APPENDIX IV

AUDITED CONSOLIDATED ACCOUNTS OF BOUSTEAD FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2002 TOGETHER WITH THE AUDITORS' REPORT THEREON

directors' report

The Directors have pleasure in presenting their report and the audited financial statements for the Group and the Company for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

Boustead Holdings Berhad was incorporated in Malaysia in 1960 as an investment holding company and the Group currently comprises more than eighty Subsidiary and Associated Companies, the principal activities of which are given on pages 86 to 87. There was no significant change in the nature of these activities during the year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit/(loss) after taxation	91,487	(18,968)
Minority interests	(40,298)	–
Profit/(loss) attributable to shareholders	51,189	(18,968)

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

During the year, the following dividends were paid by the Company:

(a) A final dividend of 7.5% less tax, amounting to RM7,365,000 in respect of the previous year as proposed in the Directors' Report of that year; and

(b) an interim dividend of 7.5% less tax, amounting to RM7,367,000 in respect of the year under review.

The Directors proposed a final dividend of 10% less tax, amounting to RM9,823,000 making the total for year 17.5% less tax, amounting to RM17,190,000.

ISSUE OF SHARES

During the year, 118,000 ordinary shares of RM0.50 each were issued for cash at RM1.88 per share under the Boustead Holdings Berhad Employees' Share Option Scheme. The new shares rank pari passu with the ordinary shares existing then.

RESERVES AND PROVISIONS

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

directors' report

SUBSEQUENT EVENTS

(a) Our Subsidiary, SCB Developments Berhad issued a total of RM30 million and RM190 million of Islamic Commercial Papers (CP) and Islamic Bonds (IB) respectively on 7 January 2003. The proceeds received were used to repay part of the Group's short term bank borrowings and to finance working capital requirements.

(b) The Group's acquisition through SCB Developments Berhad (SCB) of the entire equity interest in Optima Jaya Sdn Bhd (OJSB) comprising 150,000 ordinary shares of RM1.00 each for a purchase consideration of RM150,000 and the settlement by SCB of OJSB's debts of RM113,850,000 was completed on 27 February 2003, with the cash payment by SCB amounting to RM10,000,000 and the issue of 23,111,000 ordinary shares of RM1.00 each by SCB at an agreed price of RM4.50 per share. Accordingly, the Group's interest in SCB was reduced from 59.7% to 51.9%.

(c) On 10 March 2003, the Company announced to the Kuala Lumpur Stock Exchange (KLSE), its intention to undertake the following proposals:

(i) A voluntary offer (VO) to acquire the remaining 43.53% equity interest in Kuala Sidim Berhad, comprising 54.21 million shares of RM1.00 each for a cash consideration of approximately RM325 million or at RM6.00 per share.

(ii) A one-for-two rights issue of up to 149.17 million shares of RM0.50 each and a subsequent one-for-three bonus issue of up to 149.17 million shares under a proposed capital raising exercise (CRE). The issue price will be determined by the Board at a price fixing date after the approval of the Securities Commission (SC).

The proposed bonus issue of up to 149.17 million new bonus shares will be effected by capitalising RM74.59 million from the existing share premium balance available in the Company.

The VO is subject to the approval of the Foreign Investment Committee (FIC), while the CRE is subject to the approvals from the SC and KLSE. The Company will be tabling the above proposals for approval by the shareholders at an Extraordinary General Meeting to be convened.

EMPLOYEES' SHARE OPTION SCHEME

The Boustead Holdings Berhad Employees' Share Option Scheme (ESOS) was approved by the shareholders at an Extraordinary General Meeting held on 27 April 2001. This Scheme replaces the previous ESOS that expired on 13 June 2001. The main features of the Scheme are as follows:

(a) Eligible employees are those who have been confirmed with at least twelve months of continuous service in the Group prior to the date of allocation; or are full-time executive Directors of the Company who are approved as eligible to participate in the Scheme.

(b) The option is for a period of five years commencing 23 July 2001.

(c) No option shall be granted for less than 1,000 shares or more than 500,000 shares.

(d) The option price of each share shall be at a discount of not more than 10% from the weighted average market price of the shares of the Company as stated in the Daily Official Listing issued by the Kuala Lumpur Stock Exchange for the five market days immediately preceding the date of offer and shall not be less than the par value of the share.

(e) The total number of shares to be offered and alloted under the Scheme shall not exceed ten percent of the total issued share capital of the Company at any point in time during the existence of the Scheme.

directors' report

EMPLOYEES' SHARE OPTION SCHEME (CONT'D.)

(f) An option granted under the Scheme shall be capable of being exercised by the grantee by notice in writing to the Company during the period commencing on the dates of offer and expiring on 22 July 2006. The option may be exercised in full or for such lesser number of ordinary shares provided the number shall be in multiples of 1,000 shares.

(g) The employees and Directors to whom the options have been granted have no right to participate, by virtue of these options, in any share issue of any other Company.

The movement in the options to take up unissued new ordinary shares of RM0.50 each and the option prices at which the employees were entitled to exercise their options during the year ended 31 December 2002 were as follows:

	Options over Ordinary Shares of RM0.50 each ('000)		
	At RM1.88	At RM1.96	Total
At beginning of year	25,587	–	25,587
New option entitlements during the year	–	2,090	2,090
	25,587	2,090	27,677
Exercised during the year	(118)	–	(118)
At end of year	25,469	2,090	27,559

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders and their holdings.

DIRECTORS

The Directors of the Company in office since the date of the last report and at the date of this report are:

Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat
Y. Bhg. Dato' Lodin Wok Kamaruddin
Y. Bhg. Lt. Gen. (R) Dato' Mohd Yusof Din
Tuan Hj. Johari Muhamad Abbas
En. David W. Berry (resigned on 15 June 2002)
Y. Bhg. Dato' (Dr.) Megat Abdul Rahman Megat Ahmad
En. Azzat Kamaludin

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company is a party, whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those pursuant to the Boustead Holdings Berhad Employees' Share Option Scheme, and the option granted by Lembaga Tabung Angkatan Tentera.

directors' report

DIRECTORS (CONT'D.)

The following Directors who held office at the end of the financial year had according to the register required to be kept under Section 134 of the Companies Act, 1965, an interest in shares in the Company, its Subsidiaries or the subsidiaries of its holding corporation as stated below:

	At 1/1/02	Purchases	Sales	At 31/12/02
	Shares of RM0.50 each			
Boustead Holdings Berhad				
Tuan Hj. Johari Muhamad Abbas	33,000	–	–	33,000
	Shares of RM1.00 each			
Kuala Sidim Berhad				
Tuan Hj. Johari Muhamad Abbas	1,000	–	–	1,000
SCB Developments Berhad				
Tuan Hj. Johari Muhamad Abbas	26,999	–	–	26,999
En. Azzat Kamaludin	–	3,000	–	3,000
Affin Holdings Berhad				
Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	91,708	–	–	91,708
Y. Bhg. Dato' Lodin Wok Kamaruddin	8,714	–	–	8,714
Tuan Hj. Johari Muhamad Abbas	27,000	–	–	27,000
En. Azzat Kamaludin	110,000	–	–	110,000
Johan Ceramics Berhad				
Y. Bhg. Dato' (Dr.) Megat Abdul Rahman Megat Ahmad	2,000	–	–	2,000
	Number of Units			
Affin Holdings Berhad – Warrants (W1/W3)				
Y. Bhg. Gen. (R) Tan Sri Dato' Mohd Ghazali Hj. Che Mat	15,284	–	(15,284)	–
Y. Bhg. Dato' Lodin Wok Kamaruddin	1,500	–	–	1,500
Tuan Hj. Johari Muhamad Abbas	8,378	–	–	8,378
En. Azzat Kamaludin	22,500	–	–	22,500
	Options over Ordinary Shares of RM0.50 each			
	At 1/1/02	Granted	Execised	At 31/12/02
Boustead Holdings Berhad				
Y. Bhg. Dato' Lodin Wok Kamaruddin	500,000	–	–	500,000

In addition, Y. Bhg. Dato' Lodin Wok Kamaruddin has been granted a five-year option by Lembaga Tabung Angkatan Tentera (LTAT) to acquire 9,500,000 Boustead Holdings Berhad shares of RM0.50 each from LTAT at RM2.41 per share. The option which has yet to be exercised will expire on 22 November 2003.

directors' report

DIRECTORS (CONT'D.)

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest other than as disclosed in Note 34 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected to realise.

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

(i) which have rendered the amount written off for bad debts or the amount of the allowance for doubtful debts in the Group and the Company inadequate to any substantial extent; or the values attributed to current assets in the financial statements of the Group and of the Company misleading;

(ii) 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; and

(iii) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(c) In the interval between the end of the financial year and 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 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.

(d) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet its obligations as and when they fall due; and

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

directors' report

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to accept reappointment as auditors and a resolution proposing their appointment will be submitted at the Annual General Meeting.

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

GEN. (R) ~~TAN SRI~~ DATO' MOHD GHAZALI HJ. CHE MAT

Kuala Lumpur
10 March 2003

DATO' LODIN WOK KAMARUDDIN

statement by directors and statutory declaration

STATEMENT BY DIRECTORS

We, GEN. (R) TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT and DATO' LODIN WOK KAMARUDDIN, being two of the Directors of BOUSTEAD HOLDINGS BERHAD do hereby state that, in the opinion of the Directors, the financial statements set out on pages 52 to 87 are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965, so as to give a true and fair view of:

(i) the financial position of the Group and of the Company as at 31 December 2002 and of the results of the business of the Group and of the Company for the year ended on that date; and

(ii) the cash flows of the Group and the Company for the year ended 31 December 2002.

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

GEN. (R) TAN SRI DATO' MOHD GHAZALI HJ. CHE MAT

Kuala Lumpur
10 March 2003

DATO' LODIN WOK KAMARUDDIN

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, DANIEL EBINESAN, being the Officer responsible for the financial management of BOUSTEAD HOLDINGS BERHAD do solemnly and sincerely declare that the financial statements set out on pages 52 to 87 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared at Kuala Lumpur, this 10 day of March 2003.

Before me

PESURUHJAYA SUMPAH
No: W119
Lt. Kol (R) Hj. Abdullah
B. Mohd. Yunus
AMN, AMT, ASK, KBIM,
mpat. pj
MALAYSIA

LT. COL. (R) HJ. ABDULLAH MOHD YUNUS
Commissioner for Oaths
Kuala Lumpur
No. 26-1 Jalan Tun Sambanthan 3
Brickfields, 50470 Kuala Lumpur

DANIEL EBINESAN

auditors' report

TO THE MEMBERS OF BOUSTEAD HOLDINGS BERHAD

We have audited the financial statements set out on pages 52 to 87. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:

 (i) the financial position of the Group and of the Company as at 31 December 2002 and of the results and the cash flows of the Group and of the Company for the year then ended; and

 (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements.

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by the Subsidiaries for which we are the auditors have been properly kept in accordance with the provisions of the Act.

The names of the Subsidiaries for which we have not acted as Auditors are indicated on pages 43 to 44. We have considered the financial statements of these Subsidiaries and the Auditors' Reports thereon.

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 purpose 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 required to be made under Section 174(3) of the Companies Act, 1965.

In forming our opinion, we have considered the adequacy of the disclosure in Note 35 to the financial statements concerning future events possibly affecting the carrying amounts of assets and investments in Indonesia. In view of the significance of this matter, we consider that this disclosure should be brought to your attention. Our opinion is not qualified in this respect.

ERNST & YOUNG AF: 0039
Chartered Accountants

Kuala Lumpur
10 March 2003

CHOONG MEI LING 1918/09/04(J)
Partner

income statements

For the year ended 31 December 2002	Note	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
Revenue	2	983,214	1,024,251	1,059	846
Operating cost	3	(856,201)	(892,106)	(27,967)	(21,595)
Results from operations		127,013	132,145	(26,908)	(20,749)
Interest income	4	994	3,425	14,060	16,803
Other investment (loss)/income	5	(330)	3,156	56,707	71,204
Finance cost	6	(55,654)	(45,652)	(61,927)	(59,878)
Share of results of Associates		82,896	(107,651)	–	–
Profit/(loss) before taxation		154,919	(14,577)	(18,068)	7,380
Taxation	7	(63,432)	(57,825)	(900)	(4,486)
Profit/(loss) after taxation		91,487	(72,402)	(18,968)	2,894
Minority interests		(40,298)	(39,173)	–	–
Profit/(loss) attributable to shareholders		51,189	(111,575)	(18,968)	2,894
Earnings/(loss) per share – sen	8				
Basic		18.77	(40.91)		
Fully diluted		18.69	(40.91)		
Gross dividend per share – sen	9	7.50	–		

The notes on pages 56 to 87 form an integral part of these financial statements.

balance sheets

As at 31 December 2002	Note	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
Non current assets					
Property, plant and equipment	10	1,489,557	1,411,164	16,677	16,901
Investment properties	11	257,000	257,000	–	–
Development properties	12	380,420	368,022	–	–
Subsidiaries	13	–	–	316,950	315,450
Associates	14	911,936	1,130,004	757,718	996,231
Investments	15	293,706	18,546	257,947	18,246
		3,332,619	3,184,736	1,349,292	1,346,828
Current assets					
Inventories	16	95,100	107,725	–	–
Property development in progress	17	57,474	44,294	–	–
Receivables	18	423,210	541,857	305,691	355,976
Deposits, cash and bank balances	19	92,973	54,593	424	3,367
		668,757	748,469	306,115	359,343
Current liabilities					
Unsecured borrowings	20	1,041,554	1,026,485	532,011	509,050
Payables	21	257,944	266,775	488,871	529,118
Taxation		33,015	53,119	–	–
		1,332,513	1,346,379	1,020,882	1,038,168
Net current liabilities		(663,756)	(597,910)	(714,767)	(678,825)
Non current liabilities					
Unsecured long term loans	22	481,114	490,232	75,000	75,000
Deferred taxation	23	18,272	14,613	550	550
		499,386	504,845	75,550	75,550
		2,169,477	2,081,981	558,975	592,453
Capital and reserves					
Share capital	24	136,435	136,376	136,435	136,376
Reserves	25	1,264,063	1,219,834	422,540	456,077
Shareholders' equity		1,400,498	1,356,210	558,975	592,453
Minority interests		768,979	725,771	–	–
		2,169,477	2,081,981	558,975	592,453
Net tangible assets per share		RM5.13	RM4.97		

The notes on pages 56 to 87 form an integral part of these financial statements.

statements of changes in equity

For the year ended 31 December 2002	Share Capital RM'000	*Share Premium RM'000	*Revaluation Reserve RM'000	*Reserve on Consolidation RM'000	*Statutory Reserve RM'000	*Other Reserves RM'000	Retained Profit RM'000	Total RM'000
GROUP								
Balance at 1 January 2001								
– as previously reported	136,376	283,734	102,591	19,174	113,100	115,098	731,166	1,501,239
– prior year adjustment (Note 26)	–	–	–	–	–	–	(6,409)	(6,409)
– as restated	136,376	283,734	102,591	19,174	113,100	115,098	724,757	1,494,830
Exchange fluctuation	–	–	–	–	–	(3,743)	–	(3,743)
Deficits from revaluation	–	–	(12,696)	–	–	–	–	(12,696)
Changes in Group structure	–	–	–	–	(6,342)	–	(4,921)	(11,263)
Goodwill on additional investment in Subsidiaries	–	–	–	(690)	–	–	–	(690)
Goodwill on disposal of Subsidiaries	–	–	–	1,347	–	–	–	1,347
Net (losses)/gains not recognised in the income statement	–	–	(12,696)	657	(6,342)	(3,743)	(4,921)	(27,045)
Net loss for the year	–	–	–	–	–	–	(111,575)	(111,575)
Transfer during the year	–	–	–	–	(90,261)	–	90,261	–
Reserve realised during the year	–	–	(460)	–	–	–	460	–
Balance at 31 December 2001	**136,376**	**283,734**	**89,435**	**19,831**	**16,497**	**111,355**	**698,982**	**1,356,210**
Exchange fluctuation	–	–	–	–	–	**8,829**	–	**8,829**
Changes in Group structure	–	–	–	–	–	–	**(1,220)**	**(1,220)**
Net gains/(losses) not recognised in the income statement	–	–	–	–	–	**8,829**	**(1,220)**	**7,609**
Net profit for the year	–	–	–	–	–	–	**51,189**	**51,189**
Transfer during the year	–	–	–	–	**11,034**	**(1,133)**	**(9,901)**	–
Reclassification	–	–	–	**(19,831)**	–	–	**19,831**	–
Reserve realised during the year	–	–	**(68)**	–	–	–	**68**	–
Dividends (Note 9)	–	–	–	–	–	–	**(14,732)**	**(14,732)**
Issue of shares pursuant to ESOS	**59**	**163**	–	–	–	–	–	**222**
Balance at 31 December 2002	**136,435**	**283,897**	**89,367**	–	**27,531**	**119,051**	**744,217**	**1,400,498**
COMPANY								
Balance at 1 January 2001	136,376	283,734	5,521	–	–	–	163,928	589,559
Net profit for the year	–	–	–	–	–	–	2,894	2,894
Balance at 31 December 2001	**136,376**	**283,734**	**5,521**	–	–	–	**166,822**	**592,453**
Net loss for the year	–	–	–	–	–	–	**(18,968)**	**(18,968)**
Dividends (Note 9)	–	–	–	–	–	–	**(14,732)**	**(14,732)**
Issue of shares pursuant to ESOS	**59**	**163**	–	–	–	–	–	**222**
Balance at 31 December 2002	**136,435**	**283,897**	**5,521**	–	–	–	**133,122**	**558,975**

* Denotes non-distributable reserves.

The notes on pages 56 to 87 form an integral part of these financial statements.

cash flow statements

For the year ended 31 December 2002	Note	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
Operating activities					
Cash receipts from customers		1,212,915	1,107,406	–	–
Cash paid to suppliers and employees		(928,673)	(971,318)	(6,271)	(12,659)
Cash generated from/(used in) operations		284,242	136,088	(6,271)	(12,659)
Income taxes (paid)/refunded		(74,810)	(14,884)	7	25,220
Net cash from/(used in) operating activities		209,432	121,204	(6,264)	12,561
Investing activities					
Disposal of Subsidiaries	27	–	346	–	–
Acquisition of Associates		(2,690)	(5,113)	–	–
Additional investment in Subsidiaries		–	(739)	(6,500)	(10,600)
Investments purchased		(13,743)	(1,583)	(9,745)	(1,402)
Proceeds from disposal of investments		2,406	1,061	2,406	1,061
Property, plant and equipment – purchases		(68,813)	(104,886)	(651)	(531)
– disposals		4,856	14,751	43	107
Dividends received		19,599	20,892	42,871	31,148
Net cash (used in)/from investing activities		(58,385)	(75,271)	28,424	19,783
Financing activities					
Issue of shares – by the Company		222	–	222	–
– by Subsidiary to minority interests		4,804	4,400	–	–
Dividends paid – by the Company		(14,732)	(7,365)	(14,732)	(7,365)
– by Subsidiaries to minority interests		(20,925)	(17,058)	–	–
Proceeds from long term loans		90,036	54,328	–	–
Repayment of long term loans		(33,957)	(37,105)	–	–
(Decrease)/increase of revolving credits and bankers' acceptances		(15,022)	60,757	19,873	60,000
Receipts from group companies		–	–	135,539	159,400
Payments to group companies		–	–	(114,242)	(186,522)
Interest paid		(88,910)	(86,907)	(54,851)	(55,715)
Net cash used in financing activities		(78,484)	(28,950)	(28,191)	(30,202)
Net increase/(decrease) in cash and cash equivalents		72,563	16,983	(6,031)	2,142
Foreign currency translation difference		923	456	–	–
Cash and cash equivalents at beginning of year		(39,323)	(56,762)	(35,683)	(37,825)
Cash and cash equivalents at end of year	28	34,163	(39,323)	(41,714)	(35,683)

The notes on pages 56 to 87 form an integral part of these financial statements.

accounting policies

(a) BASIS OF PREPARATION

The financial statements of the Group and the Company are prepared under the historical cost convention unless otherwise indicated in the accounting policies below, and comply with applicable approved accounting standards issued by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965.

(b) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the audited financial statements of the Company and its Subsidiaries made up to the end of the year. Subsidiaries are companies in which the Group owns, directly or indirectly, more than 50% of the equity share capital and has control over its financial and operating policies so as to obtain benefits from its activities. Details of Subsidiaries are given on pages 43 and 44.

The results of Subsidiaries acquired or disposed during the year are included from or to the effective dates of acquisition or disposal respectively, using the acquisition method of accounting. At the date of acquisition, the fair values of the Subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and these fair values is reflected as reserve or goodwill on consolidation and is dealt with through reserves.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of subsidiary companies is the difference between net disposal proceeds and the Group's share of the net assets and other reserves which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquirees.

(c) ASSOCIATES

Investments in Associates are accounted for in the consolidated financial statements using the equity method of accounting. An Associate is defined as a company, not being a Subsidiary, in which the Group has a long term equity interest of not less than 20% and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's share of the operating results of Associates is incorporated in the consolidated income statement. For Associates whose balance sheet dates are not co-terminous with that of the Company, the operating results for the intervening period are derived from unaudited financial statements. Details of Associates are given on page 87.

Unrealised gains or losses on transactions between the Group and its Associates are eliminated to the extent of the Group's interest in the Associates. The Group's interest in Associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profit or accumulated losses and other reserves as well as goodwill on acquisition.

(d) INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Investments in Subsidiaries and Associates are stated at cost less impairment losses, if any.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to the income statements.

accounting policies

(e) CURRENCY CONVERSION

All transactions are recorded in Ringgit Malaysia. Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates or, where settlement had not taken place at balance sheet date, at the rate then ruling. All exchange differences are included in the income statements.

The operations of the foreign Subsidiaries are not an integral part of the operations of the Group. Income statements of the foreign Subsidiaries are translated into Ringgit Malaysia at average rates of exchange for the year and the balance sheets are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the restatement at year-end rates of the net investments and the Group's advances to foreign Subsidiaries which in substance, form part of the Group's investment in the foreign Subsidiaries are taken to the exchange fluctuation reserve in the shareholders' equity. On disposal of foreign Subsidiaries, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign Subsidiary are treated as assets and liabilities of the Group and translated at the exchange rate ruling at the date of the transaction.

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

Foreign currency	**2002**	2001
1 US Dollar	**RM3.80**	RM3.80
1 Euro	**RM3.98**	RM3.40
1 Sterling Pound	**RM6.00**	RM5.50
1,000 Indonesian Rupiah	**RM0.43**	RM0.37
1 Singapore Dollar	**RM2.20**	RM2.05

(f) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

All property, plant and equipment are initially stated at cost. Certain land and buildings are subsequently shown at market value, based on external independent valuation, less subsequent depreciation. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Freehold land is not amortised. Leasehold land excluding capitalised plantation development expenditure are amortised over the period of the lease which ranges from 29 to 999 years. All other property, plant and equipment are depreciated on a straight line basis over the following estimated useful lives:

Buildings	20 – 50 years
Plant & machinery	5 – 10 years
Furniture & equipment	3 – 10 years
Motor vehicles	5 years

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are recognised as income or expense in the income statements. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

(g) NEW PLANTING AND REPLANTING EXPENDITURE

The expenditure on new planting and replanting of a different produce crop incurred up to the time of maturity is added to the cost of the land. Initial costs of planting on the area replanted are charged to income statement. Depreciation charges and external borrowing costs related to the development of new plantations are included as part of the capitalisation of immature planting costs. Replanting expenditure incurred in respect of the same crop is charged to the income statement in the year in which it is incurred.

accounting policies

(h) INVESTMENT PROPERTIES

Land and buildings classified as investment properties are stated at valuation and not depreciated. It is the policy of the Group to revalue its investment properties every five years or at such shorter period as may be considered appropriate, based upon the advice of Professional Valuers and Appraisers. Surpluses arising from such valuations are credited to shareholders' equity as revaluation reserve, and any deficit that offset previous surpluses are charged against the revaluation reserve. All other deficits are charged to the income statement. A revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same property previously recognised as an expense.

Upon the disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to retained earnings.

(i) DEVELOPMENT PROPERTIES

Development properties comprise land banks which are in the process of being prepared for development but are not expected to be launched for sale and are stated at cost. Cost includes land, materials, direct labour, professional fees, borrowing costs and other direct development expenditure and related overheads.

(j) INVESTMENTS

Investments are shown at cost and allowance is made where, in the opinion of the Directors, there is a permanent diminution in value. Permanent diminution in the value of investment is recognised as an expense in the financial year in which the diminution is identified.

On disposal, the difference between the net disposal proceeds and its carrying value is charged or credited to the income statements.

(k) TRADE RECEIVABLES

Trade receivables are carried at anticipated realisable value. Bad debts are written off in the year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts.

(l) INVENTORIES

Inventories are stated at the lower of cost and net realisable value, cost being determined on the first-in/first-out basis. Cost includes all incidentals incurred in bringing the inventories into store; and in the case of produce stocks, includes harvesting, manufacturing and transport charges, where applicable. Net realisable value represents the estimated selling price less all estimated costs. Inventories of completed properties comprise cost of land and the relevant development expenditure.

(m) PROPERTY DEVELOPMENT IN PROGRESS

Property development in progress includes the cost of land currently being developed together with related development costs common to the whole project and direct building costs, plus attributable profit, less progress billing, and less anticipated losses, if any.

accounting policies

(n) REVENUE RECOGNITION

Revenue from the sale of goods and services is recognised when the goods and services are delivered. Revenue from property development and other long term contracts is recognised on the percentage of completion method by reference to the percentage of actual construction work completed. Rental income represents the invoiced value derived from the letting of properties, while finance charges from hire purchase activities are recognised over the period of the hire purchase contracts in proportion to net funds invested.

Dividends from Subsidiaries, Associates and other investee companies are recognised in the income statements when the right to receive payment is established. Interest income is recognised as it accrues unless collection is doubtful.

Sales and other revenue earned from intra-group companies are eliminated on consolidation, and the revenue of Associates is excluded from Group revenue.

(o) PAYABLES AND PROVISIONS

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether billed or unbilled.

Provisions are recognised when the Group and the Company have present obligations as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amounts of the obligations.

(p) DEFERRED TAXATION

Provision is made using the liability method for taxation deferred due to timing differences, except where the tax effects of such timing differences are not expected to reverse in the foreseeable future. Where timing differences result in a debit balance, deferred taxation is recognised only if there is a reasonable expectation of realisation.

(q) JOINT VENTURE PLANTATION

The Group has a 50% interest in a joint venture plantation known as Kuala Muda Estate. The Group accounts for its interest in the plantation's operations by including in the financial statements, in the respective categories, its share in each of the individual assets and liabilities employed as well as the Group's share in the revenue and costs.

(r) CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statements, cash and cash equivalents include deposits, cash and bank balances, overdrafts, and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant amount of risk.

(s) BORROWINGS

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received.

Costs incurred on external borrowings to finance long term qualifying assets are capitalised until the assets are ready for their intended use, after which such expenses are charged to the income statement. All other borrowing costs are charged to the income statement as an expense in the period in which thay are incurred.

(t) RESEARCH AND DEVELOPMENT

The Group's research and development is undertaken through an Associate, whereby contribution towards such related activity is recognised as an expense as and when incurred.

accounting policies

(u) FINANCIAL INSTRUMENTS

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Financial instruments are offset when the Group and the Company have an enforceable legal right to offset and intend to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The Group does not have any off balance sheet financial instruments. The accounting policies for financial instruments recognised on the balance sheet are disclosed in the individual policy statements associated with each item.

(v) SEGMENTAL REPORTING

The primary reporting segment information is in respect of business segments as the Group's risk and return are affected predominantly by the differences in the products and services it produces. The secondary reporting segment information is in respect of geographical segments based on the country in which customers are located. Currently, the Group operates principally in Malaysia, with no other individual country contributing more than 10% of the consolidated revenue or assets.

Transactions between segments are carried out on arm's length basis.

(w) IMPAIRMENT OF ASSETS

The carrying amounts of the assets of the Group and the Company are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Where there is an indication of impairment, the carrying value of such assets are written down immediately to the respective recoverable amounts. The impairment loss is recognised in the income statements immediately, except for impairment on a revalued asset where the impairment loss is charged against the revaluation reserve to the extent of the surplus credited from the previous revaluation of the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. Reversals of impairment loss are recognised as an income immediately in the income statements, except for the reversal of an impairment loss on a revalued asset where the reversal is recognised as income to the extent of the impairment loss previously recognised as an expense in the income statements, with the excess credited to the revaluation reserve.

(x) EQUITY INSTRUMENTS

Ordinary shares are classified as equity.

Dividends on ordinary shares are recognised in equity in the period that they are declared.

notes to the financial statements

1. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks, including interest rate risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders while minimising the potential adverse effects on the performance of the Group. The Group does not trade in financial instruments.

Interest rate risk

The Group finances its operations through operating cash flows and borrowings which are principally denominated in Malaysian Ringgit. The Group's policy is to derive the desired interest rate profile through a mix of fixed and floating rate banking facilities and private debt securities.

Liquidity and cash flow risk

The Group practises prudent liquidity risk management by maintaining the availability of funding through an adequate amount of committed credit facilities.

Credit risk

The Group seeks to invest cash assets safely and profitably. The Group also seeks to control credit risk by setting counterparty limits, obtained bank guarantees where appropriate; and ensuring that sale of products and services are made to customers with an appropriate credit history, and monitoring customers' financial standing through periodic credit review and credit checks at point of sales. The Group considers the risk of material loss in the event of non-performance by a financial counterparty to be unlikely.

Fair values

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short term maturity of these financial instruments: deposits, cash and bank balances, receivables and payables (excluding non-trade amounts due to/from group companies) and short term borrowings.

The fair values of the non-current quoted investments are represented by their market values as disclosed in Note 15 to the financial statements.

It is not practical to estimate the fair values of the non-current unquoted investments of the Group and the Company because of the lack of quoted market prices and the inability to estimate fair values without incurring excessive costs. However, the Group and the Company believe that the carrying amounts represent recoverable values.

It is also not practical to estimate the fair values of non-trade amounts due to/from Subsidiaries and Associates, as there are no fixed repayment terms between the parties involved and without having to incur excessive costs. However, the Group and the Company do not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The fair values of long term borrowings are estimated using discounted cash flow analysis. Based on the prevailing borrowing rates of similar borrowings obtainable by the Group and the Company, the carrying values of the long term borrowings approximate their fair values.

notes to the financial statements

	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
2. REVENUE				
Sale of produce	300,063	193,722	–	–
Sale of goods	410,578	429,486	–	–
Sale of development properties	187,405	314,550	–	–
Revenue from agency business	35,283	34,529	–	–
Rental income – Subsidiaries	–	–	665	846
– Associates	14,810	14,882	–	–
– others	4,441	5,426	394	–
Others	30,634	31,656	–	–
	983,214	1,024,251	1,059	846
3. OPERATING COST				
Changes in inventories of finished goods and work in progress	(10,906)	(2,331)	–	–
Finished goods and work in progress purchases	472,334	570,778	–	–
Raw material and consumables used	137,726	110,553	–	–
Staff costs	135,807	121,682	4,774	3,883
Depreciation (Note 10)	27,874	28,984	870	1,079
Profit on disposal of property, plant and equipment	(1,223)	(2,797)	(38)	(87)
Other operating cost	94,589	65,237	22,361	16,720
	856,201	892,106	27,967	21,595
Other operating cost include:				
Rent paid	5,077	6,091	662	650
Auditors' remuneration – current year	980	900	60	55
– prior years	35	95	5	17
– non audit fees	42	137	–	–
Directors' remuneration – fees	237	245	100	100
– emoluments	868	801	60	60
– benefits in kind	42	39	14	21
Hire of equipment	394	449	–	–
Bad and doubtful debts – Subsidiaries	–	–	10,000	13,908
– others	24,876	3,066	6,000	950
Research and development	2,099	2,375	–	–
Impairment loss – property, plant and equipment	2,605	–	–	–
– Associates and Subsidiaries	–	370	5,000	959

notes to the financial statements

3. OPERATING COST (CONT'D.)

	Number of Directors Non-executive	Executive
The remuneration paid to Directors during the year, analysed into bands of RM50,000 are as follows:		
– up to RM50,000	3*	
– from RM50,001 to RM100,000	2	
– from RM150,001 to RM200,000	1	
– from RM800,001 to RM850,000		1

*Includes En. David W. Berry who resigned during the year.

		Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
4. INTEREST INCOME					
Interest income	– Subsidiaries	–	–	13,620	16,177
	– Associates	571	587	337	587
	– others	423	2,838	103	39
		994	3,425	14,060	16,803
5. OTHER INVESTMENT (LOSS)/INCOME					
Gross dividends	– investments quoted in Malaysia	369	229	369	229
	– Subsidiaries	–	–	37,750	46,646
	– Associates	–	–	19,287	24,536
Loss on sale of investments		(699)	(207)	(699)	(207)
Profit on disposal of Subsidiaries		–	3,134	–	–
		(330)	3,156	56,707	71,204
6. FINANCE COST					
Interest expense	– Subsidiaries	–	–	29,877	27,363
	– Others	55,654	45,652	32,050	32,515
		55,654	45,652	61,927	59,878

notes to the financial statements

	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
7. TAXATION				
Malaysian taxation based on results for the year:				
– current year	42,724	38,948	900	5,000
– deferred	2,700	(1,572)	-	-
– Associates	20,402	30,258	-	-
	65,826	67,634	900	5,000
Over provision in prior years	(2,394)	(9,809)	-	(514)
	63,432	57,825	900	4,486

The effective tax rate of the Group and the Company is higher than the statutory rate of tax applicable mainly due to the disallowance for tax purposes of certain expenses, in addition to losses incurred by certain group companies for which group relief is not available in Malaysia.

8. EARNINGS/(LOSS) PER SHARE

Basic earnings per share

The basic earnings/(loss) per share for the year is calculated by dividing the net profit attributable to ordinary shareholders of RM51,189,000 (2001: loss of RM111,575,000) by the weighted average number of ordinary shares outstanding during the year of 272,787,237 (2001: 272,752,645) as shown below:

	Group and Company 2002	Group and Company 2001
Weighted average number of ordinary shares at beginning of year	272,752,645	272,752,645
Effect of shares issued pursuant to ESOS	34,592	-
Weighted average number of ordinary shares outstanding	272,787,237	272,752,645

notes to the financial statements

	Group and Company 2002

8. EARNINGS/(LOSS) PER SHARE (CONT'D.)

Diluted earnings per share

The fully diluted earnings per share for the year is calculated by dividing the net profit attributable to ordinary shareholders of RM51,189,000 by the enlarged weighted average number of ordinary shares outstanding during the year of 273,916,684 as shown below:

	Group and Company 2002
Weighted average number of ordinary shares	272,787,237
Effect of share options	1,129,447
Weighted average number of ordinary shares for diluted earnings per share	273,916,684

The assumed conversion from the exercise of the options under the ESOS during the preceding year would be antidilutive, and accordingly, the basic and fully diluted loss per share for the preceding year are the same.

9. DIVIDENDS

	Group 2002 RM'000	Group 2001 RM'000	Company 2002 RM'000	Company 2001 RM'000
Interim of 7.5% less tax for 2002	7,367	-	7,367	-
Final of 7.5% less tax for 2001	7,365	-	7,365	-
	14,732	-	14,732	-

The Directors will propose at the forthcoming Annual General Meeting to be held on 14 April 2003, a final dividend of 10% per share less tax, amounting to RM9,823,000. These financial statements do not reflect the final dividend which will be accounted for in the shareholders' equity as an appropriation of retained profit in the year ending 31 December 2003 when approved by the shareholders.