

**UNAUDITED CONSOLIDATED RESULTS OF BOUSTEAD FOR THE SIX 6 MONTH PERIOD ENDED 30 JUNE 2003**

**Boustead Holdings Berhad (3871-H)**

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**

For the quarter ended 30 June 2003	Current Period		Cumulative Period	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	247,629	223,064	473,604	449,613
Operating cost	-208,132	-201,056	-394,509	-404,344
Profit from operations	39,497	22,008	79,095	45,269
Interest income	1,047	495	1,166	495
Other investment income/(loss)	135	-765	386	-341
Finance cost	-17,894	-11,549	(35,200)	(22,197)
Share of results of Associates	11,337	23,597	32,822	50,448
<b>Profit before taxation</b>	34,122	33,786	78,269	73,674
Taxation	-19,708	-15,370	(42,441)	(35,175)
Profit after taxation	14,414	18,416	35,828	38,499
Minority interests	-10,222	-6,352	-20,260	-12,814
<b>Profit attributable to shareholders</b>	4,192	12,064	15,568	25,685
<b>Earnings per share - sen</b>				
Basic	1.54	4.42	5.71	9.42
Fully diluted	1.54	4.42	5.71	9.42
<b>Gross dividend per share - sen</b>				
Net of tax - Paid	5.00	3.75	5.00	3.75

The Unaudited Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2002.

**Boustead Holdings Berhad (3871-H)****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

<b>As at 30 June 2003</b>	<b>(Audited) 31 December</b>	
	<b>2003 RM'000</b>	<b>2002 RM'000</b>
<b>Non current assets</b>		
Property, plant and equipment	1,522,337	1,489,557
Investment properties	367,000	257,000
Development properties	366,828	380,420
Deferred tax asset	10,640	10,640
Associates	919,571	911,936
Investments	293,569	293,706
	<b>3,479,945</b>	<b>3,343,259</b>
<b>Current assets</b>		
Inventories	82,426	95,100
Property development in progress	77,445	57,474
Receivables	406,420	423,210
Cash and bank balance	58,871	92,973
	<b>625,162</b>	<b>668,757</b>
<b>Current liabilities</b>		
Unsecured short term borrowings	1,042,724	1,041,554
Trade and other payables	306,188	257,944
Taxation	31,742	33,015
	<b>1,380,654</b>	<b>1,332,513</b>
<b>Net current liabilities</b>	<b>(755,492)</b>	<b>(663,756)</b>
<b>Non current liabilities</b>		
Unsecured long term borrowings	666,569	481,114
Deferred taxation	37,943	33,736
	<b>704,512</b>	<b>514,850</b>
	<b>2,019,941</b>	<b>2,164,653</b>
<b>Capital and reserves</b>		
Share capital	136,435	136,435
Reserves	1,372,255	1,260,908
Shareholders' equity	<b>1,508,690</b>	<b>1,397,343</b>
Minority interests	511,251	767,310
	<b>2,019,941</b>	<b>2,164,653</b>
<b>Net tangible assets per share</b>	<b>RM5.53</b>	<b>RM5.12</b>

The Unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2002.

**Boustead Holdings Berhad (3871-H)****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the quarter ended 30 June 2003	Share Capital	*Share Premium	*Revaluation Reserve	*Reserve on Consolidation	*Statutory Reserve	*Other Reserves	Retained Profit	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2003								
- as previously reported	136,435	283,897	89,367	-	27,531	119,051	744,217	1,400,498
- prior year adjustment (Note 25 )			-6,522				3,367	-3,155
- as restated	136,435	283,897	82,845	-	27,531	119,051	747,584	1,397,343
Exchange fluctuation	-	-	-	-	-	5,425	-	5,425
Reserve on consol on additional investment in a Subsidiary	-	-	-	-	-	-	105,041	105,041
Reserve on acquisition of subsidiary	-	-	-	-	-	-	1,406	1,406
Group's share of Subsidiary's share premium	-	-	-	-	-	41,976	-	41,976
Change in group structure	-	-	-	-	-	-14,590	-33,656	-48,246
Net gains/(losses) not recognised in the income statement	-	-	-	-	-	32,811	72,791	105,602
Transfer during the period	-	-	-	-	4,140	-	-4,140	-
Net profit for the period	-	-	-	-	-	-	15,568	15,568
Dividend paid	-	-	-	-	-	-	-9,823	-9,823
Balance at 30 June 2003	136,435	283,897	82,845	-	31,671	151,862	821,980	1,508,690
Balance at 1 January 2002								
- as previously reported	136,376	283,734	89,435	19,831	16,497	111,355	698,982	1,356,210
- prior year adjustment (Note 25 )			-6,522				4,242	-2,280
- as restated	136,376	283,734	82,913	19,831	16,497	111,355	703,224	1,353,930
Net gain not recognised in the income statement:								
- exchange fluctuation	-	-	-	-	-	8,074	-	8,074
Transfer during the period						(314)	314	-
Net profit for the period	-	-	-	-	-	-	25,685	25,685
Dividend paid	-	-	-	-	-	-	-7,365	-7,365
Balance at 30 June 2002	136,376	283,734	82,913	19,831	16,497	119,115	721,858	1,380,324

**NOTES**

\* Denotes non distributable reserves.

The Unaudited Condensed Consolidated Statements of Changes of Equity should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2002.

**Boustead Holdings Berhad (3871-H)****UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT****For the quarter ended 30 June 2003**

	<b>2003</b>	<b>2002</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating Activities</b>		
Receipts from customers	558,680	N/A
Cash paid to suppliers and employees	(436,030)	N/A
	122,650	N/A
Tax paid	(32,185)	N/A
Net cash from operating activities	90,465	N/A
<b>Investing Activities</b>		
Capital expenditure	(28,444)	N/A
Additional investment in a Subsidiary	(230,546)	
Others	9,535	N/A
	(249,455)	N/A
<b>Financing Activities</b>		
Transactions with owners	9,823	N/A
Borrowings	138,100	N/A
Interest paid	(43,808)	N/A
Others	(3,109)	N/A
	126,360	N/A
Net increase in cash and cash equivalents	34,630	N/A
Foreign currency translation difference	3	N/A
Cash and cash equivalent at beginning of period	34,163	N/A
<b>Cash and Cash Equivalent at End of Period</b>	<b>1,536</b>	<b>N/A</b>
<b>Analysis of Cash and Cash Equivalents</b>		
Deposits, cash and bank balances	58,871	N/A
Overdrafts	(57,335)	N/A
<b>Cash and Cash Equivalent at End of Period</b>	<b>1,536</b>	<b>N/A</b>

The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the Year Ended 31 December 2002.



**9. Quoted Securities**

(a) Purchases or disposals of quoted securities during the current financial period.

	Current Period	Cumulative Period
	2003	2003
	RM'000	RM'000
<b>Quoted investments:</b>		
- Purchases	95	95
- Sale proceeds	389	389
- Profit on disposal	152	152

(b) Details of investments in quoted shares as at 30 June 2003 are as follows:-

	RM'000
Shares quoted in Malaysia, at cost	286,012
Total investment at carrying value/book value	284,812
Market value of quoted shares	170,959

**10. Status of Corporate Proposal**

(a) Our Subsidiary, SCB Developments Berhad ('SCB') embarked on a Fund Raising Programme of RM300 million by undertaking the following issues:

- (i) RM30 Million Islamic Commercial Papers ('CP'); and
- (ii) RM190 Million Islamic Bonds ('IB'); and
- (iii) RM80 Million Redeemable Convertible Bonds ('RCB').

The drawdown of the CP and IB was effected by 7 January 2003, while the RCB was issued on 7th July 2003.

(b) 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 (KSB), comprising 54.21 million shares of RM1.00 each for a cash consideration of approximately RM325 million or at RM6.00 per share.

At an EGM held on 14 April 2003, the Company's shareholders approved the VO, while the Securities Commission (SC) and FIC via its letter dated 10 April 2003 had approved the Proposed Voluntary Offer.

- (ii) A one-for-two rights issue of up to 149.17 million shares of RM0.50 each ("Rights Shares") and a subsequent one-for-three bonus issue of up to 149.17 million shares under a proposed capital raising exercise. The issue price for the Right Shares has now been fixed at RM1.60 per share.

The proposed bonus issued 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.

- (c) On 7 April 2003, our Subsidiary, Kuala Sidim Berhad entered into a Share Sale Agreement with the vendors of Trunkline Plantations Sdn Bhd (TPSB) namely, LJM Plantations Sdn Bhd and Southern Keratong Plantations Sdn Bhd for the acquisition of the entire issued and paid-up share capital of TPSB comprising 7,000,000 ordinary shares of RM1 each for a cash purchase consideration of RM7,439,923 and the settlement of TPSB's debts to the vendors of RM10,794,427.

All the necessary approvals have been obtained, and the acquisition is expected to complete in the 4th quarter.

There were no other corporate proposals announced or pending completion as at 28 August 2003.

**11. Issuance and Repayment of Debts and Equity Securities**

On 7 January 2003, 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 31 December 2002. The issue of RM80 million Redeemable Convertible Bonds was effected on 7 July 2003.

There were no other issuances and repayment of debt and equity securities, share buybacks, share cancellations, shares held as treasury shares and resale of treasury shares in the current financial period.

**12. Group Borrowings and Debt Securities**

Total group borrowings as at 30 June 2003 are as follows:-

	RM'000
Long Term Loans (unsecured)	
- Medium term notes	50,000
- Term loan	447,168
- Islamic Bonds	220,000
- Block discounting loans	22,909
	740,077
Less: repayable in 1 year	73,508
	666,569

**12. Group Borrowings and Debt Securities (Cont'd.)**

## Short term borrowings (unsecured)

- Bank overdrafts	57,335
- Bankers' acceptances	37,045
- Revolving credits	649,836
- Short term bridging loan	225,000
- Islamic bonds	30,000
- Short term loans	43,508
	<u>1,042,724</u>

Included above is a long term loan of RM48.26 million (US Dollar: 12.70 million) which is denominated in US Dollar. All other borrowings are denominated in Ringgit Malaysia.

**13. Segmental Reporting**

Segment information for the cumulative period is presented in respect of the Group's business segments as follows:

	Plantation	Property	Finance & Investment	Manufacture	Trading	Services	Elim'n	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2003</b>								
<b>Revenue</b>								
Group total sales	192,362	72,026	4,586	24,861	186,363	16,075	(22,669)	473,604
Inter-segment sales	(15,276)	(2,352)	-	-	(5,041)	-	22,669	-
External sales	<u>177,086</u>	<u>69,674</u>	<u>4,586</u>	<u>24,861</u>	<u>181,322</u>	<u>16,075</u>	<u>-</u>	<u>473,604</u>
<b>Result</b>								
Segment result								
- external	47,999	34,769	(2,002)	100	2,834	(4,605)		79,095
Interest expense	(13,191)	(4,637)	(32,370)	(299)	(3,369)	(504)	19,170	(35,200)
Interest income	15,532	883	3,659	-	157	105	(19,170)	1,166
Other investment result	-	-	386	-	-	-		386
Share of result of Associates	409	100	16,934	10,755	1,656	2,968		32,822
Profit/(loss) before tax	<u>50,749</u>	<u>31,115</u>	<u>(13,393)</u>	<u>10,556</u>	<u>1,278</u>	<u>(2,036)</u>	<u>-</u>	<u>78,269</u>
Taxation								(42,441)
Profit after taxation								<u>35,828</u>
Minority interests								(20,260)
Net profit for the period								<u>15,568</u>
	Plantation	Property	Finance & Investment	Manufacture	Trading	Services	Elim'n	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2002</b>								
<b>Revenue</b>								
Group total sales	140,077	94,798	4,755	26,582	186,774	15,699	(19,072)	449,613
Inter-segment sales	(9,176)	(2,287)	-	-	(7,609)	-	19,072	-
External sales	<u>130,901</u>	<u>92,511</u>	<u>4,755</u>	<u>26,582</u>	<u>179,165</u>	<u>15,699</u>	<u>-</u>	<u>449,613</u>
<b>Result</b>								
Segment result								
- external	26,902	24,555	(3,715)	1,049	137	(3,659)		45,269
Interest expense	(10,745)	(491)	(33,793)	(198)	(3,689)	(967)	27,686	(22,197)
Interest income	19,692	283	7,815	20	255	116	(27,686)	495
Other investment result	-	-	(341)	-	-	-		(341)
Share of result of Associates	330	(29)	36,964	11,187	2,034	(38)		50,448
Profit/(loss) before tax	<u>36,179</u>	<u>24,318</u>	<u>6,930</u>	<u>12,058</u>	<u>(1,263)</u>	<u>(4,548)</u>	<u>-</u>	<u>73,674</u>
Taxation								(35,175)
Loss after taxation								<u>38,499</u>
Minority interests								(12,814)
Net profit for the period								<u>25,685</u>

**14. Performance Review**

For the period ended 30 June 2003, the Group posted an unaudited profit before tax of RM78.27 million representing a 6% improvement over last year's gain of RM73.67 million. Plantation Division was the major profit contributor with a higher surplus of RM50.75 million (Last year: RM36.18 million) mainly due to favourable palm oil prices which averaged RM1,518 per MT (Last year: RM1,181) while FFB crop was also 17% higher than the corresponding period. Despite lower billings, Property Division's pretax profit contribution of RM31.12 million was 28% higher mainly due to better margin. Affin Holdings remained profitable during the period, contributing a lower surplus of RM10.46 million (Last year: RM27.64 million) due to higher loan loss provision, while the insurance associate's contribution was consistent with the previous year as better underwriting results had compensated for some decline in investment income.

Manufacturing Division's contribution was 12% lower than last year mainly due to weaker contribution from Sissons and UAC, while the overall performance from both the Trading and Services divisions had improved when compared with the corresponding period.

**15. Material Changes in Quarterly Result Compared to The Results of the Immediate Preceding Quarter**

The Group's pre-tax profit for the quarter of RM34.12 million was 23% lower than the previous quarter's contribution of RM44.15 million. Plantation's profit contribution of RM25.37 million for the current quarter is similar to the achievement in the preceding quarter, mainly due to higher operating costs and some decline in palm product prices in the second quarter which offset a 21% increase in FFB crop. Property Division's profit for the second quarter of RM15.36 million is consistent with the previous quarter, while Finance & Investment incurred a higher loss of RM11.88 million as compared with last quarter's deficit of RM1.51 million, reflecting the decline in profit contribution from Affin. Manufacturing Division's profit for current quarter of RM5.97 million is 30% higher than the last quarter, due to higher contributions from UAC and Kao which benefited from a favorable product mix and higher turnover respectively.

**16. Seasonal or Cyclical Factors**

Plantation's result is influenced by both CPO prices and FFB crop production. The cyclical swing in FFB crop production is generally at its lowest in the first half of the year, with gradual increase to peak production towards the second half. The remainder of the Group's operations are not materially affected by any seasonal or cyclical events.

**17. Prospect for the current financial period**

Palm oil prices, albeit at a lower level, are expected to remain satisfactory, and hence the Plantation Division is expected to register a reasonable performance for the remainder of the year. Property Development activities are expected to gain momentum now that the effects of the war and SARs have diminished, and coupled with the incentives under the Government's economic stimulus package would enable the Property Division to contribute significantly towards the Group's bottom line. The other operating divisions are expected to perform satisfactorily for the remainder of the year.

**18. Contingent Liabilities**

The status of the contingent liabilities as disclosed in the 2002 Annual Report remains unchanged as at 28 August 2003. No other contingent liability has arisen since the financial year end.

**19. Off Balance Sheet Financial Instruments**

The Group does not have any off balance sheet financial instruments as at 28 August 2003.

**20. Material Litigation**

On 31 July 2003, the Court of Appeal ordered that the case between our Subsidiary, Boustead Trading (1985) Sdn Bhd and Zaitun Marketing Sdn Bhd be set down for full trial at a date which is yet to be fixed. Other than this, the status of the material litigation as disclosed in the 2002 Annual Report remains unchanged as at 28 August 2003. The Group is not engaged in any other material litigation.

**21. Capital Commitments**

The Group has the following commitments as at 30 June 2003:

	<b>RM'000</b>
<i>Authorised but not contracted:</i>	
Capital expenditure	75,000
<i>Authorised and contracted:</i>	
Capital expenditure	102,000
Additional investment in a Subsidiary	49,000
	<u>226,000</u>

**22. Material Subsequent Events**

On 22 July 2003, the Group notified the KLSE that, pursuant to the Voluntary Offer of Kuala Sidim Berhad, the level of acceptances received by Boustead has exceeded nine-tenths of the Offer Shares (excluding the Kuala Sidim shares held at the date of the Voluntary Offer by Lembaga Tabung Angkatan Tentera who is a related corporation of Boustead) and as stated in its Offer Document, Boustead intends to invoke the provisions of Section 34 of the Securities Commission Act, 1993 ("Section 34") to compulsorily acquire the remaining Offer Shares for which acceptances have not been received.

There were no other material subsequent events as at 28 August 2003.



**23. Plantation Statistics**

	<b>Cumulative Period</b>	
	<b>2003</b>	<b>2002</b>
<b>(a) Planted areas (hectares)</b>		
Oil palm - mature	67,277	57,575
- immature	11,623	21,266
	<u>78,900</u>	<u>78,841</u>
Rubber - mature	146	205
Others	644	646
	<u>79,690</u>	<u>79,692</u>
<b>(b) Crop Production</b>		
FFB - MT	511,049	438,242
Rubber - Kilos	112,120	136,000
<b>(c) Average Selling Prices (RM)</b>		
FFB (per MT)	265	203
Palm oil (per MT)	1,518	1,181
Palm kernel (per MT)	708	593
Rubber (per kg)	2.87	1.99

**24. Notes on variance in actual profit and shortfall in profit guarantee**

- (a) Not applicable  
(b) Not applicable

**25. Prior Year Adjustment**

In accordance with the MASB Standard No.25 "Income Taxes", the Group has changed its accounting policy with respect to the recognition of deferred tax assets and liabilities. The Group now recognises deferred tax liabilities on the full provision basis, and recognises deferred tax asset for all deductible temporary differences when it is probable that sufficient profit will be available to utilise these deductible temporary differences. This change in accounting policy has been adopted retrospectively and has the following effects :

	<b>As previously reported</b>	<b>Effect of Change</b>	<b>As Restated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Increase/(decrease)</b>			
<b>On net profit for the period ended 30 June 2002:</b>	25,925	(240)	25,685
<b>On the balance sheet as at 31 December 2002:</b>			
Deferred tax provision	18,272	15,464	33,736
Deferred tax asset	-	10,640	10,640
Minority interest	768,979	(1,669)	767,310
Shareholders' equity	1,400,498	(3,155)	1,397,343
<b>On shareholders' equity as at 1 January 2002</b>	1,356,210	(2,280)	1,353,930

## ACCOUNTANTS' REPORT ON KUALA SIDIM BERHAD



AF: 0039

22 September 2003

The Board of Directors  
**Boustead Holdings Berhad**  
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 69 Jalan Raja Chulan  
 50200 Kuala Lumpur

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Dear Sirs,

## ACCOUNTANTS' REPORT ON KUALA SIDIM BERHAD ("KSB")

This Report is prepared by Ernst & Young, an approved company auditor, for inclusion in the Abridged Prospectus of BOUSTEAD HOLDINGS BERHAD ("Boustead") to be dated 8 October 2003, in connection with the Proposed Renounceable Rights Issue of 136,436,822 new ordinary shares of RM0.50 each in Boustead ("Rights Shares") on the basis of one (1) Rights Share for every two (2) existing ordinary shares in Boustead in issue held on the Entitlement Date and at an issue price of RM1.60.

## A. GENERAL INFORMATION

KSB was incorporated in Malaysia as a public limited company under the Companies Ordinance 1910 under the name of The Kuala Sidim Rubber Co. Ltd on 4 July 1910. On 15 April 1966, the Company changed its name to The Kuala Sidim Rubber Company Berhad and subsequently to its present name on 12 December 1994. KSB was listed on the Main Board of the Kuala Lumpur Stock Exchange ("KLSE") and the Stock Exchange of Singapore ("SES") on 1 August 1973. However, it was de-listed from SES on 1 January 1990.

Boustead became the holding company of KSB in May 1983 when the latter's shares changed hands from Barlow Boustead Estates Agency Sdn Bhd. In November 1983, Kuala Sidim bought over Boustead's plantation assets and became the plantation arm of the Boustead Group. The KSB Group expanded into bulking of edible oils in 1966, followed by agricultural research and advisory services in 1973.

On 29 August 2003, KSB shares were de-listed from the KLSE. The privatisation of KSB is intended to allow Boustead to further enhance the Boustead Group's earnings.

Presently, KSB Group is principally involved in cultivation and processing of oil palm and rubber, bulking of edible oil, agricultural research and advisory services. KSB is a mid-sized plantation player in the Malaysian market with around 72,000 hectares planted with oil palms, of which 11,000 hectares are in Sumatra, Indonesia. KSB's plantation land bank has been fairly stable in the past 5 years at just under 100,000 hectares. Most of its estates are in Malaysia.

KSB owns 8 operating palm oil mills of various capacities and ages; 4 mills in Peninsular Malaysia, 3 in Sabah and a recently completed one in Sarawak. Overall, about 80% of the FFB processed by the mills are from the Group's own plantations. Capacity utilisation is high at close to 100% of between 4,000 and 4,200 hours per annum.

The authorised and issued and fully paid-up share capital of KSB at 15 September 2003 is as follows:

	No. of Ordinary Shares	Par Value (RM)	Total (RM)
Authorised	200,000,000	1.00	200,000,000
Issued and fully paid-up	124,521,383	1.00	124,521,383

Boustead holds approximately 98.05% of the issued share capital at 15 September 2003.

## **B. AUDITORS AND AUDITED FINANCIAL STATEMENTS**

The financial statements of KSB for the relevant financial years covered in this report are prepared to comply with applicable approved accounting standards in Malaysia, and are audited by a firm of chartered accountants other than Ernst & Young.

The auditors' reports for the years under review were not subject to any qualification. However, for financial years ended 31 December 2000, 2001 and 2002, the auditors' reports emphasised significant uncertainties about future events in Indonesia that may affect the carrying values of KSB's investments and advances made to subsidiaries that have investments in plantations in Indonesia.

### C. SUMMARISED FINANCIAL RESULTS

We set out below the summarised financial results of KSB based on the audited consolidated financial statements for the past five (5) financial years from that ended 30 June 1998 to that ended 31 December 2002.

	Note	Year ended 30 June	Period/Years ended 31 December			
		1998	1999	2000	2001	2002
		RM'000	RM'000 (18 months)	RM'000	RM'000	RM'000
Revenue		292,664	461,005	184,739	188,540	293,369
Operating costs *		(160,115)	(253,890)	(159,464)	(175,311)	(225,587)
Profit from operations	(i)	132,549	207,115	25,275	13,229	67,782
Interest income	(ii)	19,492	46,754	26,009	23,209	26,255
Other income	(iii)	2,727	15,632	-	14,747	171
Finance costs	(iv)	(711)	(4,932)	(4,774)	(9,597)	(22,649)
Share of result of Associates		(4,037)	2,204	440	686	481
Profit before taxation		150,020	266,773	46,950	42,274	72,040
Taxation	(v)					
- on results for the year/ period		(30,572)	(26,343)	(21,399)	(19,079)	(30,645)
- prior year/period		353	105	1,761	4,844	(150)
Profit after taxation		119,801	240,535	27,312	28,039	41,245
Minority interests		(2,360)	(5,620)	7,948	6,076	(2,053)
Profit attributable to shareholders		117,441	234,915	35,260	34,115	39,192
Number of ordinary shares in issue ('000)		124,521	124,521	124,521	124,521	124,521
Earnings per share - sen		94.3	188.7	28.3	27.4	31.5
Gross dividends per share - sen		22.0	39.0	22.0	15.0	7.5 **

\* Operating costs for 1998, 1999 and 2000 was adjusted to reflect the changes in accounting policy as highlighted in Section D.

\*\* A final gross dividend of 12.5 sen per share is proposed for shareholder's approval at the Annual General Meeting on 14 April 2003.

**Commentary Notes:**

- (i) Oil palm is the primary plantation crop for KSB accounting for 99% of the total area under cultivation. With virtually all of its revenue from the sales of palm oil, KSB's financial performance has mirrored CPO price movements.

For the year ended 31 December 2002, commodity prices were the main contributing factor, which increased revenue by 56% to RM294 million. CPO prices rose to average RM1,287 per MT while palm kernel fetched RM645 per MT.

While the revenue for 2001 increased by 2%, operating profit fell by 48% as average CPO prices realised for the year were lower at RM852 per MT as compared to 2000; and lower than expected production from the new areas coming into maturity. The weaker prices were attributed mainly to higher import duties imposed by India, by far the country's largest export market, as well as stiff competition from soybean oil. Aggressive actions taken by Indonesia exporters to dispose its available supplies in the face of a weaker Rupiah and continuing economic instability also exerted downward pressure on CPO prices.

For the 12 months ended 31 December 2000, the Group recorded revenue of RM184 million and operating profit of RM25 million. This was a marked reduction from the results achieved in 18 months ended 31 December 1999. Even on an annualised basis, after having discounted the additional six months in the previous financial period, the revenue declined by 40% for the year due to lower CPO price - the average CPO price achieved was RM985 per MT while palm kernel was RM670 per MT.

The revenue for 1999 was very much influenced by the lower palm oil prices although offset to some extent by better FFB production.

- (ii) KSB generated interest income mainly from loans that had been extended to its holding company, Boustead Holdings Berhad ("Boustead"). The income and weighted average interest rate on loans to Boustead are analysed as follow:

	Year ended				
	30 June	Period/Years ended 31 December			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Interest income (RM'000)	13,006	32,260	24,093	23,202	25,640
Interest rate (per annum)	9.3 %	8.1%	6.1%	7.0%	7.0%

- (iii) KSB had on 27 March 2001, entered into an agreement with The University of Nottingham in Malaysia Sdn Bhd for the sale of 2 parcels of agricultural lands having an approximate area of 102 acres located at Balau Estate, Semenyih, District of Ulu Langat for a consideration of RM16,839,163. This land sale has contributed a gain of RM14.6 million to KSB's other income for the financial year ended 31 December 2001.

Other income for 1999 included the gain on compulsory acquisition of land by the Government of RM5.1 million.

- (iv) The sharp increase of finance costs in 2002 was mainly due to the cost of financing newly matured fields, which were charged to income statement upon maturity.
- (v) For financial years ended 31 December 2000, 2001 and 2002, the effective rates of taxation for KSB were higher than the statutory rate mainly because the losses incurred by certain subsidiaries are not available for set-off by the Group.

For the period ended 31 December 1999, the tax rate of KSB was lower than the statutory rate since part of that period constitutes the basis period for year of assessment 2000 (preceding year basis) where tax on income, other than dividend income, was waived.

The effect rate of taxation for 1998 was lower than the statutory rate of tax applicable due to the utilisation of unabsorbed losses and tax allowances of certain subsidiaries.

### C. SUMMARISED BALANCE SHEETS OF KSB

The respective audited consolidated balance sheets of KSB at 30 June 1998 to 31 December 2002 are as follows:

	Note	As at 30 June ←		As at 31 December →		
		1998	1999	2000	2001	2002
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non Current Assets</b>						
Property, plant and equipment	(vi)	781,346	1,021,157	1,115,635	1,182,022	1,258,245
Associate		9,765	1,309	1,218	1,290	1,506
Other investment	(vii)	2,449	-	-	-	4,000
		793,560	1,022,466	1,116,853	1,183,312	1,263,751
<b>Current Assets</b>						
Inventories	(viii)	13,765	19,963	26,014	16,263	11,902
Receivables	(ix)	265,655	422,644	472,524	451,878	457,620
Cash and bank balances	(x)	1,241	3,057	3,063	6,669	16,895
		280,661	445,664	501,601	474,810	486,417
<b>Current Liabilities</b>						
Borrowings (unsecured)	(xi)	87,603	70,166	19,783	145,813	199,492
Payables	(xii)	29,756	42,117	48,912	47,003	53,448
Taxation		37,167	30,260	25,555	23,143	17,243
Proposed dividends		9,862	17,433	9,862	-	-
		164,388	159,976	104,112	215,959	270,183
Net current assets		116,273	285,688	397,489	258,851	216,234
<b>Non Current Liabilities</b>						
Borrowings (unsecured)	(xi)	50,000	250,000	479,787	392,211	377,874
Deferred taxation	(xiii)	10,158	12,268	10,880	10,022	10,138
		60,158	262,268	490,667	402,233	388,012
		849,675	1,045,886	1,023,675	1,039,930	1,091,973
<b>Capital and Reserves</b>						
Share capital		124,521	124,521	124,521	124,521	124,521
Reserves		697,165	883,289	875,216	897,943	936,729
Shareholders' equity		821,686	1,007,810	999,737	1,022,464	1,061,250
Minority interest		27,989	38,076	23,938	17,466	30,723
		849,675	1,045,886	1,023,675	1,039,930	1,091,973
Net tangible assets per share						
(sen)		660	809	803	821	852

\* Property, plant and equipment for 1998, 1999 and 2000 was adjusted to reflect the changes in accounting policy as highlighted in Section D.

**Commentary Notes:**

- (vi) Property, plant and equipment mainly comprise of agricultural lands located at peninsular Malaysia, Sabah and Sarawak in Malaysia and Sumatra in Indonesia. The analysis of property, plant and equipment at 31 December 2002 is as follows:

	<b>Freehold Property</b>	<b>Long Leasehold Property</b>	<b>Short Leasehold Property</b>	<b>Plant and Equipment</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Cost or Valuation</u></b>					
At 1 January 2002	218,345	790,666	173,803	157,518	1,340,332
Additions	182	43,336	13,213	19,035	75,766
Development expenditure written off	(123)	(444)	-	-	(567)
Disposals	(123)	(188)	-	(7,208)	(7,519)
Exchange adjustment	-	-	23,921	267	24,188
At 31 December 2002	218,281	833,370	210,937	169,612	1,432,200

**Accumulated Depreciation**

At 1 January 2002	10,788	37,323	6,855	103,344	158,310
Charge for the year	1,009	4,977	1,437	12,500	19,923
Impairment losses	-	-	1,300	-	1,300
Disposals	(91)	(54)	-	(6,350)	(6,495)
Exchange adjustment	-	-	764	153	917
At 31 December 2002	11,706	42,246	10,356	109,647	173,955

**Net Book Value**

At 31 December 2002	206,575	791,124	200,581	59,965	1,258,245
At 31 December 2001	207,557	753,343	166,948	54,174	1,182,022
<b>Depreciation charge for 2001</b>	<b>2,135</b>	<b>3,715</b>	<b>2,858</b>	<b>12,539</b>	<b>21,247</b>

Additions to KSB's leasehold property during the year mainly includes expenditure on new planting incurred and the capitalisation of the following:

	<b><u>2002</u></b>
	<b>RM'000</b>
Interest expense	15,464
Unrealised exchange differences	(6,746)
Depreciation	1,171
	<u>9,889</u>



Analysis of cost and valuation of property, plant and equipment at 31 December 2002 is as follows:

	<b>RM'000</b>
Cost	1,300,822
Valuation – 1992	72,641
Valuation – 1993	<u>58,737</u>
	<u>1,432,200</u>

Property stated at valuation is based on independent professional valuations carried out on an existing use basis. As allowed by the approved accounting standard on property, plant and equipment, these assets have continued to be stated on the basis of their previous valuations.

(vii) Unquoted bonds at cost with a nominal value of RM4 million and maturing in 2007.

(viii) The inventories at 31 December 2002 comprise of:

	<b>RM'000</b>
<b>At cost:</b>	
Produce stocks	2,762
Consumables	6,163
Nursery stocks	<u>2,977</u>
	<u>11,902</u>

Inventories include all incidentals incurred in bringing the inventories into store and in the case of produce stocks, include harvesting, manufacturing and transport charges, where applicable.

(ix) Receivables at 31 December 2002 comprise of:

(ix) Receivables at 31 December 2002 comprise of:

	<b>RM'000</b>
Trade receivables	26,788
Less: Provision for doubtful debts	<u>(456)</u>
	26,332
Estate receivables	10,555
Amount due from holding company	392,231
Others	<u>28,502</u>
	<u>457,620</u>

The loan to holding company, Boustead, is unsecured, has no fixed terms of repayment and carried interest at a weighted average rate of 7.0% per annum. The interest rate was arrived at after taking into consideration the KSB Group's cost of funds.

(x) Included in the cash and bank balances, as at 31 December 2002 are deposits at a licensed financial institution amounting to RM12,610,000.

(xi) All borrowings at 31 December 2002 are unsecured and consist of:

	RM'000
<b><u>Current</u></b>	
Bank overdrafts	906
Revolving credits	15,000
Term loans	183,586
	<u>199,492</u>
<b><u>Long Term</u></b>	
Medium term notes	50,000
Term loans	327,874
	<u>377,874</u>
 Total borrowings	 <u>577,366</u>

The medium term notes, which form part of the bank-guaranteed and non-guaranteed Commercial Papers/Medium Term Notes Programme of RM100 million, were issued for purposes of financing development of the Group's plantations. Medium term notes bear interest at a weighted average rate of 5.3% per annum.

The term loans bear interest at a weighted average rate of 7.2% per annum.

(xii) Payables at 31 December 2002 comprise of:

	RM'000
Trade payables	6,932
Accrued expenses	16,238
Other taxes payable	7,227
Estate payables	11,776
Others	<u>11,275</u>
	<u>53,448</u>

(xiii) The deferred tax liabilities are mainly arising from the utilisation of capital and agricultural allowances. KSB Group has not accounted for the following tax effects of timing differences and potential tax savings which would result in a deferred tax benefits as follows:

	As at 30 June	<----- As at 31 December ----->			
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Capital and agricultural allowances	25,386	34,464	36,790	75,000	81,000
Unabsorbed tax losses	18,803	22,943	25,900	47,900	61,000
Surplus on revaluation of properties	-	-	-	(7,486)	(7,486)
	<u>44,189</u>	<u>57,407</u>	<u>62,690</u>	<u>115,414</u>	<u>134,514</u>

## D. SIGNIFICANT ACCOUNTING POLICIES

This Report is prepared on a basis consistent with accounting policies adopted by KSB in the audited financial statements for the financial year ended 31 December 2002 and is in accordance with applicable approved accounting standards issued by the Malaysian Accounting Standards Board ("MASB") and comply with the provisions of the Companies Act 1965.

The financial statements of KSB are prepared under the historical cost convention except for the revaluation of certain land and buildings included under property, plant and equipment.

### Adoption of MASB 15: Property, Plant and Equipment and Depreciation

With effect from 1 January 2001, KSB changed its accounting policy with respect to the amortisation of long leasehold plantation land in compliance with the new MASB Standard 15, "Property, Plant and Equipment and Depreciation".

In previous years, long leasehold plantation land was not amortised. With the adoption of this MASB standard, the Company changed this accounting policy to amortise the long leasehold plantation land over periods of 60 to 999 years. The change in accounting policy has been accounted for retrospectively, and accordingly is reflected in the financial statements presented in respect of the five years ended 31 December 2002.

The effects of this change on the Company's financial statements are as follows:

	<b>As Previously Reported RM'000</b>	<b>Effect Of Change In Policy RM'000</b>	<b>As Restated RM'000</b>
<b><u>Effects on retained earnings</u></b>			
Retained earnings at 1 July 1997	430,214	(8,847)	421,367
Net profit for the year	118,154	(713)	117,441
Retained earnings at 30 June 1998	528,644	(9,560)	519,084
Net profit for the year	235,985	(1,070)	234,915
Retained earnings at 31 December 1999	724,782	(10,630)	714,152
Net profit for the year	35,973	(713)	35,260
Retained earnings at 31 December 2000	741,031	(11,343)	729,688
<b><u>Effects on property, plant and equipment</u></b>			
Net book value at 1 July 1997	712,589	(8,847)	703,742
Depreciation charge for the year	14,651	713	15,364
Net book value at 30 June 1998	790,906	(9,560)	781,346
Depreciation charge for the year	24,781	1,070	25,851
Net book value at 31 December 1999	1,031,787	(10,630)	1,021,157
Depreciation charge for the year	18,469	713	19,182
Net book value at 31 December 2000	1,126,978	(11,343)	1,115,635



## E. SUBSEQUENT EVENTS

Subsequent to 31 December 2002 and up to the date of this report, KSB was de-listed from the Main Board of the KLSE.

On 7 April 2003, KSB entered into an agreement with IJM Plantations Sdn Bhd and Southern Keratong Plantations Sdn Bhd (the "Vendors") for the purchase of a 100% interest in the issued share capital of Trunkline Plantations Sdn Bhd for a total cash consideration of RM18,234,350 comprising of:

- (i) 7,000,000 shares of RM1 each for RM7,439,923; and
- (ii) repayment of vendors' shareholder advances of RM10,794,427.

On 11 August 2003, KSB entered into a joint venture agreement with Pemodalan Darul Ta'zim Sdn Bhd to develop a piece of land measuring approximately 995.53 hectares into oil palm plantation.

## F. CONTINGENT LIABILITY

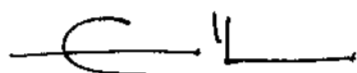
There is a pending legal claim on the joint venture plantation, Kuala Muda Estate, in respect of profit earned for the period 8 May 1995 to 8 January 1999 on land acquired by the Government. The Directors are of the opinion that the interest award on the compensation is more than sufficient to cover for the cost of the claim and therefore further provision is not required.

## G. AUDITED FINANCIAL STATEMENTS

As at the date of this report, no audited financial statements of KSB have been prepared in respect of any period subsequent to 31 December 2002.

This report is prepared solely for the purpose as stated above and should not be used or referred to for any other purpose.

Yours faithfully



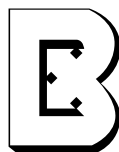
Ernst & Young  
AF: 0039  
Chartered Accountants



Thomas Arundel Andrew Scott  
No. 1060/03/04(J/PH)  
Partner

**DIRECTORS' REPORT**

(Prepared for inclusion in this Abridged Prospectus)



**Boustead Holdings Berhad**

*(A member of LTAT Group) 3871-H*

Registered Office:

Level 28, Menara Boustead  
No. 69 Jalan Raja Chulan  
50200 Kuala Lumpur  
Malaysia

To: The Shareholders of Boustead

1 October 2003

Dear Sir/Madam

On behalf of the Board of Boustead, I report that after making due inquiries in relation to the interval between 31 December 2002, being the date to which the latest audited accounts of Boustead and its subsidiary companies have been made up, and 30 September 2003, being a date not earlier than fourteen (14) days before the issue of this Abridged Prospectus that:

- (a) the business of Boustead and its subsidiary companies have, in the opinion of the Directors, been satisfactorily maintained;
- (b) in the opinion of the Directors, no circumstances have arisen which have affected adversely the trading or the value of the assets of Boustead and its subsidiary companies;
- (c) the current assets of Boustead and its subsidiary companies as stated in the books are at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities by reason of any guarantees or indemnities given by Boustead and its subsidiary companies;
- (e) there have been no default nor any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of Boustead and its subsidiary companies in which the Board are aware of; and
- (f) there has been no change in the published reserves or any unusual factors affecting the profits of Boustead and its subsidiary companies, other than the reserves on consolidation arising from the voluntary offer by Boustead to acquire the remaining 53,281,751 ordinary shares of RM1.00 each in Kuala Sidim Berhad, representing approximately 42.79% of the existing issued and paid-up share capital of Kuala Sidim not already owned by Boustead as at 23 May 2003 for a total cash consideration of approximately RM320 million or RM6.00 per share.

Yours faithfully

For and on behalf of the Board of Boustead

Y.Bhg. Gen (B) Tan Sri Dato' Mohd Ghazali Hj. Che Mat  
Chairman

"A TRADITION OF STRENGTH AND STABILITY. A VISION OF GROWTH AND EXCELLENCE"

**STATUTORY AND GENERAL INFORMATION****1. SHARE CAPITAL**

- (i) No securities will be allotted on the basis of this Abridged Prospectus later than twelve (12) months after the date of the issue of this Abridged Prospectus.
- (ii) Save as disclosed in Section 3 of Appendix II and Section 10 of Appendix VIII of this Abridged Prospectus and save for the New Shares, no share or debenture of the Company has within the preceding 2 years from the date of this Abridged Prospectus been issued or agreed to be issued either as fully or partly paid-up for a consideration in cash or otherwise than in cash.
- (iii) There are no founder, management or deferred shares. There is only one class of shares in the Company, namely ordinary shares of RM0.50 each, all of which rank pari passu with one another.
- (iv) The names, addresses and occupations of the Directors are as set out in the Corporate Information Section in this Abridged Prospectus.
- (v) Save as disclosed in Section 10 of Appendix VIII of this Abridged Prospectus and save for the New Shares, no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of the Company.

**2. DIRECTORS' SHARE QUALIFICATION AND REMUNERATION**

- (i) There is no shareholding qualification for Directors; and
- (ii) The provision in the Company's Articles of Association in relation to the remuneration of Directors are as follows:

**Article 98**

"The fees of the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting but the remuneration of the executive directors shall from time to time be determined by the Board. The fees payable to Directors shall not be increased except pursuant to a resolution passed at general meeting when notice of the proposed increase has been given in the notice convening the meeting. The fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover and be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director holding office for part only of a year shall be entitled to a proportionate part of a full year's remuneration. The remuneration payable to executive Directors shall not include a commission on or percentage of turnover. Any fee paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration."

**Article 99**

"The Directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Board or of committees of the Board or general meetings or otherwise howsoever in connection with the business of the Company."

**Article 100**

“The Directors may grant special remuneration to any Director who (on request by the Directors) is willing to perform or render any special duties or services outside his ordinary duties as a Director or to go or reside away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors. Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director and may be paid by way of a fixed sum or otherwise as may be arranged Provided Always that such special remuneration shall not be by a commission on or percentage of profits or turnover.”

**3. CONSENTS**

The written consents of the Adviser and Managing Underwriter, Underwriters, Registrar for the Rights Issue, Registrar of Boustead Solicitors and the Principal Bankers to the inclusion in this Abridged Prospectus of their names in the form and context in which they appear have been given and have not been subsequently withdrawn before the issue of this Abridged Prospectus.

The written consent of the Auditors and Reporting Accountants to the inclusion in this Abridged Prospectus of their name and Reporting Accountants' letter relating to the proforma consolidated balance sheets of Boustead as at 31 December 2002 in the form and context in which they appear in this Abridged Prospectus has been given before the issue of this Abridged Prospectus and has not subsequently been withdrawn.

**4. GENERAL**

- (i) The amount payable in full upon application for the Rights Issue is RM1.60 per Rights Share. Save as disclosed in Section 3 of Appendix II of this Abridged Prospectus, no shares or debenture of the Company have been issued or agreed to be issued as fully or partly paid-up for cash or otherwise than in cash within the two (2) preceding years prior to the date of this Abridged Prospectus.
- (ii) The nature of the Company's business and the names of all corporations which are by virtue of Section 6 of the Act deemed to be related to the Company are set out in Appendix II of this Abridged Prospectus.
- (iii) The estimated expenses of the Rights Issue and Bonus Issue are RM1.85 million, all of which will be borne by the Company.
- (iv) No amount has been paid or has become payable within the two (2) preceding years from the date of this Abridged Prospectus as commission for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscription for any share or debenture of the Company or its subsidiaries and no directors, proposed director, promoter or expert is entitled to receive any such commission.
- (v) Save as disclosed in this Abridged Prospectus and to the best of the Board's knowledge in connection with the financial conditions and operations of the Group:
  - (a) There are no known trends or known demands, commitments, event or uncertainties that will result in or that is reasonably likely to result in the Group's liquidity increasing or decreasing in any material way;
  - (b) There are no material commitments for capital expenditure;
  - (c) There are no unusual or infrequent events or transactions or any significant economic change that had materially affected or will materially affect the amount of reported income from the operations of the Group; and

- (d) There are no known trends or uncertainties that have had or that the Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income of the Group.
- (vi) Save as disclosed in this Abridged Prospectus, the Board of Boustead is not aware of any material information including special trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profit of the Group.
- (vii) No property has been purchased or acquired in the two (2) years preceding the date of this Abridged Prospectus or proposed to be purchased or acquired by the Company and its subsidiaries which is to be paid for, wholly or partly, out of the proceeds of the Rights Issue or the purchase or acquisition of which has not been completed at the date of issue of this Abridged Prospectus other than property, the contract for the purchase or acquisition whereof was entered in the ordinary course of business of the Company and its subsidiaries, the contract not being made in contemplation of the Rights Issue save as disclosed in the Abridged Prospectus.

## 5. MATERIAL LITIGATION

Save as disclosed below, Boustead and its subsidiary companies are not involved in any material litigation, either as plaintiff or defendant, claims or arbitration and the Directors do not have any knowledge of any proceedings, pending or threatened against Boustead and/or its subsidiary companies, or of any facts likely to give rise to any proceedings which might materially affect the financial position or business of Boustead and/or its subsidiary companies.

- (i) Pursuant to a claim initiated by Boustead on 10 November 2001 against Mariwasa Kraftangan Sdn Bhd and 2 of its shareholders (“Defendants”) for the recovery of debts of RM7,450,752, a counterclaim was subsequently filed by the Defendants on 4 February 2002 seeking general damages for a sum of RM50 million, interest at the rate of 8% on RM50 million from the date of judgement until the date of full settlement, declaration that several agreements and debentures entered into previously by the parties involved be declared null and void, costs incurred and any further relief which the court deems just. The Directors, in consultation with legal counsel, are of the opinion that Boustead has a good defence to the counter claim.
- (ii) Zaitun Marketing Sdn Bhd (“Zaitun”) is claiming against Boustead Trading (1985) Sdn Bhd (“Boustead Trading”), a wholly owned subsidiary company of Boustead for goods sold, delivered and invoiced to the sum of RM32,423,337.59. The suit was filed on 6 July 1999. Boustead Trading had denied the claim and filed a counter claim together with costs and interest for a sum of RM12,116,163.32. On 12 June 2000, the Deputy Registrar awarded a summary judgement in favour of Zaitun. Subsequently on 19 February 2001, the High Court allowed Boustead Trading’s appeal and set aside the order given by the Deputy Registrar. On 7 March 2001, Zaitun Marketing appealed against the High Court Judge’s decision to the Court of Appeal. However, on 31 July 2003 the Court of Appeal dismissed Zaitun Marketing’s appeal with costs and ordered the case to be set down for full trial. The Directors, in consultation with legal counsel, are of the opinion that Boustead Trading has a good defence to the claim and a good claim to its counter claim.
- (iii) The Kedah Land Administrator’s claim against Kuala Sidim on profits of compulsorily acquired land of Kuala Muda Estate from 8 May 1995 to 5 January 1999 is on-going. The claim was for an amount of RM20,478,478 as against Kuala Muda’s computation of RM2.571 million. The claim of RM20,478,478 was computed using average yields and prices of Kuala Sidim Group and had excluded operating costs and taxes. Kuala Muda has provided in its books, RM3.5 million to cover the cost of claim. The Directors of Kuala Sidim, in consultation with legal counsel, are of the opinion that Kuala Sidim has a good defence to considerably reduce the extent of profits claimed.



(iv) On 3 September 2003, Boustead was served with two (2) Originating Summonses ("OS") issued by the High Court of Malaya in Kuala Lumpur as follows:-

- (i) OS No. D24-230-Tahun 2003 by Mr. Ong Teck Peow, a shareholder of Kuala Sidim, under sections 34 and 34B of the Securities Commission Act, 1993, seeking claims for:-
  - (a) a declaration that Boustead ("the Defendant") shall not be entitled and shall not be bound to acquire the plaintiff's ordinary shares in Kuala Sidim at RM6.00 per share on the grounds that the Defendant has not met the conditions precedent imposed under Section 34 of the SC Act;
  - (b) further and/or in the alternative an order that the Defendant shall be bound to acquire the plaintiff's ordinary share in Kuala Sidim at a fair price to be fixed by the Court;
  - (c) pending the disposal of the OS, the Defendant be suspended/stayed from proceeding with the compulsory acquisition of the ordinary shares of the plaintiff's or of other dissenting shareholders of Kuala Sidim at RM6.00 per share
  - (d) such other relief deemed fit; and
  - (e) costs;

and;

- (ii) OS No. D24-229-Tahun 2003 by Messrs. Ravi Muthiah & Co on behalf of a group of shareholders of Kuala Sidim, under sections 34 and 34B of the Securities Commission Act, 1993, seeking claims for:-
  - a) a declaration that the Defendant shall not be entitled and shall not be bound to acquire the plaintiffs' ordinary shares in Kuala Sidim under Section 34 of the SC Act;
  - b) alternatively, an order by the Court that the Defendant shall be bound to acquire the plaintiffs' ordinary shares in Kuala Sidim at a fair and reasonable price as determined by the Court; and
  - c) any other order or relief which the Court deemed fit.

The date of the Court hearings for the above OS(s) has been fixed on 15 October 2003. Save for the legal fees and other incidental costs (to be determined later), the Notice of the OS(s) will not have any material financial and operational impact on the Boustead group of companies. The Company does not expect to incur any losses arising from the Notices of the OS(s). In addition, the Board of Directors, after consultation with its legal advisers, is of the opinion that the Notices of the OS(s) have no merits and has a good defence to the respective claims.

## 6. MATERIAL CONTRACTS

Save as disclosed below, there are no other material contracts which are or may be material, (not being contracts entered into in the ordinary course of business), which have been entered into by Boustead or its subsidiary companies within the past two (2) years preceding the date of this Abridged Prospectus.

- (i) Mutiara Rini Sdn Bhd ("MRSB"), a wholly-owned subsidiary of SCB, on 14 December 2001, granted Ikano Corporation Sdn Bhd ("Ikano") an option expiring in November 2005 to sell back to MRSB, a 13.06 acres piece of land in Mutiara Damansara which is part of land held under Geran 40169, Lot No. 70 (previously held under title no. HS(D) 29716, PT No. 7786), Mukim of Sungai Buloh, District of Petaling, State of Selangor at the original purchase price of RM56,386,638 plus construction costs and holding costs incurred, in the event that Ikano's appeal to the FIC for variation of the FIC's conditions is not successful. The said piece of land was sold to Ikano via a sale and purchase agreement dated 2 November 2000. The option expired on 11 June 2002 as Ikano's appeal to the FIC for variation of the FIC's conditions was successful.

- (ii) SCB has on 31 December 2002 entered into various agreements (as the Issuer) in relation to the Proposed Fund Raising Programme of up to RM300 million comprising RM30 million Islamic Commercial Papers (“CPs”), RM190 million Islamic Bonds (“IBs”) and RM80 million Redeemable Convertible Bonds (“RCBs”). The said agreements entered into are as follows:
- (a) Trust Deed (CPs/BAIDS) with AmTrustee Berhad as the Trustee;
  - (b) BAIDS Facility Agreement with Affin Merchant as the BAIDS Lead Arranger/BAIDS Facility Agent/BAIDS Primary Subscriber;
  - (c) Depository and Paying Agency Agreement with AmTrustee Berhad as the Trustee, Bank Negara Malaysia as the Central Depository/Paying Agent and Affin Merchant as BAIDS Lead Arranger;
  - (d) Security Agency Agreement with SCB, Mutiara Rini Sdn Bhd, UK Realty Sdn Bhd and Weld Court Realty Sdn Bhd as the Assignors, AmTrustee Berhad as the Trustee and Affin Merchant as the Security Agent;
  - (e) Al-Murabahah Commercial Paper Programme Agreement with Affin Merchant as the CP Lead Arranger/CP Facility Agent/CP Issue Agent/CP Paying Agent;
  - (f) CP Depository Agreement (in respect of the Al Murabahah Commercial Paper Programme of up to RM30 million) with AmTrustee Berhad as the Trustee and Affin Merchant as the CP Depository/CP Paying Agent;
  - (g) CP Agency Agreement (in respect of the Al Murabahah Commercial Paper Programme of up to RM30 million) with Affin Merchant as the CP Issue Agent/CP Paying Agent;
  - (h) SCB Assignment with Affin Merchant as the Security Agent/Facility Agent;
  - (i) Boustead Assignment between Boustead as the Assignor and AmTrustee Berhad as the Trustee;
  - (j) Mutiara Rini Sdn Bhd Assignment between Mutiara Rini Sdn Bhd as the Assignor and Affin Merchant as the Security Agent/Facility Agent;
  - (k) UK Realty Sdn Bhd Assignment between UK Realty Sdn Bhd as the Assignor and Affin Merchant as the Security Agent/Facility Agent; and
  - (l) Weld Court Realty Sdn Bhd Assignment between Weld Court Realty Sdn Bhd as the Assignor and Affin Merchant as the Security Agent/Facility Agent.

The following agreements were subsequently entered into by SCB in relation to the RCB:

- (a) RCB Subscription Agreement dated 20 June 2003 between SCB as the issuer and Affin Merchant as the Primary Subscriber/Lead Arranger/Facility Agent;
- (b) Amended and Restated Trust Deed (RCB) dated 27 June 2003 with AmTrustee Berhad as the Trustee; and
- (c) Depository and Paying Agency Agreement dated 27 June 2003 with AmTrustee Berhad as the Trustee, Bank Negara Malaysia as the Central Depository/Paying Agent and Affin Merchant as RCB Lead Arranger;

The said programme is secured by the assignment of the progress billings from Mutiara Damansara and Mutiara Rini projects, assignment of Escrow Accounts, assignment of Profit Service Account and assignment of Principal Service Reserve Account. The approval of the SC for the CPs and IBs was obtained on 24 December 2002 and the approval from the SC for the RCBs was obtained on 16 January 2003. The tenure of the said programme ranges from one (1) to five (5) years. Money raised from the said programme shall be utilised to repay some of the SCB Group’s short-term bank borrowings and inter-company loans and also to meet the working capital requirements of the ongoing Mutiara Damansara and Mutiara Rini projects.

- (iii) Boustead had entered into a RM300 million bridging finance loan agreement with the Bank of Nova Scotia Berhad, RHB Bank Berhad and Bumiputera-Commerce Bank Berhad to finance the Voluntary Offer. The agreements entered into are as follows:
- (a) Facility Agreement dated 20 June 2003, with The Bank of Nova Scotia Berhad as Arranger and Facility Agent, and RHB Bank Berhad and Bumiputera-Commerce Bank Berhad as Financiers in relation to a non-revolving term loan facility of up to a maximum aggregate principal amount of RM200,000,000. The said facility is to be utilised by Boustead to part finance the Voluntary Offer;

- (b) Term loan agreement dated 16 June 2003, between Boustead Engineering Sdn Bhd and The Bank of Nova Scotia Berhad for a non-revolving term loan facility of up to RM50 million. The said facility is to be utilised to part finance the Voluntary Offer;
  - (c) Term loan agreement dated 16 June 2003, between Boustead Travel Services Sdn Bhd and The Bank of Nova Scotia Berhad for a non-revolving term loan facility of up to RM50 million. The said facility is to be utilised to part financed the Voluntary Offer; and
  - (d) Facility Agreement dated 20 June 2003, with the Bank of Nova Scotia Berhad, Labuan Branch as Financier in relation to a standby letter of credit of up to a maximum principal amount of RM100,000,000. The said Facility is to be utilised by Boustead to guarantee the payment and repayment by Boustead of the principal sum of the non-revolving term loan facilities mentioned in (b) and (c) above.
- (iv) Kuala Sidim has on 21 November 2001 entered into a Facility Agreement (Notes Issuance Facility) with Affin Merchant as the Lead Arranger/Facility Agent/Paying Agent/Issue Agent, a Guarantee Facility Agreement with Affin Merchant as the Lead Arranger/Facility Agent and Southern Bank Berhad (“SBB”) as the Guarantor, an Agency Agreement with Affin Merchant as the Issue Agent/Paying Agent and SBB as the Guarantor and a Trust Deed with Affin Merchant as the Paying Agent and Amanah Raya Berhad as the Trustee, in respect of a proposed issuance of RM100 million Commercial Papers (“CPs”)/Medium Term Notes (“MTNs”) programme.
- Proceed from the said programme shall be utilised to finance Kuala Sidim Group’s development expenses for oil palm plantations, construction of palm oil mills in Sabah and Sarawak and capital expenditure. The said programme was approved by the SC via its letter dated 19 October 2001 subject to certain conditions. Kuala Sidim has issued MTNs of RM50 million of the said programme which is guaranteed by SBB.
- (v) Boustead had, on 25 August 2003, entered into an underwriting agreement with Affin Merchant, as the Managing Underwriter and Underwriter, as well as with Affin-UOB Securities Sdn Bhd, as the underwriter, for the underwriting of up to 48,553,133 Rights Shares, at an underwriting commission of 1.25%. The said underwriting commission will be borne by Boustead.

## 7. SERVICE CONTRACT

Save for Y. Bhg. Tan Sri Dato’ Lodin Wok Kamaruddin who has a three (3)-year service contract with Boustead expiring 30 June 2005, none of the Directors of Boustead have any existing or proposed service contracts with its respective Group.

## 8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of Boustead, during normal business hours on any weekday (except public holidays) for a period of twelve (12) months from the date of this Abridged Prospectus:

- (a) The Memorandum and Articles of Association of Boustead;
- (b) The audited financial statements of Boustead Group for the past three (3) financial years ended 31 December 2000, 2001 and 2002 and the unaudited interim results for the six (6) month period ended 30 June 2003;
- (c) The proforma consolidated balance sheets of Boustead Group as at 31 December 2002 together with the notes and the Reporting Accountants’ letter thereon as set out in Appendix III of this Abridged Prospectus;
- (d) The Directors’ Report as set out in Appendix VII of this Abridged Prospectus;
- (e) The letters of consent referred to in Section 3 of this Appendix;

- (f) The relevant cause papers in relation to the material litigations referred to in Section 5 of this Appendix;
- (g) the material contracts referred to in Section 6 of this Appendix;
- (h) the service contract referred to in Section 7 of this Appendix;
- (i) The letter of undertaking from LTAT, being the substantial shareholder dated 14 March 2003 as referred to in Section 11.1 of this Abridged Prospectus; and
- (j) The Accountant's Report on Kuala Sidim Berhad.

## **9. RESPONSIBILITY STATEMENT**

All documentation relating to this Rights Issue has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein misleading.

Affin Merchant, being the Adviser and Managing Underwriter for the Rights Issue acknowledges that, based on the available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes full and true disclosure of all material facts about the Rights Issue and of the Company and the Group on the basis of the facts disclosed and information furnished by the Company (for which the Directors are solely responsible) after due and careful inquiry.

## **10. BOUSTEAD'S ESOS**

The Company had implemented an Employees Share Option Scheme on 23 July 2001, a scheme which grants options to eligible employees of the Group which, upon their acceptance of the options, entitle them to subscribe for new Boustead Shares, in accordance with the ESOS by-laws. The scheme is for a period of five (5) years and would expire on 23 July 2006. As at 15 September 2003, being the latest practicable date of this Abridged Prospectus, there are 27,556,000 outstanding ESOS Options, of which 25,466,000 is exercisable at RM1.88 and 2,090,000 is exercisable at RM1.96.