Transfer to property, plant and equipment (note 3)	(99,008)	(949,715)
At end of the year	<u>6,188,159</u>	<u>2,453,974</u>

The capital work-in-progress is in respect of progress payments made for construction of plant and machinery of RM5,858,159/- (2002 : RM1,932,278/-) and full cost incurred on acquisition of certain plant and machinery of RM330,000/- (2002 : RM521,696/-) which are still pending commissioning by the supplier.

Capital work-in-progress amounting to RM5,596,125/- (2002 : Nil) have been pledged as securities for banking facilities granted to a subsidiary, Autoair Electric (M) Sdn. Bhd., as disclosed in note 19 to the financial statements.

There was no borrowing cost capitalised in the capital work-in-progress for the year.

5. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2003	2002
	RM	RM
Unquoted shares, at cost		
At beginning of the year	21,649,343	21,549,343
Additions during the year	5,000,000	100,000
At end of the year	<u>26,649,343</u>	<u>21,649,343</u>

5. INVESTMENT IN SUBSIDIARIES (Cont'd)

The particulars of the subsidiaries are as follows:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activity
		2003	2002	
Autoair Electric (M) Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of automotive electric fans and motors
Autoair Manufacturing Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of automotive components and accessories
Autoair Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of automotive air-conditioning components and accessories
Autoair International Marketing Sdn. Bhd.	Malaysia	100%	100%	Agents, distributors, dealers, importers and exporters of all automotive air-conditioning components and accessories
AGP Corporation Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of automotive air-conditioning die cast components and accessories
Autoair Sales & Services Sdn. Bhd.	Malaysia	100%	100%	Agent and importers of all kinds of automotive air-conditioning components and accessories
# Uchida Technologies Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of automotive air-conditioning hose and fittings, accumulators, components and accessories
Held through Autoair Industries Sdn. Bhd.				
# Autoair International (Singapore) Pte. Ltd.	Singapore	100%	100%	Dormant

The financial statements of these subsidiaries are not audited by the Company's auditors.

6. INVESTMENT IN ASSOCIATED COMPANY

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Unquoted shares, at cost	300,000	300,000	300,000	300,000
Share of post acquisition losses	(190,776)	(192,542)	-	-
	<u>109,224</u>	<u>107,458</u>	<u>300,000</u>	<u>300,000</u>
Represented by:-				
Share of net assets	<u>109,224</u>	<u>107,458</u>		

54 | Notes to the Financial Statements (Cont'd)

30 June 2003

6. INVESTMENT IN ASSOCIATED COMPANY (Cont'd)

The associated company is:-

Name of Company	Country of Incorporation	Effective Equity Interest		Principal Activity
		2003	2002	
Autoair Healthcare Management Sdn. Bhd.	Malaysia	20%	20%	Provision of health management services

The financial statements of this associated company are not audited by the Company's auditors.

7. QUOTED INVESTMENTS

	GROUP	
	2003 RM	2002 RM
At cost:		
Quoted investments in Malaysia		
At beginning of the year	50,901	55,075
Add: Additions during the year	-	1,611
Less: Disposal during the year	(23,500)	(5,785)
	<u>27,401</u>	<u>50,901</u>
Less: Allowance for diminution in value	(22,316)	-
At end of the year	<u>5,085</u>	<u>50,901</u>
Market value of quoted investments	<u>5,485</u>	<u>34,660</u>

8. LONG TERM RECEIVABLES

	GROUP	
	2003 RM	2002 RM
At beginning of the year	69,700	55,760
Add: Additions during the year	-	13,940
Less: Written off during the year	(69,700)	-
At end of the year	<u>-</u>	<u>69,700</u>

This is in respect of premium paid for life insurance policy of eligible employees.

9. GOODWILL ON CONSOLIDATION

	GROUP	
	2003 RM	2002 RM
Goodwill on consolidation, at cost:		
At beginning of the year	21,597	16,592
Additions during the year (note 30(i))	-	5,005
At end of the year	21,597	21,597
Less: Accumulated amortisation		
At beginning of the year	14,232	10,760
Amortisation during the year	4,167	3,472
At end of the year	(18,399)	(14,232)
	<u>3,198</u>	<u>7,365</u>

10. INVENTORIES

	GROUP	
	2003 RM	2002 RM
At cost:		
Inventories-in-transit	-	71,295
Raw materials	5,931,996	4,827,416
Work-in-progress	3,055,843	2,631,515
Finished goods	3,723,933	3,209,069
	12,711,772	10,739,295
Less: Allowance for slow-moving inventories	(573,938)	(534,960)
	<u>12,137,834</u>	<u>10,204,335</u>

The allowance for slow-moving inventories has been provided on full cost of certain identifiable finished goods.

11. TRADE RECEIVABLES

	GROUP	
	2003 RM	2002 RM
Balance outstanding	7,176,745	7,106,083
Less: Allowance for doubtful debts	-	(27,310)
	<u>7,176,745</u>	<u>7,078,773</u>

56 | Notes to the Financial Statements (Cont'd)

30 June 2003

11. TRADE RECEIVABLES (Cont'd)

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

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

The currency exposure profile is disclosed in note 38 to the financial statements.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in other receivables of the Group is an amount of RM46,000/- (2002 : Nil) being the balance of proceeds from disposal of freehold land and building held by a solicitor as stakeholder.

The currency exposure profile is disclosed in note 38 to the financial statements.

13. TAX ASSETS

This is in respect of tax paid in advance to the Inland Revenue Board.

14. AMOUNT OWING BY/(TO) SUBSIDIARIES

	COMPANY	
	2003 RM	2002 RM
Amount owing by:-		
Autoair International (Singapore) Pte. Ltd.	-	9,565
Autoair International Marketing Sdn. Bhd.	1,737,773	-
Autoair Industries Sdn. Bhd.	3,367,656	4,445,524
Autoair Electric (M) Sdn. Bhd.	4,585,519	9,415,175
Autoair Sales & Services Sdn. Bhd.	1,433,434	1,307,636
Autoair Manufacturing Sdn. Bhd.	2,442,630	2,691,099
AGP Corporation Sdn. Bhd.	137,900	241,613
Uchida Technologies Sdn. Bhd.	3,871,459	1,232,184
	<u>17,576,371</u>	<u>19,342,796</u>
Amount owing to:-		
Autoair International Marketing Sdn. Bhd.	-	49,575
	<u>-</u>	<u>49,575</u>

These amounts are non-trade in nature, unsecured, interest free and have no fixed term of repayment except for amounts owing by certain subsidiaries totalling RM8,168,058/- (2002: RM8,168,058/-) which are subject to interest at the rate of 0.75% (2002: 0.75%) per annum.

15. FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits with a licensed bank are pledged as securities for banking facilities granted to a subsidiary as disclosed in note 19 to the financial statements.

The maturity profile and effective interest rate are disclosed in note 38 to the financial statements.

16. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 120 days.

The currency exposure profile is disclosed in note 38 to the financial statements.

17. HIRE PURCHASE PAYABLES

	GROUP	
	2003 RM	2002 RM
Total instalment payments	344,162	8,966
Less: Future finance charges	(47,289)	(1,656)
	<u>296,873</u>	<u>7,310</u>
Present value of hire purchase liabilities	<u>296,873</u>	<u>7,310</u>
Payable within 1 year		
Total instalment payments	71,560	7,006
Less: Future finance charges	(17,627)	(1,356)
	<u>53,933</u>	<u>5,650</u>
Present value of hire purchase liabilities	<u>53,933</u>	<u>5,650</u>
Payable after 1 year but not later than 5 years		
Total instalment payments	272,602	1,960
Less: Future finance charges	(29,662)	(300)
	<u>242,940</u>	<u>1,660</u>
Present value of hire purchase liabilities	<u>242,940</u>	<u>1,660</u>
Present value of hire purchase liabilities	<u>296,873</u>	<u>7,310</u>

The maturity profile and effective interest rates are disclosed in note 38 to the financial statements.

18. BANK OVERDRAFTS

	GROUP	
	2003 RM	2002 RM
Secured	2,313,186	2,916,753
Unsecured	-	81,863
	<u>2,313,186</u>	<u>2,998,616</u>

The bank overdrafts bear interest at rates ranging from 7.50% to 7.90% (2002 : 7.90% to 8.40%) per annum.

The securities pledged for the secured bank overdrafts are disclosed in note 19 to the financial statements.

The unsecured bank overdraft is supported by corporate guarantee of the Company.

The maturity profile and effective interest rates are disclosed in note 38 to the financial statements.

58 | Notes to the Financial Statements (Cont'd)

30 June 2003

19. OTHER BANK BORROWINGS

	GROUP	
	2003 RM	2002 RM
Term loans repayable within 1 year (note 22)		
- secured	1,119,188	763,915
- unsecured	43,822	91,666
	1,163,010	855,581
Bankers' acceptance		
- secured	2,219,000	282,000
- unsecured	126,000	-
	2,345,000	282,000
	<u>3,508,010</u>	<u>1,137,581</u>

The bankers' acceptance bear interest at rates ranging from 2.95% to 3.15% (2002 : 3.05% to 3.35%) per annum.

The term loans, bank overdrafts and bankers' acceptance facilities are secured and supported as follows:-

- i. fixed charges on certain landed properties of the subsidiary, Autoair Industries Sdn. Bhd. to the extent of RM15,750,000/- (2002 : Autoair Electric (M) Sdn. Bhd. and Autoair Industries Sdn. Bhd. to the extent of RM16,950,000/-);
- ii. specific debenture of RM7,633,634/- (2002 : RM2,999,000/-) over the machinery and equipment financed;
- iii. specific debenture of RM12,600,000/- (2002 : Nil) over the existing plant and machinery owned by a subsidiary, Autoair Electric (M) Sdn. Bhd.;
- iv. fixed deposits of a subsidiary, Autoair Electric (M) Sdn. Bhd. (2002 : Nil); and
- v. corporate guarantees of the Company.

The terms of repayment and interest rates in respect of the term loans are disclosed in note 22 to the financial statements.

The maturity profile and effective interest rates are disclosed in note 38 to the financial statements.

20. (I) SHARE CAPITAL

	GROUP/COMPANY	
	2003 RM	2002 RM
Ordinary shares of RM1/- each		
Authorised:		
100,000,000 ordinary shares	<u>100,000,000</u>	<u>100,000,000</u>

20. (I) SHARE CAPITAL (Cont'd)

	GROUP/COMPANY	
	2003 RM	2002 RM
Issued and fully paid:		
At beginning of the year	25,000,000	25,000,000
Allotted during the year		
Private placements	2,500,000	-
Bonus issue	16,500,000	-
	19,000,000	-
At end of the year	44,000,000	25,000,000

(II) WARRANT 2000/2005

On 19 December 2002, the Company adjusted the exercise price and the number of outstanding 2000/2005 warrants as specified in the Deed Poll dated 12 April 2000 pursuant to the bonus issue of 16,500,000 new ordinary shares of RM1/- each.

The details of the adjustments on the exercise price and the number of outstanding warrants are as follows:-

	Before Bonus Issue	After Bonus Issue
Exercise price	RM3.60	RM2.25
Number of outstanding warrants	10,830,487	17,328,779

The additional 6,498,292 warrants were issued on the basis of 600 additional warrants for every 1,000 existing warrants held.

The summary of movements of warrants eligible to subscribe for new ordinary shares of RM1/- each as at the financial year end are as follows:-

Exercise Price Per Share RM	Number of Warrants			
	At 1.7.02	Adjustments pursuant to bonus issue	Exercise	At 30.6.03
3.60	10,830,487	(10,830,487)	-	-
2.25	-	17,328,779	-	17,328,779

The unexercised warrants 2000/2005 entitles the holder to subscribe for 1 new ordinary share of RM1/- each in the Company at any time not exceeding 18 May 2005 at the subscription price of RM2.25.

(III) EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Group's ESOS was approved by the Securities Commission ("SC") on 4 June 2002, and shall be in force for a period of 5 years commencing from 31 January 2003.

The ESOS was approved by the shareholders at an Extraordinary General Meeting held on 1 November 2002.

The main features of the ESOS are:-

- (a) eligible persons are employees and executive directors of the Group who have served for at least a continuous period of 12 months and have attained the age of 18 years on or prior to the Date of Offer. The Date of Offer being the date when an offer in writing is made to eligible employees to participate in ESOS. The eligibility for participation in the ESOS shall be at the discretion of the Option Committee appointed by the Board of Directors;
- (b) the maximum amount of shares available under ESOS shall not be more than ten percent of the issued and paid-up ordinary share capital of the Company at any point of time during the existence of ESOS;
- (c) not more than fifty percent of the shares available under the ESOS shall be allocated in aggregate to executive directors and senior management;
- (d) not more than ten percent of the shares available under the ESOS would be allocated to any individual executive director or eligible employee, who either singly or collectively through his/her associates holds twenty percent or more of the issued and paid-up share capital of the Company;
- (e) no option shall be granted for less than 1,000 shares nor exceed the Maximum Allowable Amount to any eligible employee. The option may be exercised in full or in such lesser number of ordinary shares provided that the number shall be in multiples of 1,000;
- (f) the ESOS subscription price for each ordinary share shall be based on the average of the mean market quotation of the shares of the Company as shown in the Daily Official List issued by the Kuala Lumpur Stock Exchange for the five market days preceding the Date of Offer, provided that a discount, if any, of not more than ten percent from the weighted average market price is allowed or at the par value of the shares of the Company, whichever is higher; and
- (g) the ordinary shares to be allotted upon exercise of the option will, upon allotment and issue, rank pari passu in all respect with the existing issued and paid-up ordinary shares of the Company.

During the financial year, no options under ESOS were granted.

21. RESERVES

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
NON-DISTRIBUTABLE				
Share premium	43,792	4,426,482	43,792	4,426,482
Translation reserve	11	90	-	-
DISTRIBUTABLE				
Retained profits	2,056,078	13,676,588	414,208	12,276,815
	<u>2,099,881</u>	<u>18,103,160</u>	<u>458,000</u>	<u>16,703,297</u>

22. TERM LOANS

	GROUP	
	2003 RM	2002 RM
Repayable within 1 year (note 19)		
- secured	1,119,188	763,915
- unsecured	43,822	91,666
	<u>1,163,010</u>	<u>855,581</u>
Repayable after 1 year		
- secured	8,602,272	5,030,544
- unsecured	-	43,807
	<u>8,602,272</u>	<u>5,074,351</u>
	<u>9,765,282</u>	<u>5,929,932</u>

The term loans are repayable in 60, 72, 84 and 120 equal monthly instalments respectively and bear interest at rates ranging from 5.00% to 7.90% (2002 : 6.50% to 7.90%) per annum.

The securities pledged for the above term loans are disclosed in note 19 to the financial statements.

The maturity profile and effective interest rates are disclosed in note 38 to the financial statements.

62 | Notes to the Financial Statements (Cont'd)

30 June 2003

23. DEFERRED TAX LIABILITIES

	GROUP	
	2003 RM	2002 RM
At beginning of the year	3,201,100	3,166,600
Transfer (to)/from income statement (note 27)	(76,900)	34,500
	<u>3,124,200</u>	<u>3,201,100</u>
At end of the year	<u>3,124,200</u>	<u>3,201,100</u>

This is in respect of taxation effect on temporary differences arising from:-

	GROUP	
	2003 RM	2002 RM
Capital allowances claimed on property, plant and equipment in excess of their depreciation charge	4,288,800	3,993,700
Deductible temporary differences in respect of expenses	(391,900)	(162,600)
Revaluation surplus on freehold land and building	275,800	278,500
Unabsorbed capital allowances	(1,048,500)	(906,500)
Unabsorbed industrial building allowances	-	(2,000)
	<u>3,124,200</u>	<u>3,201,100</u>

The estimated deferred tax liabilities/(benefits) arising from temporary differences not provided in the financial statements are as follows:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Capital allowances claimed on property, plant and equipment in excess of their depreciation charge	19,400	109,600	-	24,500
Deductible temporary differences in respect of expenses	(22,400)	(26,000)	-	-
Unabsorbed capital allowances	(30,700)	(160,800)	(30,700)	(26,800)
Unabsorbed industrial building allowances	(3,000)	-	-	-
	<u>(36,700)</u>	<u>(77,200)</u>	<u>(30,700)</u>	<u>(2,300)</u>
Net deferred tax benefits not provided for	<u>(36,700)</u>	<u>(77,200)</u>	<u>(30,700)</u>	<u>(2,300)</u>

The estimated unabsorbed capital allowances and unabsorbed industrial building allowances are subject to agreement by the Inland Revenue Board and are not available for set-off within the Group.

24. OPERATING REVENUE

Operating revenue comprises the following:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Dividend revenue	-	-	-	12,777,500
Interest revenue	-	-	61,249	61,249
Management fee received and receivable	-	-	120,000	60,000
Sale of goods	32,731,635	32,230,923	-	-
	<u>32,731,635</u>	<u>32,230,923</u>	<u>181,249</u>	<u>12,898,749</u>

25. COST OF SALES

This is in respect of cost directly attributable to the sale of goods.

26. PROFIT BEFORE TAXATION

(a) Profit before taxation is arrived at after charging/(crediting):-

(i) Directors' remuneration

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Paid and payable to executive directors Yeaw Kok Sing, Tan Po Moi, Yeaw Kok Ho, You Kook Sing and Haji Abdul Rashid Bin Mohd. Yusoff				
- Directors' fees	100,000	100,000	25,000	25,000
- Other emoluments	1,049,048	1,244,855	-	-
- Estimated money value of benefits-in-kind	35,600	39,025	-	-
Payable to non-executive directors Leow Bock Lim, Sha Thiam Fook, Haji Mokatar Rudin Bin Wan Yusof, (Resigned on 9.10.02), Azam Bin Azman, Chai Moi Kim and Tan Loy Fatt				
- Directors' fees	<u>27,708</u>	<u>24,000</u>	<u>27,708</u>	<u>24,000</u>

64 | Notes to the Financial Statements (Cont'd)

30 June 2003

26. PROFIT BEFORE TAXATION (Cont'd)

(a) Profit before taxation is arrived at after charging/(crediting):- (Cont'd)

(ii) Exceptional item

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Loss on disposal of freehold land and building	119,194	-	-	-

(iii) Other items

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Allowance for diminution in value of quoted investments	22,316	-	-	-
Allowance for slow-moving inventories	101,771	115,706	-	-
Allowance for slow-moving inventories no longer required	(62,793)	(31,220)	-	-
Amortisation of goodwill on consolidation	4,167	3,472	-	-
Amortisation of leasehold land	16,229	16,229	-	-
Auditors' remuneration				
- current year	47,645	44,734	3,000	3,000
- overprovision in prior year	(970)	(211)	-	-
Bad debts written off	23,766	-	9,565	-
Depreciation of property, plant and equipment	4,657,980	4,032,343	-	11,834
Long term receivables written off	69,700	-	-	-
Interest expense				
- hire purchase	2,317	28,559	-	-
- term loans	513,423	343,850	-	-
- bank overdrafts	140,814	134,050	12,359	-
- bankers' acceptance	21,605	-	-	-
- others	85,448	38,665	-	-

26. PROFIT BEFORE TAXATION (Cont'd)

(a) Profit before taxation is arrived at after charging/(crediting):- (Cont'd)

(iii) Other items (Cont'd)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Allowance for doubtful debts	-	27,310	-	-
Gain on foreign exchange				
- realised	(273,111)	(205,916)	-	-
Dividend revenue	(135)	(1,320)	-	-
Gain on disposal of property, plant and equipment	(28,757)	(21,999)	-	-
Gain on disposal of quoted investments	(6,300)	(2,395)	-	-
Interest revenue	(1,676)	(1,538)	(61,249)	(61,249)
Rental of premises	(106,800)	(121,637)	-	-

GROUP

During the year, certain directors of the Company received other benefits which are not included in the Directors' remuneration and the estimated monetary value of these benefits amounted to RM35,600/- (2002 : RM39,025/-).

(b) Employees Information

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Staff costs	7,295,898	7,427,534	-	-

The number of employees of the Group and of the Company as at the financial year end was 380 (2002 : 358) and Nil (2002 : Nil) respectively.

27. TAXATION

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Based on results for the year	278,000	192,900	16,300	1,248,000
Deferred taxation relating to the origination and reversal of temporary differences (note 23)	(76,900)	34,500	-	-
Balance carried down	201,100	227,400	16,300	1,248,000

66 | Notes to the Financial Statements (Cont'd)

30 June 2003

27. TAXATION (Cont'd)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Balance brought down	201,100	227,400	16,300	1,248,000
Underprovision/(Overprovision) in prior year	19,425	(44,818)	(42)	3,065
	<u>220,525</u>	<u>182,582</u>	<u>16,258</u>	<u>1,251,065</u>

Effective from Year of Assessment 2003, the Malaysian government enacted a change in the statutory tax rate from 28% to 20%, for companies with paid-up share capital of RM2.5 million and below at the beginning of the basis period of chargeable income of up to RM100,000/-. For chargeable income in excess of RM100,000/-, statutory tax at the rate of 28% is still applicable.

Reconciliation of tax expense and accounting profit:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Accounting profit	<u>464,015</u>	<u>900,584</u>	<u>17,651</u>	<u>12,765,607</u>
Tax at the Malaysia statutory income tax rate of:-				
- first RM100,000/- at 20%	53,600	-	-	-
- balance at 28%	54,900	252,200	4,900	3,574,400
Effect of different tax rates in Republic of Singapore	(2,330)	1,500	-	-
Expenses not deductible for tax purposes	143,700	107,620	11,400	8,600
Effect of changes in tax rate of deferred tax	(66,000)	-	-	-
Deductible temporary differences in respect of expenses	(16,700)	(8,600)	-	-
Deferred tax assets not recognised in prior years	21,900	-	-	-
Revenue not subject to tax	<u>(2,700)</u>	<u>(1,300)</u>	<u>-</u>	<u>(2,337,300)</u>
Balance carried down	186,370	351,420	16,300	1,245,700

27. TAXATION (Cont'd)

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Balance brought down	186,370	351,420	16,300	1,245,700
Originating/reversing temporary differences not recognised in prior years	7,100	(10,000)	-	-
Deferred tax assets not recognised during the year	7,630	20,880	-	2,300
Effect of surrender of pioneer status incentive	-	(58,900)	-	-
Exemption due to pioneer status incentive	-	(76,000)	-	-
Underprovision/ (Overprovision) in prior years	19,425	(44,818)	(42)	3,065
	<u>220,525</u>	<u>182,582</u>	<u>16,258</u>	<u>1,251,065</u>

Subject to agreement by the Inland Revenue Board;

- (i) the Group and the Company has estimated unabsorbed capital allowances of RM4,076,800/- (2002 : RM3,828,000/-) and RM110,000/- (2002 : RM110,000/-) respectively available for set-off against future taxable profits;
- (ii) the Group has estimated unutilised reinvestment allowances of RM15,900,000/- (2002: RM13,952,000/-) under Schedule 7A of the Income Tax Act, 1967 available for set-off against future taxable business profits;
- (iii) the Group has estimated unabsorbed industrial building allowances of RM10,500/- (2002: RM7,100/-) available for set-off against future taxable profits;
- (iv) the Company has estimated tax credit of RM1,372,000/- (2002 : RM1,399,000/-) under Section 108 of the Income Tax Act, 1967 to frank future payment of dividends of approximately RM3,528,000/- (2002 : RM3,597,000/-) without incurring additional tax liability; and
- (v) the Company has tax exempt income account of approximately RM8,856,600/- (2002: RM8,856,600/-) available for distribution by way of tax exempt dividend. These tax exempt income are in respect of tax exempt dividend income received from subsidiaries and chargeable income for the year ended 30 June 1999 of which the income tax had been waived in accordance with the Income Tax (Amendment) Act, 1999.

The estimated unabsorbed capital allowances, unabsorbed industrial building allowances and unutilised reinvestment allowances are not available for set-off within the Group.

30 June 2003

28. EARNINGS PER ORDINARY SHARE**Basic**

The basic earnings per ordinary share of the Group is calculated by dividing the Group's net profit for the year of RM243,490/- by the weighted average number of ordinary shares in issue during the year of 43,514,521 ordinary shares of RM1/- each.

The basic earnings per ordinary share of the Group in prior year was restated by dividing the Group's net profit for the year of RM718,002 by the weighted average number of ordinary shares in issue during the year of 40,000,000 ordinary shares of RM1/- each to adjust for the effect of bonus issue during the year.

Diluted

The diluted earnings per ordinary share is not presented in the financial statements as the effect of the assumed conversion of outstanding warrants during the financial year is anti-dilutive.

29. PRIOR YEAR ADJUSTMENTS

During the financial year, the Group changed its accounting policy on income taxes to recognise all temporary differences except where the temporary differences arises on 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 (tax loss).

Previously, deferred taxation is provided in respect of all temporary differences except where it is thought reasonable that the tax effects of such deferrals will continue in the foreseeable future.

As a result, the Group recognised additional deferred tax liabilities totalling of RM2,609,500/- relating to surplus on revaluation of freehold land and buildings and the consequential effect of not recognising deductible temporary differences arising from initial recognition of assets, namely the unutilised reinvestment allowances.

The effects of this change in accounting policy were applied retrospectively through prior year adjustments as follows:-

	As Previously Reported RM	Effect of Change in Policy RM	As Restated RM
GROUP			
At 1 July 2001 Balance Sheet			
- Retained profits	15,557,786	(2,599,200)	12,958,586
At 30 June 2002 Balance Sheet			
- Deferred tax liabilities	591,600	2,609,500	3,201,100
- Retained profits	16,286,088	(2,609,500)	13,676,588

29. PRIOR YEAR ADJUSTMENTS (Cont'd)

	As Previously Reported RM	Effect of Change in Policy RM	As Restated RM
Income Statement			
- Taxation	(172,282)	(10,300)	(182,582)
- Net profit for the year	728,302	(10,300)	718,002
- Earnings per ordinary share (sen)	2.90	(1.10)	1.80*

* The restated earnings per ordinary share has been adjusted for the effects of the prior year adjustments as well as the bonus issue during the year as disclosed in note 28 to the financial statements.

30. ACQUISITION OF SUBSIDIARY

On 7 June 2002, the effective date of acquisition, the Company acquired 100,000 ordinary shares of RM1/- each representing 100% of the issued and paid-up share capital of Uchida Technologies Sdn. Bhd., a company incorporated in Malaysia, for a cash consideration of RM100,000/-.

The effects of the acquisition of the above mentioned subsidiary on the consolidated financial statements are as follows:-

i. Effect on Consolidated Cash Flow Statement

The fair value of the assets acquired and the liabilities assumed at the effective date of acquisition are as follows:-

	GROUP 2002 RM
Inventories	141,598
Cash in hand	62
Other receivables	97,223
Other payables and accruals	(2,290)
Trade payables	(141,598)
Total net assets	94,995
Goodwill on consolidation (note 9)	5,005
Total purchase consideration	100,000
Cash in hand of the subsidiary	(62)
Cash flow on acquisition, net of cash in hand acquired	99,938

70 | Notes to the Financial Statements (Cont'd)

30 June 2003

30. ACQUISITION OF SUBSIDIARY (Cont'd)

ii. Effect on Consolidated Income Statement

The effect on the consolidated results of the Group for the current period from the effective date of acquisition was as follows:-

	GROUP 2002 RM
Operating revenue	18,531
Cost of sales	(17,864)
	<hr/>
Gross operating profit	667
Administrative costs	(3,397)
	<hr/>
Loss for the year	(2,730)
	<hr/> <hr/>

iii. Effect on Consolidated Financial Position

The effect on the consolidated financial position of the Group as at year end was as follows:-

	GROUP 2002 RM
Property, plant and equipment	893,771
Inventories	433,580
Cash at bank and in hand	1,178
Other payables and accruals	(4,080)
Amount owing to holding company	(1,232,184)
	<hr/>
	92,265
	<hr/> <hr/>

31. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM5,274,660/- (2002 : RM6,345,342/-) and Nil (2002: RM480,072/-) respectively which are satisfied by the following:-

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Hire purchase financing	300,000	-	-	-
Cash payments	4,974,660	6,345,342	-	480,072
	<hr/>	<hr/>	<hr/>	<hr/>
	5,274,660	6,345,342	-	480,072
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

32. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2003 RM	2002 RM	2003 RM	2002 RM
Fixed deposits with a licensed bank	368,000	151,681	-	-
Cash at banks and in hand	381,060	127,526	25,221	4,814
Bank overdrafts	(2,313,186)	(2,998,616)	-	-
	(1,564,126)	(2,719,409)	25,221	4,814
Less: Fixed deposits pledged to a licensed bank	(368,000)	-	-	-
	<u>(1,932,126)</u>	<u>(2,719,409)</u>	<u>25,221</u>	<u>4,814</u>

33. CONTINGENT LIABILITIES - UNSECURED

	COMPANY	
	2003 RM	2002 RM
In respect of corporate guarantees given to financial institutions and a third party supplier for banking and credit facilities granted to subsidiaries:-		
Outstanding as at year end		
Autoair Industries Sdn. Bhd.	8,865,352	8,361,421
Autoair Manufacturing Sdn. Bhd.	169,822	217,336
Autoair Electric (M) Sdn. Bhd.	5,422,430	654,266
	<u>14,457,604</u>	<u>9,233,023</u>

34. CAPITAL COMMITMENTS

	GROUP	
	2003 RM	2002 RM
Approved and contracted for		
- Autoair Industries Sdn. Bhd.	982,404	-
- Autoair Electric (M) Sdn. Bhd.	147,703	3,077,865
	<u>1,130,107</u>	<u>3,077,865</u>

These are in respect of balance of progress payments for construction of plant and machinery as disclosed in note 4 to the financial statements and for acquisition of new plant and machinery for business expansion.

30 June 2003

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Significant intra-group transactions are as follows:-

	COMPANY	
	2003	2002
	RM	RM
Management fee received and receivable from subsidiary:-		
Autoair Industries Sdn. Bhd.	120,000	60,000
Interest revenue received and receivable from subsidiaries:-		
Autoair Industries Sdn. Bhd.	21,649	21,649
Autoair Electric (M) Sdn. Bhd.	37,870	37,870
AGP Corporation Sdn. Bhd.	1,730	1,730
Gross dividend received from subsidiaries:-		
Autoair Industries Sdn. Bhd.	-	8,480,000
Autoair Electric (M) Sdn. Bhd.	-	35,000
Autoair Sales & Services Sdn. Bhd.	-	3,000,000
Autoair Manufacturing Sdn. Bhd.	-	1,262,500
	<u> </u>	<u> </u>

(b) Significant transaction with the associated company is as follows:-

	GROUP	
	2003	2002
	RM	RM
Rental received and receivable from:-		
Autoair Healthcare Management Sdn. Bhd.	-	14,837
	<u> </u>	<u> </u>

The above transactions have been entered into in the normal course of business under terms mutually agreed upon between the parties concerned.

36. SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business. As the Group operates within one geographical segment, geographical segment analysis is not applicable.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets, liabilities and expenses.

Segment assets and liabilities do not include tax assets and tax liabilities respectively.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one accounting period.

Inter-segment revenue which are eliminated upon consolidation are based on terms mutually agreed upon between the parties concerned.

36. SEGMENT ANALYSIS (Cont'd)

Major Segment By Activity

	MANUFACTURING & MARKETING OF AUTOMOTIVE COMPONENTS & ACCESSORIES RM	INVESTMENT HOLDING RM	OTHER OPERATIONS RM	ELIMINATIONS RM	CONSOLIDATED RM
2003					
REVENUE					
External sales	32,731,635	-	-	-	32,731,635
Inter-segment sales	-	120,000	-	(120,000)	-
Total revenue	32,731,635	120,000	-	(120,000)	32,731,635
RESULTS					
Segment result	1,189,728	17,651	10,366	-	1,217,745
Dividend revenue					135
Gain on disposal of quoted investments					6,300
Interest revenue					1,676
Interest expense					(763,607)
Share of results of associated company	-	-	1,766	-	1,766
Income taxes					(220,525)
Net profit					243,490
OTHER INFORMATION					
Segment assets	70,846,195	44,268,062	-	(44,230,614)	70,883,643
Investment in associated company	-	-	109,224	-	109,224
Tax assets					224,321
Consolidated total assets					71,217,188

74 | Notes to the Financial Statements (Cont'd)

30 June 2003

36. SEGMENT ANALYSIS (Cont'd)

Major Segment By Activity (Cont'd)

	MANUFACTURING & MARKETING OF AUTOMOTIVE COMPONENTS & ACCESSORIES RM	INVESTMENT HOLDING RM	OTHER OPERATIONS RM	ELIMINATIONS RM	CONSOLIDATED RM
Segment liabilities	24,679,687	100,077	2,228	(17,576,371)	7,205,621
Taxation					67,145
Unallocated corporate liabilities					14,720,341
Deferred tax liabilities					3,124,200
Consolidated total liabilities					25,117,307
Capital expenditure	9,107,853	-	-	-	9,107,853
Amortisation of goodwill on consolidation	4,167	-	-	-	4,167
Amortisation of leasehold land	16,229	-	-	-	16,229
Depreciation of property, plant and equipment	4,657,980	-	-	-	4,657,980
Significant non-cash expenses other than depreciation					
Allowance for diminution in value of quoted investments	-	22,316	-	-	22,316
Allowance for slow-moving inventories	101,771	-	-	-	101,771
Bad debts written off	23,766	-	-	-	23,766
Long term receivables written off	69,700	-	-	-	69,700

36. SEGMENT ANALYSIS (Cont'd)

Major Segment By Activity (Cont'd)

	MANUFACTURING & MARKETING OF AUTOMOTIVE COMPONENTS & ACCESSORIES RM	INVESTMENT HOLDING RM	OTHER OPERATIONS RM	ELIMINATIONS RM	CONSOLIDATED RM
2002					
REVENUE					
External sales	32,230,923	-	-	-	32,230,923
Inter-segment sales	-	60,000	-	(60,000)	-
Total revenue	32,230,923	60,000	-	(60,000)	32,230,923
RESULTS					
Segment result	1,561,012	12,765,607	(6,875)	(12,777,500)	1,542,244
Dividend revenue					1,320
Gain on disposal of quoted investments					2,395
Interest revenue					1,538
Allowance for doubtful debts					(27,310)
Interest expense					(545,124)
Share of results of associated company	-	-	(74,479)	-	(74,479)
Income taxes					(182,582)
Net profit					718,002
OTHER INFORMATION					
Segment assets	63,895,829	41,591,593	-	(41,046,614)	64,440,808
Investment in associated company	-	-	107,458	-	107,458
Tax assets					383,849
Consolidated total assets					64,932,115

76 | Notes to the Financial Statements (Cont'd)

30 June 2003

36. SEGMENT ANALYSIS (Cont'd)

Major Segment By Activity (Cont'd)

	MANUFACTURING & MARKETING OF AUTOMOTIVE COMPONENTS & ACCESSORIES RM	INVESTMENT HOLDING RM	OTHER OPERATIONS RM	ELIMINATIONS RM	CONSOLIDATED RM
Segment liabilities	28,656,552	132,495	12,515	(19,392,371)	9,409,191
Taxation					806
Unallocated corporate liabilities					9,217,858
Deferred tax liabilities					3,201,100
Consolidated total liabilities					21,828,955
Capital expenditure	8,319,244	480,072	-	-	8,799,316
Amortisation of goodwill on consolidation	3,472	-	-	-	3,472
Amortisation of leasehold land	16,229	-	-	-	16,229
Depreciation of property, plant and equipment	4,020,509	11,834	-	-	4,032,343
Significant non-cash expenses other than depreciation					
Allowance for slow-moving inventories	115,706	-	-	-	115,706
Allowance for doubtful debts	27,310	-	-	-	27,310

37. SIGNIFICANT EVENTS

- (a) On 2 August 2002 and 12 September 2002, the Company implemented the private placement exercise with allotment of 1,750,000 and 750,000 new ordinary shares of RM1/- each at an issue price of RM1.17 and RM1.11 per new share respectively. These new issued and paid-up shares rank pari passu in all respect with the existing shares and were listed and quoted on the Second Board of the Kuala Lumpur Stock Exchange on 16 August 2002 and 23 September 2002 respectively.

37. SIGNIFICANT EVENTS (Cont'd)

- (b) On 1 November 2002, the shareholders of the Company at an Extraordinary General Meeting authorised the following:-
- (i) a proposed bonus issue of up to 16,500,000 new ordinary shares of RM1/- each on the basis of 3 new ordinary shares for every 5 existing ordinary shares held ("Proposed Bonus Issue"); and
 - (ii) a proposed Employees' Share Option Scheme for the granting of options to eligible employees and executive directors of the Company and its subsidiaries to subscribe for new ordinary shares in the Company of not more than 10% of the total issued and paid-up share capital of the Company ("Proposed ESOS").
- (c) On 28 November 2002, the Company announced that adjustments were made to the exercise price of warrants 2000/2005 from RM3.60 to RM2.25 and the number of outstanding 2000/2005 warrants, from 10,830,487 to 17,328,779 on the basis of 600 additional warrants for every 1,000 existing warrants held ("Warrant Adjustment") as specified in the Deed Poll dated 12 April 2000, pursuant to the Proposed Bonus Issue.
- (d) On 4 December 2002, the Company announced that the SC, vide its letter dated 2 December 2002, has approved an extension of time for two months to 3 February 2003, for the implementation of the Proposed Bonus Issue and the Proposed ESOS.
- (e) On 18 December 2002, the Company subscribed for and was allotted 5,000,000 ordinary shares of RM1/- each in the wholly owned subsidiary, Autoair Electric (M) Sdn. Bhd..
- (f) On 19 December 2002, the Company implemented the Proposed Bonus Issue and Warrant Adjustments with the allotment of 16,500,000 new ordinary shares of RM1/- each and additional 6,498,292 Warrants 2000/2005. These new issued and paid up shares and the additional warrants rank pari passu in all respect with the existing shares and warrants and were listed and quoted on the Second Board of the Kuala Lumpur Stock Exchange on 31 December 2002.
- (g) On 31 January 2003, the Company confirmed to the SC, that all conditions and relevant approvals for the Proposed ESOS have been met and obtained. The implementation of the ESOS shall commence on the same date.

38. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

The Group is exposed to a variety of risks in the normal course of business. The Group's risk management seeks to minimise the potential adverse effects from these exposures. The management reviews and agrees policies for managing each of these risks are as follows:-

(i) Foreign Exchange Risk

The Group is exposed to foreign currency risk as a result of its normal trade activities when the currency denomination differs from its functional currency.

The Group maintains a natural hedge, whenever possible, by depositing foreign currency proceeds from sales into foreign currency bank account which will primarily be used for payment of purchases in the same denomination. Foreign exchange exposures in transactional currencies other than its functional currency are kept to an acceptable level.

78 | Notes to the Financial Statements (Cont'd)

30 June 2003

38. FINANCIAL INSTRUMENTS (Cont'd)

(a) Financial Risk Management Policies (Cont'd)

(i) Foreign Exchange Risk (Cont'd)

The net unhedged financial assets and financial liabilities of the Group as at 30 June 2003 that are not denominated in its functional currency are as follows:-

	United States Dollar RM	New Taiwan Dollar RM	Australian Dollar RM	Singapore Dollar RM	Japanese Yen RM	Total RM
Functional currency of the Group						
Trade receivables						
Ringgit Malaysia	1,450,556	-	-	21,100	204,186	1,675,842
Other receivables, deposits and prepayments						
Ringgit Malaysia	293,367	-	-	-	-	293,367
Cash at banks and in hand						
Ringgit Malaysia	158,961	-	-	-	-	158,961
Trade payables						
Ringgit Malaysia	2,341,563	170,503	1,322	-	364,774	2,878,162
Other payables						
Ringgit Malaysia	10,977	-	-	-	5,708	16,685

(ii) Interest Rate Risk

The Group's exposure to interest rate risk relates to interest bearing financial assets and financial liabilities.

- Interest bearing financial assets

Fixed deposits are short term in nature and are placed to satisfy conditions for borrowing facilities granted to the Group.

- Interest bearing financial liabilities

Interest bearing financial liabilities include hire purchase payables, bank overdrafts, term loans and bankers' acceptance.

38. FINANCIAL INSTRUMENTS (Cont'd)

(a) Financial Risk Management Policies (Cont'd)

(ii) Interest Rate Risk (Cont'd)

The effective interest rates at 30 June 2003 and the periods in which the financial assets and liabilities reprice or mature, whichever is earlier, are as follows:-

GROUP	Effective Interest Rate %	Total RM	Maturities		
			Within 1 Year RM	1 - 5 Years RM	After 5 Years RM
Financial Asset					
Fixed deposits with licensed bank	3.70	368,000	368,000	-	-
Financial Liabilities					
Hire purchase payables	5.63 - 10.49	296,873	53,933	242,940	-
Term loans	5.00 - 7.50	9,765,282	1,163,010	6,707,645	1,894,627
Bank overdrafts	7.50	2,313,186	2,313,186	-	-
Bankers' acceptance	3.00 - 3.15	2,345,000	2,345,000	-	-
COMPANY					
Financial Asset					
Amount owing by subsidiaries	0.75	8,168,058	8,168,058	-	-

(iii) Market Risk

The Group's principal exposure to market risk arises from the quoted investments held for long term purposes. As the amount held is not significant, exposure to market risk is minimal.

(iv) Credit Risk

The Group's exposure to credit risk arises from its receivables and the maximum risk associated with recognised financial assets is the carrying amounts as presented in the balance sheet.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

The Group does not have any significant exposure to any individual customer.

(v) Liquidity and Cash Flow Risks

The Company 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.

80|Notes to the Financial Statements (Cont'd)

30 June 2003

38. FINANCIAL INSTRUMENTS (Cont'd)

(b) Fair Values

The methods and assumptions used to estimate the fair value of the following classes of financial assets and liabilities are as follows:-

(i) Fixed Deposits, Cash and Cash Equivalents, Trade and Other Receivables and Payables

The carrying amounts approximate fair values due to the relatively short term maturity of these financial assets and liabilities.

(ii) Quoted Investments

The fair values of quoted investments is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(iii) Borrowings

The carrying amounts of short term loans and bankers' acceptance approximate fair values due to the relatively short term maturity of these financial liabilities.

The carrying amounts of long term floating rate loans approximate their fair values.

The fair value of hire purchase and fixed rate term loan are estimated using discounted cash flow analysis, based on current lending rates for similar types of lending and borrowing arrangements.

The carrying amounts of the Group and the Company's financial assets and liabilities at balance sheet date approximate their fair values except as follows:-

	GROUP	
	Carrying Amount RM	Fair Value RM
Financial Asset		
Quoted investments	5,085	5,485
Financial Liabilities		
Term loans	9,765,282	9,761,509
Hire purchase payables	296,873	297,590

The nominal/notional amount and fair value of financial instruments not recognised in the balance sheets are as follows:-

		GROUP		COMPANY	
	Note	Nominal/ Notional Amount RM	Fair Value RM	Nominal/ Notional Amount RM	Fair Value RM
Contingent liabilities	33	-	-	14,457,604	- *

* It is not practical to estimate the fair value of the contingent liabilities reliably due to uncertainties of timing, costs and eventual outcome.

39. COMPARATIVE FIGURES

- (a) Certain comparative figures have been restated to reflect the prior year adjustments as disclosed in note 29 to the financial statements.
- (b) Certain comparative figures have been reclassified where necessary to conform with the current year's presentations as follows:-
- (i) Reclassification of sales commission, export expenses and freight, forwarding and transportation charges from distribution costs to costs of sales.

	GROUP	
	As Restated RM	As Previously Reported RM
INCOME STATEMENT		
Distribution costs	1,165,518	1,267,623
Cost of sales	<u>25,990,952</u>	<u>25,888,847</u>

- (ii) Reclassification of intra-group advances and repayments from operating activities to investing and financing activities in order to be more reflective of the operating, financing and investing cash flows of the Company.

	COMPANY	
	As Restated RM	As Previously Reported RM
CASH FLOW STATEMENT		
Cash Flows From Operating Activities		
Increase in trade and other receivables	(21,320)	(10,457,452)
Increase/(Decrease) in trade and other payables	18,764	(496,542)
Cash Flows From Investing Activities		
Advances to subsidiaries	(10,436,132)	-
Cash Flows From Financing Activities		
Repayments to subsidiary	<u>(515,306)</u>	<u>-</u>

- (c) The comparative figures on financial instruments are not disclosed as permitted by MASB Standard No. 24 - Financial Instruments : Disclosure and Presentation, upon first application.

82 | List of Properties

as at 30 June 2003

	Location	Description	Land Area	Existing Use	Tenure	Estimated Age of Buildings (Years)	Net Book Value (RM'000)	Date of Acquisition
1	Lot 1735 & 1736 Batu 29 Jalan KL-Ipoh, 44300 Batang Kali, Selangor.	Industrial land with factory building cum office and warehouse	2.2 hectares	Office and factory building	Freehold	6	13,603	22/7/94
2	No. 42, Jalan Sesama, Taman Perusahaan Batu Caves, 68100 Batu Caves, Selangor.	Corner terrace, 4-storey factory lot	477.2 sq.m	Factory lot rented out	Freehold	13	984	21/9/90
3	No. 53, Jalan Sesama, Taman Perusahaan Batu Caves, 68100 Batu Caves, Selangor.	Intermediate terrace, 3-storey factory lot	209.0 sq.m	Factory lot rented out	Freehold	13	537	29/8/89
4	73, Jalan Kamunting 1A, Seksyen BS2, Bukit Sentosa, 48300 Rawang, Selangor.	Corner terrace, Single storey factory lot	308.8 sq.m	Vacant, for future expansion	Freehold	6	279	3/9/93
5	24, Jalan 3/3C, Mukim Batu, Batu 6 1/2, Jalan Ipoh, 68100 Kuala Lumpur.	Intermediate 4 1/2-storey shopoffice	222.9 sq.m	Office	Leasehold, 99 years, Expiring 24 May 2075	3	1,880	16/9/95

Revaluation Policy

The Group does not adopt a revaluation policy.

SHARE CAPITAL

Authorised Share Capital	: RM100,000,000/-
Issued and fully paid-up capital	: RM44,000,000/-
Class of Shares	: Ordinary shares of RM1/- each
Voting rights	: 1 vote per ordinary share
No. of Shareholders	: 1,690

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Share Held	%
Less than 100 shares	10	0.59	426	0.00
100 - 1,000	153	9.05	136,936	0.31
1,001 - 10,000	1,312	77.63	4,988,552	11.34
10,001 - 100,000	197	11.66	4,337,543	9.86
100,001 to less than 5% of issued shares	14	0.83	7,769,007	17.66
5% and above of issued shares	4	0.24	26,767,536	60.83
	1,690	100.00	44,000,000	100.00

LIST OF THIRTY LARGEST SHAREHOLDERS

Name	No. of Shares Held	%
1. Yeaw Kok Sing	9,609,658	21.84
2. Galactrans Sdn. Bhd.	6,000,000	13.64
3. Tan Po Moi	5,901,822	13.41
4. Imbas Cekap Sdn. Bhd.	5,256,056	11.95
5. Low Yock Gan	2,052,200	4.66
6. Future Security Planners Sdn. Bhd.	1,097,395	2.49
7. Mawar Rimbun Sdn. Bhd.	1,066,485	2.42
8. Mokatar Rudin bin Wan Yusof	1,000,000	2.27
9. Chow Tuck	725,100	1.65
10. Bless Way (Malaysia) Sdn. Bhd.	483,200	1.10
11. Lin Tang-Ming	302,400	0.69
12. Mawar Rimbun Sdn. Bhd.	218,527	0.50
13. HDM Nominees (Tempatan) Sdn. Bhd. <i>Pledged securities account for Leou Thiam Lai</i>	187,200	0.43
14. Takechi Shiro	156,800	0.36
15. Hong Leong Finance Berhad <i>Pledged securities account for Abdul Manaf bin Hj. Draman</i>	129,700	0.30
16. Yeoh Kean Hua	128,000	0.29
17. First Look Corporation Sdn. Bhd.	112,000	0.25
18. Lee Hee Hwak	110,000	0.25
19. Ho Tau Tai	91,000	0.21
20. Ang Huat Keat	89,300	0.20

84 | Analysis of Shareholdings (Cont'd)

as at 28 October 2003

LIST OF THIRTY LARGEST SHAREHOLDERS (Cont'd)

Name	No. of Shares Held	%
21. Lee Kok Peng	84,200	0.19
22. RHB Capital Nominees (Tempatan) Sdn. Bhd. <i>Pledged securities account for Wong Ah Kin</i>	80,000	0.18
23. Goh Hua Nam	77,000	0.18
24. Tan Kar Pin	76,000	0.17
25. Lee Kay Chong	72,000	0.16
26. Pua Yan Tat	67,000	0.15
27. Ng Ah Boey	50,000	0.11
28. Lee Mee Ying	48,000	0.11
29. Lee Soon Kia	48,000	0.11
30. Low Tiong Lek	48,000	0.11
	35,367,043	80.38

SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

Name of Substantial Shareholders	No. of Ordinary Shares of RM1/- Each			
	Direct	%	Indirect	%
Yeaw Kok Sing	9,609,658	21.84	*5,901,822	13.41
Tan Po Moi	5,901,822	13.41	**9,609,658	21.84
Haji Abdul Rashid bin Mohd. Yusoff	7,200	0.02	#5,256,056	11.95
Imbas Cekap Sdn. Bhd.	5,256,056	11.95	-	-
Tagor Hasibuan bin Maskhud Hasibuan	-	-	#5,256,056	11.95
Galactrans Sdn. Bhd.	6,000,000	13.64	-	-
Takechi Shiro	156,800	0.36	@6,000,000	13.64

* Shares held by his wife, Tan Po Moi

** Shares held by her husband, Yeaw Kok Sing

Deemed interest by virtue of his substantial interest in Imbas Cekap Sdn. Bhd.

@ Deemed interest by virtue of his substantial interest in Galactrans Sdn. Bhd.

STATEMENT OF DIRECTORS' SHAREHOLDINGS

Directors' Name	No. of Ordinary Shares of RM1/- Each			
	Direct	%	Indirect	%
Yeaw Kok Sing	9,609,658	21.84	*5,901,822	13.41
Tan Po Moi	5,901,822	13.41	**9,609,658	21.84
Haji Abdul Rashid bin Mohd. Yusoff	7,200	0.02	#5,256,056	11.95

* Shares held by his wife, Tan Po Moi

** Shares held by her husband, Yeaw Kok Sing

Deemed interest by virtue of his substantial interest in Imbas Cekap Sdn. Bhd.

Saved as disclosed above, none of the other directors has any interest in shares in the Company or its related corporations as at the above date.

WARRANTS 2000/2005

No. of warrants 2000/2005 issued	: 17,328,779
No. of warrants 2000/2005 outstanding	: 17,328,779
Class of Securities	: Warrants 2000/2005 ("Warrants")
Voting rights	: 1 vote per Warrant
No. of Warrant holders	: 1,445

ANALYSIS BY SIZE OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrant holders	%	No. of Warrant Held	%
Less than 100	45	3.11	2,081	0.01
100 - 1,000	57	3.95	35,328	0.20
1,001 - 10,000	1,118	77.37	4,265,849	24.62
10,001 - 100,000	211	14.60	5,118,514	29.54
100,001 to less than 5% of issued warrants	11	0.76	2,347,065	13.54
5% and above of issued warrants	3	0.21	5,559,942	32.09
	1,445	100.00	17,328,779	100.00

Note: Each Warrant 2002/2005 entitles the holder to subscribe for 1 new ordinary share of RM1/- each in the Company

LIST OF THIRTY LARGEST WARRANT HOLDERS

Name	No. of Warrants Held	%
1. Imbas Cekap Sdn. Bhd.	3,506,782	20.24
2. Future Security Planners Sdn. Bhd.	1,053,094	6.08
3. Cartaban Nominees (Asing) Sdn. Bhd. <i>Dexia BQ Intl A Lux for Pan Asia Special Opportunities Fund</i>	1,000,066	5.77
4. Chow Tuck	653,466	3.77
5. Haji Abdul Rashid bin Mohd. Yusoff	274,133	1.58
6. Hong Leong Finance Berhad <i>Pledged securities account for Chantika Holdings Sdn. Bhd.</i>	208,000	1.20
7. Bless Way (Malaysia) Sdn. Bhd.	190,933	1.10
8. Mokatar Rudin bin Wan Yusof	180,000	1.04
9. Mawar Rimbun Sdn. Bhd.	161,600	0.93
10. Choong Yee Chean	160,000	0.92
11. Ho Tau Tai	150,000	0.87
12. Lee Kok Peng	144,400	0.83
13. Lee Hee Hwak	120,000	0.69
14. Takechi Shiro	104,533	0.60
15. Che Fatimah binti Che Long	93,000	0.54

86 | Analysis of Warrantholdings (Cont'd)

as at 28 October 2003

LIST OF THIRTY LARGEST WARRANT HOLDERS (Cont'd)

Name	No. of Warrants Held	%
16. Tieu Chiong Ong	90,600	0.52
17. TA Nominees (Tempatan) Sdn. Bhd. <i>Pledged securities account for Soo Siew Seng</i>	78,000	0.45
18. TA Nominees (Tempatan) Sdn. Bhd. <i>Pledged securities account for Chia Chu Foo</i>	73,600	0.42
19. Teo Kok Seng	66,800	0.38
20. Chong Shuk Whong	60,000	0.35
21. Lee Tiam Hoi	60,000	0.35
22. Koo Sang Shien	56,400	0.33
23. Zamzam bin Ajis	56,000	0.32
24. Low Yock Gan	54,933	0.32
25. Teo Geok Ting	53,100	0.31
26. Chen Lee Lee	50,000	0.29
27. Chong Chee Kiong	50,000	0.29
28. Lee Bee Chu	50,000	0.29
29. Low Hoon Beng	50,000	0.29
30. Mayban Securities Nominees (Tempatan) Sdn. Bhd. <i>Pledged securities account for Kuan Aye Lee</i>	50,000	0.29
	8,899,440	51.36

Proxy Form

I/We _____
(FULL NAME IN BLOCK LETTERS)

NRIC/Company No.: _____ CDS Account No.: _____
(FOR NOMINEE COMPANIES ONLY)

of _____
(ADDRESS)

being a member(s) of **AUTOAIR HOLDINGS BERHAD** hereby appoint _____

_____ (FULL NAME)

of _____ (ADDRESS)

or failing him/her, _____ (FULL NAME)

of _____ (ADDRESS)

or failing him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the Seventh Annual General Meeting of the Company to be held at Bilik Perdana, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Tuesday, 23 December 2003, at 9.30 a.m. and at any adjournment thereof.

(* strike out whichever is not desired)

My/Our proxy is to vote as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
1.	Adoption of Audited Financial Statements and Reports		
2.	Approval of Directors' Fees		
3.	Re-election of Mr. Yeaw Kok Sing as director		
4.	Re-election of Madam Tan Po Moi as director		
5.	Re-election of Mr. Yeaw Kok Ho as director		
6.	Re-election of Mr. Sha Thiam Fook as director		
7.	Re-appointment of Messrs. Moore Stephens as Auditors		
8.	Resolution pursuant to Section 132D of the Companies Act, 1965		
9.	Resolution pursuant to the Employees' Share Option Scheme		

Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If no instruction as to voting is given, the Proxy will vote or abstain from voting at his discretion.

Dated this _____ day of _____ 2003

No. of Shares Held	
--------------------	--

Signature

NOTES:-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
3. In the case of a corporate body, the proxy appointed must be in accordance with the Memorandum and Articles of Association, and the instrument appointing a proxy shall be given under the Company's Common Seal or under the hand of an officer or attorney duly authorised.
4. The Form of Proxy must be deposited at the Company's Registered Office at Lot 4.100, Tingkat 4, Wisma Central, Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the time set for the meeting or any adjournment thereof.

----- Please fold here -----

Affix
stamp
here

The Company Secretary
AUTOAIR HOLDINGS BERHAD
(Company No 414010-M)

Lot 4.100, Tingkat 4, Wisma Central,
Jalan Ampang, 50450 Kuala Lumpur
Malaysia

----- Please fold here -----