KRETAM HOLDINGS BERHAD

(Company No : 168285-H)

annual report 2000

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FORM OF PROXY

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the **THIRTEENTH ANNUAL GENERAL MEETING** of the Company will be held at the Registered Office of the Company at Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah on Friday, 22 June 2001 at 10.30 a.m. to transact the following businesses:-

AGENDA

1. To receive and adopt the Audited Accounts for the year ended 31 December 2000 and the Reports of the Directors and Auditors thereon.

2. To consider and, if thought fit, pass the following resolution pursuant to Section 129 of the Companies Act, 1965:-

   "THAT Mr Keith Reginald Dance who is above the age of seventy years and therefore retires in accordance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company".

3. To re-elect the following Directors who retire by rotation in accordance with Article 80 of the Company's Articles of Association and, being eligible, offer themselves for re-election:-

   a) Mr Richard Christopher Barnes
   b) Mr Wong Len Kee

4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

5. **As Special Business**

   To consider and, if thought fit, pass the following Ordinary Resolution:-

   "THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to section 132D of the Companies Act,1965, to issue shares in the Company from time to time to such parties and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up capital of the Company at the time of the passing of this resolution and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company".

6. To transact any other business of an ordinary meeting of which due notice has been given.

By Order of the Board

NALINI SINGAM
Secretary

Kuala Lumpur
28 May 2001

NOTES:

a) A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or an attorney to attend and vote instead.

b) A proxy or an attorney need not be a member of the Company.

c) The form of proxy or power of attorney if executed by a corporation must be executed under common seal.

d) The instrument appointing a proxy or a power of attorney must be deposited at the registered office of the Company at Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah not less than 48 hours before the time set for the meeting or any adjournment thereof.

e) The proposed Ordinary Resolution No. 5 if passed will empower the Directors to issue shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

CORPORATE INFORMATION

DIRECTORS

- Seah Sen Leang
  - *Chairman/Executive Director*
- Lim Nyuk Sang @ Freddy Lim
  - *Chief Executive Officer/ Executive Director*
- Fong King Fun
  - *Executive Director*
- Richard Christopher Barnes
  - *Chairman of Audit Committee*
- Chan Saik Chuen
- Keith Reginald Dance
- Wong Len Kee
- Nikmat bin Abdullah

SECRETARY

- Nalini Saraswathy Singam (LS 005833)

REGISTERED OFFICE

Lot 6, Block 44, Leboh Tiga
90000 Sandakan, Sabah
Tel: 089-218999

REGISTRARS

Lawco Corporate Services Sdn Bhd
9.06, Level 9 Wisma Technip
241 Jalan Tun Razak
50400 Kuala Lumpur

AUDITORS

Ernst & Young
16th Floor, Wisma Khoo Siak Chiew
Jalan Buli Sim Sim
90000 Sandakan, Sabah

SOLICITORS

Skrine
Unit 50-8-1, 8th Floor
Wisma UOA, Damansara
50 Jalan Dungun, Damansara Heights
50490 Kuala Lumpur

Lee Hishammuddin
Level 16, Menara Phileo
189, Jalan Tun Razak
50400 Kuala Lumpur

William Liaw, Chan & Co.
8th Floor, Wisma Khoo Siak Chiew
Jalan Buli Sim Sim
90000 Sandakan, Sabah

PRINCIPAL BANKERS

- Affin Bank Berhad
- Arab-Malaysian Bank Berhad
- Aseambankers Malaysia Berhad
- Bank Utama (Malaysia) Berhad
- Bumiputra-Commerce Bank Berhad
- EON Bank Berhad
- HSBC Bank Malaysia Berhad
- Malayan Banking Berhad
- Oriental Bank Berhad
- Public Bank Berhad
- RHB Bank Berhad
- RHB Sakura Merchant Bankers Berhad
- Sabah Development Bank Berhad
- United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

The Kuala Lumpur Stock Exchange
- Main Board

AUDIT COMMITTEE

The members of the Audit Committee are as follows:-

COMMITTEE MEMBERS

Richard Christopher Barnes - *Chairman*
(Independent Non-Executive Director)
Keith Reginald Dance
(Independent Non-Executive Director)
Wong Len Kee
(Independent Non-Executive Director)

The terms of reference of the Audit Committee are as follows:-

CONSTITUTION

1. A Committee of the Board known as the Audit Committee is hereby established in accordance with the Kuala Lumpur Stock Exchange listing requirements.

MEMBERSHIP

2. The Committee shall consist of not less than three members of which the majority shall be made up of Non-Executive Directors.

   No member of the Committee shall be:-

   - a spouse, parent, brother, sister, son or adopted son, daughter or adopted daughter of an Executive Director of the Company or of any related corporation, or
   - spouse of brother, sister, son or adopted son, daughter or adopted daughter of an Executive Director of the Company or of any related corporation, or
   - any person having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgement in carrying out the functions of the Audit Committee.

3. The members of the Committee shall select a Chairman from among their numbers who is not an Executive Director or employee of the Company or any related corporation.

4. If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

5. The term of office of Committee members shall be reviewed by the Board no less than every three years.

AUTHORITY

6. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

AUDIT COMMITTEE

7. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

FUNCTIONS

8. The functions of the Committee shall be:-

   a) to review -

      i) with the external auditor, the audit plan;

ii) with the external auditor, his evaluation of the system of internal accounting controls;

iii) with the external auditor, his audit report;

iv) the assistance given by the Company's officers to the auditor;

v) the scope and results of the internal audit procedures;

vi) the balance sheet and profit and loss account of the Company and, if it is a holding company, the consolidated balance sheet and profit and loss account, submitted to it by the Company or the holding company, and thereafter to submit them to the Directors of the Company or the holding company;

vii) any related party transactions that may arise within the Company or Group; and

b) to consider the nomination of a person or persons as auditors (whether external or internal)

together with such other functions as may be agreed to by the Audit Committee and the Board of Directors.

ATTENDANCE AT MEETINGS

9. The quorum for meetings of the Audit Committee shall be two.

10. The Finance Director, the Head of Internal Audit (if any), and a representative of the external auditors shall normally attend meetings. Other Board members shall also have the right of attendance. However, at least once a year, the Committee shall meet with the external auditors.

11. The Company Secretary shall be the Secretary of the Committee.

PROCEEDINGS AT MEETINGS

12. If at any meeting the Chairman is not present within 10 minutes after the time appointed for holding the meeting, or is unwilling to act, the members present may choose one of their numbers to be Chairman of the meeting.

13. Save as is otherwise provided, the Committee shall meet, adjourn or otherwise regulate its meetings and proceedings as it thinks fit. Questions arising at any meeting shall be agreed to by all the members present at the meeting. In the event of there being no unanimous decision, the matter concerned shall be referred to the Board of Directors.

14. A resolution signed by all members of the Audit Committee for the time being present in Malaysia shall be as effective as a resolution passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in the same form and each signed by one or more members of the Audit Committee.

FREQUENCY OF MEETINGS

15. Meetings shall be held not less than twice a year. The external auditors may request a meeting if they consider that one is necessary.

REPORTING PROCEDURES

16. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I present the Annual Report of the Company and the Group for the year ended 31 December 2000.

OPERATIONAL REVIEW

The dawn of a new millennium has brought us to face up to the internal and external challenges that are still lingering.

Against a lacklustre operating environment, the Group's turnover in 2000 reduced by 39% to RM47,455,000 from its turnover of RM77,573,769 in the preceding year. The Group recorded a loss before tax of RM29,976,000 in 2000 as compared to a loss of RM49,452,000 in the previous year.

The Group's performance for the period under review has seen some improvements over the previous year's losses mainly due to the waiver of interest and penalty charges totalling RM26,534,000 pursuant to the implementation of Innosabah Securities Berhad's ("ISB") Workout Proposal. However, the contribution from plantations division was significantly reduced due to low production of fresh fruit bunches and declining commodity prices towards the end of 2000.

With the successful implementation of the Workout Proposal of ISB which resulted in the upliftment of its trading restrictions on 31 July 2000, and pursuant to further capitalisation, ISB is expected to continue as a major player in Sabah. In line with the merging of the stockbroking industry and with the revitalised status of ISB, whilst taking cognizance of the current bearish sentiment on the Kuala Lumpur Stock Exchange ("KLSE"), we endeavour to find the best fit strategy for ISB and KHB in the near future.

The "Pandan Place" property development project in Johor Bahru which was revived in January 2000 has seen the completion of the wholesale market.

Despite representing a small percentage of losses to the group, the hydropower station in Yunnan Province, People's Republic of China has been one of the main contributors to the Group's turnover.

Therefore, the performance of these sectors will impact upon the future strategic direction of the KHB Group.

DIVIDEND

In the light of the prevailing economic conditions and the losses incurred by the Group, the Board of Directors does not propose any dividend payment for the financial year ended 31 December 2000.

RESTRUCTURING SCHEME

The proposed restructuring scheme which is expected to raise at least RM135 million, had been approved by the Foreign Investment Committee on 13 June 2000 but is still pending approval of the Ministry of Finance and the Securities Commission. The proceeds from the proposal are expected to recapitalise the KHB Group and reduce its gearing position.

OUTLOOK FOR THE FUTURE

Oil Palm sector

The languishing prices will continue to be subjected to the supply and demand fundamentals internally and externally. Therefore, crude palm oil prices are not expected to recover in 2001.

Stockbroking sector

The performance of the Group's stockbroking operations will depend on trading volumes and sentiment on the KLSE. The reduced brokerage commission whilst operating in an enhanced regulatory climate will make this a prudent environment for all parties concerned. To this end, we are actively taking measures to heed the call by the authorities to merge the local stockbroking industry.

Property development sector

The progress of the "Pandan Place" property development project in Johor Bahru will depend on investors' confidence and the sentiments of the property market. Therefore, the remaining components of the project have been deferred and will be resuscitated when the overall property market conditions improve.

Hydropower sector

A Memorandum of Understanding was signed with Dehong Electricity Shareholding Company Ltd, of the People's Republic of China, on 4 April 2001, to dispose Rising Resources Sdn Bhd's 60% equity interest in Dehong Husong He Power Development Company Ltd for a total sales consideration of Renminbi 185 million (approx. RM86 million).

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank all concerned for their support and assistance to the KHB Group, especially in these challenging times. I would like to express my appreciation to our clients, business associates, bankers, employees and relevant regulatory authorities for their continued support to the KHB Group.

For and behalf of the Board

SEAH SEN LEANG
Chairman

PLANTATION STATISTICS

		2000	1999	1998	1997	1996
OIL PALM						
Production	*(tonnes FFB)*	**102,001**	179,929	148,537	188,943	195,046
Yield per hectare	*(tonnes FFB)*	**13.12**	22.37	18.02	22.37	23.75
Purchased for processing	*(tonnes FFB)*	**26,935**	4,586	4,296	22,414	73,884
MILL						
Production						
Crude Palm Oil	*(tonnes)*	**24,092**	31,714	28,466	39,253	48,645
Palm Kernel	*(tonnes)*	**6,357**	8,001	7,479	9,906	13,213
Extraction Rates						
Crude Palm Oil	%	**18.76**	18.41	18.64	18.89	18.09
Palm Kernel	%	**4.95**	4.64	4.90	4.77	4.91
AREA						
Oil Palm in harvesting	*(hectares)*	**7,773**	8,042	8,245	8,446	8,214
Oil Palm immature	*(hectares)*	**1,080**	768	565	6,776	5,913

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DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of the operation of an oil palm plantation and investment holding.

The principal activities of the subsidiaries are stated in Note 3 to the financial statements and that of the associated company is stated in Note 12 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS FOR THE FINANCIAL YEAR

	GROUP RM'000	COMPANY RM'000
Loss after taxation	(26,054)	(93,254)
Minority interests	1,492	-
Loss after minority interests	(24,562)	(93,254)
Accumulated losses brought forward	(323,878)	(142,135)
Accumulated losses carried forward	(348,440)	(235,389)

There were no material transfers to or from reserves or provisions during the year other than as disclosed in the statements of changes in equity.

There were no new shares or debentures issued during the financial year.

SIGNIFICANT EVENTS DURING THE YEAR

The Workout Proposal formulated by the Special Administrators for the stockbroking subsidiary, Innosabah Securities Berhad (Formerly known as Innosabah Securities Sdn. Bhd.) ("Innosabah") was approved by the Securities Commission and the Kuala Lumpur Stock Exchange ("KLSE") during the year. It was duly implemented on 5 May 2000.

Pursuant to the Workout Proposal, the following were implemented:

(i) novation of Innosabah's bank borrowings amounting to RM133,170,487 to the Company and capitalisation thereafter of the entire amount due to the Company of RM147,561,586 by way of issuance of 147,561,586 ordinary shares of RM1.00 each at par to the Company;

(ii) capital reduction of Innosabah's share capital by way of cancellation of RM 0.90 of the par value of the enlarged share capital of 191,761,586 ordinary shares of RM1.00 each;

(iii) consolidation of the 191,761,586 ordinary shares of RM0.10 each into 19,176,158 ordinary shares of RM1.00 each on the basis of ten for one;

SIGNIFICANT EVENTS DURING THE YEAR (CONTD.)

(iv) injection of fresh capital of RM60 million in cash by the Company for the subscription of 20 million ordinary shares of RM1.00 each at a premium of RM2.00 per share; and

(v) capitalisation of amounts due to remisiers, lenders and directors of Innosabah by allotment of various classes of Redeemable Non-convertible Preference Shares.

The financial effects of the Workout Proposal have been duly reflected in the financial records of Innosabah. The appointment of the Special Administrators was terminated on 23 June 2000 and following the regularisation of the financial position of Innosabah to the satisfaction of the relevant authorities, KLSE had on 31 July 2000 conditionally uplifted trading restrictions imposed on Innosabah.

CHANGES IN GROUP STRUCTURE

(i) Pursuant to the Workout Proposal of Innosabah, the Company increased in equity interest in Innosabah from 99.5% to 99.9%.

(ii) During the year, the Group disposed of its entire shareholding in a subsidiary, Innosabah Equity Trust Sdn. Bhd. for a cash consideration of RM 180,000.

(iii) During the year, the Company disposed of its entire interest in both KHB Foodchain Sdn. Bhd. and KHB Foodlinks Sdn. Bhd. to its partly-owned subsidiary company, Jeffa Construction Sdn. Bhd. for a cash consideration of RM2 each. This has resulted in both companies becoming partly-owned subsidiaries of the Group.

DIVIDEND

There were no dividends paid, declared or recommended since the end of the previous financial year.

DIRECTORS

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

Lim Nyuk Sang @ Freddy Lim	
Chan Saik Chuen	
Seah Sen Leang	
Wong Len Kee	
Richard Christopher Barnes	
Keith Reginald Dance	
Fong King Fun	Appointed on 27 April 2000
Nikmat Bin Abdullah	Appointed on 27 April 2000

DIRECTORS (CONTD.)

Keith Reginald Dance retires in accordance with Section 129 of the Companies Act, 1965 and offers himself for re-appointment in accordance with Section 129 (6) of the said Act to hold office until the conclusion of the next Annual General Meeting of the Company.

In accordance with Article 80 of the Company's Articles of Association, Wong Len Kee and Richard Christopher Barnes retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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 the shares of the Company, as stated below:

	Ordinary shares of RM1 each			
	At 1.1.2000/ at date of appointment	Bought	Sold	At 31.12.2000
		During the year		
Lim Nyuk Sang @ Freddy Lim				
Direct shareholding	6,883,000	-	-	6,883,000
Indirect shareholding	2,100,000	-	-	2,100,000
Chan Saik Chuen				
Direct shareholding	453,500	-	-	453,500
Indirect shareholding	2,133,400	-	-	2,133,400
Seah Sen Leang				
Direct shareholding	2,282,666	-	-	2,282,666
Indirect shareholding	4,491,500	-	-	4,491,500
Wong Len Kee				
Direct shareholding	57,000	-	-	57,000
Keith Reginald Dance				
Direct shareholding	225,000	-	-	225,000
Fong King Fun				
Direct shareholding	5,428,667	-	-	5,428,667

The Directors by virtue of their interests in shares in the Company are also deemed interested in shares in all of its related companies to the extent the Company has an interest.

The other Directors in office at the end of the financial year had no interest in shares in the Company or its related companies during the financial year.

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.

DIRECTORS (CONTD.)

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits 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, required to be disclosed by Section 169(8) of the Companies Act, 1965 other than those as disclosed in Notes 5 and 33 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the income statement and balance sheet of the Company and of the Group 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 provision for doubtful debts and have satisfied themselves that all known bad debts have been written off and that adequate provision has been made for doubtful debts; and

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

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

(i) the amount written off for bad debts or the amount of the provision for doubtful debts of the Company and of the Group inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Company and of the Group misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen and would render adherence to the existing method of valuation of assets or liabilities of the Company and of the Group misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company and of the Group which would render any amount stated in the financial statements and the consolidated financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Company or of the Group which has arisen since the end of the financial year which secures the liability of any other person; or

(ii) any contingent liability in respect of the Company or of the Group which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONTD.)

(f) In the opinion of the Directors, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the implementation of the Workout Proposal of Innosabah as referred above.

(g) 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 Company or of the Group to meet its obligations 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 Company or of the Group for the financial year in which this report is made.

SHARE OPTIONS

No options to subscribe for unissued shares of the Company were granted during the financial year.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares under option at 31 December 2000.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

On behalf of the Board,

Lim Nyuk Sang @ Freddy Lim
Director

Wong Len Kee
Director

23 April 2001

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Lim Nyuk Sang @ Freddy Lim and Wong Len Kee, being two of the Directors of KRETAM HOLDINGS BERHAD, do hereby state that in the opinion of the Directors, the financial statements set out on pages 17 to 60 are drawn up in accordance with approved accounting standards in Malaysia so as to give a true and fair view of:

(i) the state of affairs of the Company and of the Group as at 31 December 2000 and of the results of the business of the Company and of the Group for the year ended on that date; and

(ii) the cash flows of the Company and of the Group for the year ended 31 December 2000.

On behalf of the Board,

Lim Nyuk Sang @ Freddy Lim
Director

Wong Len Kee
Director

23 April 2001

STATUTORY DECLARATION

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

I, Lee Swi Heng, being the officer primarily responsible for the financial management of KRETAM HOLDINGS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 17 to 60 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lee Swi Heng at Sandakan in the State of Sabah on 23 April 2001

Lee Swi Heng
Officer

Before me -
Commissioner for Oaths

REPORT OF THE AUDITORS

TO THE MEMBERS OF KRETAM HOLDINGS BERHAD
(Company No: 168285-H)

We have audited the financial statements set out on pages 17 to 60. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion :-

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

    (i) the state of affairs of the Company and of the Group as at 31 December 2000 and of the results of the Company and of the Group and the cash flows of the Company and of the Group for the year then ended; and

    (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements and consolidated 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.

We have considered the financial statements and the auditors' report of the subsidiary for which we have not acted as auditors, as indicated in Note 3 to the financial statements, being financial statements which are included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the assumption that the Company and its subsidiaries will continue in operational existence for the foreseeable future which is dependent on the successful implementation of the fund raising exercise. In view of the significance of the said assumption, we consider that this disclosure should be brought to your attention, but our opinion is not qualified in this respect.

ERNST & YOUNG AF: 0039
Public Accountants

CHONG YEW HOONG 1502/4/01 (J)
Partner

Sandakan
23 April 2001

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

	Note	GROUP		COMPANY	
		2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
REVENUE	4	**47,455**	77,574	**16,228**	698
COST OF SALES AND SERVICES		**(30,866)**	(33,262)	**(208)**	(241)
GROSS PROFIT		**16,589**	44,312	**16,020**	457
OTHER OPERATING INCOME		**2,583**	1,070	**-**	-
ADMINISTRATIVE AND OTHER OPERATING EXPENSES		**(19,285)**	(29,939)	**(1,883)**	(4,461)
DISTRIBUTION COSTS		**(1,240)**	(2,637)	**-**	-
OPERATING (LOSS)/PROFIT	5	**(1,353)**	12,806	**14,137**	(4,004)
NET FINANCE COSTS	6	**(33,677)**	(48,491)	**(17,699)**	(7,986)
EXCEPTIONAL ITEMS	7	**5,054**	(13,438)	**(89,723)**	13,000
SHARE OF LOSSES OF ASSOCIATED COMPANIES		**-**	(329)	**-**	-
(LOSS)/PROFIT BEFORE TAXATION		**(29,976)**	(49,452)	**(93,285)**	1,010
TAXATION	8	**3,922**	3,540	**31**	3,159
(LOSS)/PROFIT AFTER TAXATION		**(26,054)**	(45,912)	**(93,254)**	4,169
MINORITY INTERESTS		**1,492**	2,722	**-**	-
NET (LOSS)/PROFIT FOR THE YEAR		**(24,562)**	(43,190)	**(93,254)**	4,169
LOSS PER SHARE (SEN)	9				
- BASIC		**(23.34)**	(41.03)		
- DILUTED		**(23.34)**	(41.03)		

The notes set out on pages 25 to 60 form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2000

	Note	GROUP		COMPANY	
		2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
ASSETS					
Property, plant and equipment	10	**379,497**	390,593	**23,578**	24,012
Subsidiary companies	11	**-**	-	**266,274**	162,661
Associated company	12	**-**	-	**-**	-
Goodwill on consolidation	13	**5,081**	11,835	**-**	-
Investment	14	**1,500**	1,500	**-**	-
Expenditure carried forward	15	**-**	1,340	**-**	-
MDCH Clearing Fund Contribution	16	**1,000**	1,000	**-**	-
CURRENT ASSETS					
Construction in progress	17	**89,186**	78,883	**-**	-
Inventories	18	**6,260**	4,259	**691**	-
Receivables	19	**25,929**	74,461	**633**	147
Tax refundable		**5,379**	4,152	**4,472**	4,152
Marketable securities	20	**60**	234	**-**	-
Fixed deposits	21	**11,619**	16,004	**1,126**	10,710
Cash and bank balances		**4,084**	7,169	**17**	143
		142,517	185,162	**6,939**	15,152
CURRENT LIABILITIES					
Payables	22	**33,082**	59,683	**4,268**	10,766
Client trust accounts		**6,418**	16,507	**-**	-
Short term borrowings	23	**205,745**	322,035	**202,109**	116,036
Amount due to directors of subsidiaries	24	**67**	43,240	**-**	-
Provision for taxation		**2,823**	3,355	**-**	-
		248,135	444,820	**206,377**	126,802
NET CURRENT LIABILITIES		**(105,618)**	(259,658)	**(199,438)**	(111,650)
LONG-TERM LIABILITIES	25	**(233,455)**	(118,574)	**(108,676)**	(31)
		48,005	28,036	**(18,262)**	74,992
Financed by:					
Share capital	26	**105,254**	105,254	**105,254**	105,254
Reserves	27	**(77,969)**	(92,758)	**(123,516)**	(30,262)
SHAREHOLDERS' EQUITY		**27,285**	12,496	**(18,262)**	74,992
Minority interests	28	**20,720**	15,540	**-**	-
		48,005	28,036	**(18,262)**	74,992
NET TANGIBLE ASSETS PER SHARE	29	**RM 0.21**	RM (0.01)	**RM (0.17)**	RM 0.71

The notes set out on pages 25 to 60 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2000

	SHARE CAPITAL RM'000	ACCUMULATED LOSSES RM'000	REVALUATION RESERVE RM'000	SHARE PREMIUM RM'000	TOTAL RM'000
COMPANY					
As at 1 January 1999	105,254	(146,304)	29,878	81,995	70,823
Profit for the year	-	4,169	-	-	4,169
As at 31 December 1999	105,254	(142,135)	29,878	81,995	74,992
Loss for the year	-	(93,254)	-	-	(93,254)
As at 31 December 2000	**105,254**	**(235,389)**	**29,878**	**81,995**	**(18,262)**

	SHARE CAPITAL RM'000	ACCUMULATED LOSSES RM'000	REVALUATION RESERVE RM'000	SHARE PREMIUM RM'000	RESERVE ON CONSOLIDATION RM'000	CURRENCY TRANSLATION RESERVE RM'000	TOTAL RM'000
GROUP							
As at 1 January 1999	105,254	(280,688)	127,167	81,995	13,514	8,759	56,001
Loss for the year	-	(43,190)	-	-	-	-	(43,190)
Currency translation differences	-	-	-	-	-	(315)	(315)
As at 31 December 1999	105,254	(323,878)	127,167	81,995	13,514	8,444	12,496
Loss for the year	-	(24,562)	-	-	-	-	(24,562)
Arising from issuance of Redeemable Non-convertible Preference Shares in a subsidiary	-	-	-	39,351	-	-	39,351
As at 31 December 2000	**105,254**	**(348,440)**	**127,167**	**121,346**	**13,514**	**8,444**	**27,285**

The notes set out on pages 25 to 60 form an integral part of the financial statements.

CASH FLOW STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2000

	2000 RM'000	1999 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	**(93,285)**	1,010
Adjustments for:		
Bad debts written off	**-**	17
Dividend income	**(15,970)**	-
Depreciation of property, plant and equipment	**40**	166
Interest expense	**17,835**	9,137
Interest income	**(136)**	(1,151)
Loss on disposal of plant and equipment	**-**	362
Property, plant and equipment written off	**-**	125
Provision for diminution in value of investments in subsidiaries	**89,723**	-
Operating(loss)/profit before working capital changes	**(1,793)**	9,666
Changes in working capital:		
Inventories	**(691)**	-
Associated company	**(24)**	11,364
Receivables	**(463)**	11,383
Payables	**(6,498)**	(569)
Cash (absorbed by)/generated from operations	**(9,469)**	31,844
Interest paid	**-**	(22)
Tax (paid)/refund	**(319)**	879
Net cash(used in)/from operating activities	**(9,788)**	32,701
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	**15,970**	-
Purchase of property, plant and equipment	**(154)**	(95)
Proceeds from disposal of plant and equipment	**98**	51
Proceeds from sale of timber	**450**	-
Interest received	**136**	1,151
Acquisition of a subsidiary net of cash and cash equivalents	**-**	(354)
Withdrawal of fixed deposits	**3,184**	4,790
Subscription of ordinary shares in a subsidiary	**(60,000)**	-
Net cash(used in)/from investing activities	**(40,316)**	5,543

	2000 RM'000	1999 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans drawdown	**56,551**	3,000
Repayment of loans	**(3,000)**	-
Repayment of hire purchase liabilities	**-**	(63)
Interest paid	**(10,979)**	(9,114)
Advances to subsidiaries	**(167)**	(30,100)
Net cash from/(used in) financing activities	**42,405**	(36,277)
CASH AND CASH EQUIVALENTS		
Net (decrease)/increase in cash and cash equivalents	**(7,699)**	1,967
Balance at beginning of the year	**2,919**	952
Balance at end of the year	**(4,780)**	2,919
Cash and cash equivalents comprise the following balance sheet amounts:		
Cash and bank balances	**17**	143
Short term deposits	**-**	6,400
Bank overdrafts	**(4,797)**	(3,624)
	(4,780)	2,919

Cash and cash equivalents exclude fixed deposits with licensed banks of RM1,126,193 (1999:RM3,310,302) which were pledged and held under lien as securities for banking facilities granted to certain subsidiaries of the Company.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2000

	2000 RM'000	1999 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(29,976)**	(49,452)
Adjustments for:		
Amortisation/write off of expenditure carried forward	**1,340**	402
Bad debts written off	**138**	213
Deposits written off	**-**	3,539
Depreciation of property, plant and equipment	**11,580**	15,682
Dividend income	**-**	(7)
Exchange translation adjustment	**-**	59
Goodwill written off	**6,608**	-
Plant and equipment written off	**86**	1,627
Interest expense	**35,113**	49,787
Interest income	**(136)**	(1,296)
Loss on making good overpledged client's shares	**1,204**	-
Loss on disposal of plant and equipment	**87**	54
Write back of investment in associated companies	**-**	(2,810)
Work in progress written off	**259**	-
Loss retained in associated companies	**-**	329
Loss on disposal of subsidiary company	**134**	16
Provision for Special Administrators' fee and expenses	**-**	935
Provision for diminution in value of stocks of shares	**37**	72
Provision/(write back) for doubtful debts	**13,662**	(20,182)
Provision for foreseeable losses	**-**	40,814
Inventories written off	**108**	286
Gain on disposal of plant and equipment	**(140)**	-
Waiver of interest and penalty charges on bank borrowings	**(18,068)**	-
Waiver of interest on subordinate loan from directors	**(8,465)**	-
Waiver of margin interest income	**1,416**	-
Operating profit before working capital changes	**14,987**	40,068
Changes in working capital:		
Property development expenditure	**(8,562)**	-
Assets segregated for customers	**(37)**	473
Associated companies	**(24)**	(157)
Clients' trust accounts	**(10,044)**	(5,879)
Construction work-in-progress	**-**	(5,562)
Payables	**(21,320)**	23,070
Receivables	**16,755**	1,356
Deferred expenditure	**-**	(22)
Amount due to directors of subsidiaries	**(143)**	(160)
Stocks of shares	**-**	272
Inventories	**(2,109)**	(8)
Trust monies	**12,532**	1,725
Cash generated from operations	**2,035**	55,176
Interest paid	**(1,307)**	(5,884)
Tax refund/(paid)	**1,957**	(13,737)
Net cash from operating activities	**2,685**	35,555

	2000 RM'000	1999 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Compensation received	**178**	-
Addition to plantation development	**(40)**	-
Dividend received	**-**	7
Withdrawal of fixed deposits	**3,016**	4,790
Proceeds from disposal of subsidiary	**180**	1
Proceeds from disposal of plant and equipment	**394**	1,467
Proceeds from sale of timber	**450**	-
Purchase of plant and equipment	**(1,708)**	(53,807)
Acquisition of a subsidiary net of cash and cash equivalents	**-**	(397)
Interest received	**-**	1,296
Proceeds from disposal of marketable securities	**137**	-
Net cash from/(used in) investing activities	**2,607**	(46,643)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest received	**136**	-
Loans drawdown	**57,925**	52,036
Net movement in hire purchase and lease liabilities	**(1,301)**	(1,177)
Net movement of bank borrowings	**554**	(14,037)
Funds from minority interests	**-**	340
Interest paid	**(18,879)**	(20,870)
Net cash from financing activities	**38,435**	16,292
CASH AND CASH EQUIVALENTS		
Net increase in cash and cash equivalents	**43,727**	5,204
Balance at beginning of the year	**(36,230)**	(41,434)
Balance at end of the year	**7,497**	(36,230)
Cash and cash equivalents comprise the following balance sheet amounts:		
Cash and bank balances	**4,084**	7,169
Fixed deposits	**510**	500
Short term deposits	**9,815**	11,194
Bank overdrafts	**(6,912)**	(55,093)
	7,497	(36,230)

Cash and cash equivalents exclude fixed deposits with licensed banks of RM1,294,363 (1999: RM4,310,302) which were pledged and held under lien as securities for banking facilities granted to the Group.

	2000 RM'000	1999 RM'000
Summary of the effects on acquisition of subsidiary company:		
Property, plant and equipment	-	180
Construction in progress	-	115,615
Receivables	-	2,973
Cash and bank balances	-	3
Payables	-	(110,954)
Bank borrowings	-	(15,109)
Goodwill	-	6,754
Attributable to share of losses previously held and treated as associate	-	2,211
Total cash consideration	-	1,673
Cash and cash equivalents of subsidiary acquired	-	(3)
Less: Previous cost of investment	-	(1,273)
Acquisition of a subsidiary net of cash and cash equivalents	-	397
Summary of the effects on disposal of subsidiary company:		
Equipment	**190**	17
Clients' trust monies	**24**	-
Sundry receivables	**241**	-
Clients' trust accounts	**(44)**	-
Sundry payables	**(71)**	-
Amount due to directors	**(26)**	-
	314	17
Loss on disposal	**(134)**	(16)
Proceeds from disposal of subsidiary	**180**	1

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2000

1. FUNDAMENTAL ACCOUNTING BASIS

The Company is currently negotiating with its bankers to restructure repayment of its borrowings and awaiting approvals from the relevant authorities on its proposed fund raising exercise, which inter alia, includes a Rights Issue of 105,253,500 new ordinary shares and a Special Issue of 30 million new ordinary shares with free detachable warrants on the basis of 1 warrant for every share issued and 1 warrant for every 2 shares issued respectively.

The financial statements have been prepared on the going concern basis which assumes that the Company and its subsidiaries will continue in operational existence for the foreseeable future. The validity of this assumption is dependent on the Company's ability to obtain its bankers agreement to restructure repayment of its borrowings and the successful implementation of the proposed fund raising exercise.

The financial statements do not include any adjustments that would be required if agreement of the bankers to the Company's proposal to restructure repayment of its borrowings is not obtained and the proposed fund raising exercise is not successfully implemented.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Company and of the Group are prepared under the historical cost convention modified to include the revaluation of certain property and investment in certain subsidiaries and comply with approved accounting standards issued by the Malaysian Accounting Standards Board (MASB).

Since the financial year ended 31 December 1998, the Company and the Group applied certain transitional provisions in International Accounting Standard 16 (Revised), "Property, Plant and Equipment", by virtue of which a reporting enterprise is allowed to retain revalued amounts on the basis of their previous revaluations (subject to continuity in depreciation policy and the requirement to write an asset down to its recoverable amount) if it does not further revalue its property.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2000. Particulars of the subsidiary companies are set out in Note 3 to the financial statements. The results of subsidiaries acquired or disposed of are included in the consolidated financial statements from the date of acquisition or up to the date of disposal, as applicable. Intercompany transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The financial statements of the subsidiaries are consolidated using the acquisition method of accounting. The difference between the consideration paid for the shares in the subsidiary companies and the value of attributable net assets acquired is treated as goodwill or reserve on consolidation, as applicable. Goodwill arising on consolidation is not amortised.

(c) Subsidiary Companies

A subsidiary company is defined as a company in which the Group has a long term interest of more than 50% of the equity and whose financial and operating policy decisions are controlled by the Group.

Shares in subsidiary companies are stated at cost or valuation unless in the opinion of the Directors, there has been a permanent diminution in value, in which case provision is made for the diminution in value.

Dividend income from subsidiary companies is included in the income statement of the Company as and when declared.

(d) Associated Companies

An associated company is defined as a company, not being a subsidiary, in which the Group has a long term interest of at least 20% but not more than 50% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's share of results and reserves of associated companies acquired or disposed of is included in the consolidated financial statements from the date of acquisition or up to the date of disposal, as applicable. The Group's share of post-acquisition reserves of associated companies is added to the initial cost of those investments in the consolidated balance sheet.

Dividend income from associated companies is only taken up by the Company as and when declared.

(e) Property, Plant and Equipment and Depreciation

(i) Property, plant and equipment are stated at cost and valuation less accumulated depreciation.

(ii) Leasehold land and plantations

Leasehold land and plantations held on long-term leases (with remaining lease period of over 50 years) are not amortised. The non-amortisation of the long leasehold land and plantations has no material effect on the financial statements.

Short leasehold land and plantations are amortised over the period of the lease or 50 years where applicable.

New planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised under plantation development expenditure. No provision for amortisation on plantation development expenditure is considered necessary as the plantations' estimated useful lives are maintained through replanting programmes.

Proceeds received from the sale of timber salvaged in the course of clearing the Company's leasehold lands for plantation development in mitigation of further capital expenditure in developing the plantation is deducted against the plantation development expenditure in arriving at the carrying amount of plantations.

(iii) Other property, plant and equipment *(Contd.)*

All other property, plant and equipment are depreciated over their estimated useful lives by equal annual instalments at the following rates:

	%
Estate and mill buildings	7 and 10
Other buildings	2
Furniture and equipment	10 and 20
Heavy machinery	20
Hydropower plant	3 1/3
Machinery and tools	10
Motor vehicles	20
Oil mill	7
Renovation	5 - 20

Subsequent restoration costs relating to an item of property, plant and equipment that has been recognised are capitalised only if such costs improve the condition of the asset beyond its originally assessed standard of performance. All other subsequent expenditures are recognised as an expense in the year in which these are incurred.

(iv) Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(f) Replanting Expenditure

Replanting expenditure is charged to the income statement in the year in which the expenditure is incurred.

(g) Investments

Investments which are held on a long-term basis are shown at cost unless in the opinion of the Directors, there has been a permanent diminution in value, in which case provision is made for the diminution in value.

Income earned from these investments is taken to the income statement as and when received.

(h) Inventories and contract work-in-progress

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes purchase cost, direct production cost and where relevant, an appropriate proportion of overheads and is determined on the weighted average basis.

(ii) Contract work-in-progress

Contract work-in-progress is stated at cost. Cost comprises direct, general and administrative expenses related to projects which will be written off when project income is recognised or until it is established that no benefits will accrue from the projects.

(i) Construction In Progress

Construction in progress is stated at cost plus attributable profits less progress billings. Cost includes land cost, direct construction cost and attributable overheads. The excess of progress billings over the cost of construction in progress is disclosed under current liabilities. Provision is made for any costs considered not recoverable.

(j) Deferred Taxation

Provision is made, using the liability method, for deferred taxation in respect of timing differences except to the extent that it is considered reasonably probable that these will continue in the foreseeable future. The tax effect of such differences is not recognised if it is a debit balance and there is no reasonable expectation of its realisation.

(k) Foreign Currencies

(i) Currency conversion

Foreign currency transactions are recorded in Ringgit Malaysia at the rates of exchange approximating those ruling at transaction dates. Foreign currency assets and liabilities are reported at the rates ruling at balance sheet date. All exchange gains or losses are dealt with through the income statement.

(ii) Currency translation

Assets and liabilities of foreign subsidiaries which are denominated in foreign currencies are translated into Ringgit Malaysia at the approximate rates of exchange ruling at the balance sheet date. The exchange differences arising on translation are taken directly to currency translation reserve.

The closing rate used in translation as at year end was RM 0.458 (1999: RM 0.458) per Chinese Renminbi and RM 3.795 (1999: RM 3.795) per US Dollar.

(l) Expenditure Carried Forward

During the year, the Group changed its accounting policy with respect to the treatment of expenditure carried forward. In previous years, the Group capitalised such expenditure and would write them off over five years or in the year when the subsidiaries commence trading. The Group has now adopted a policy of expensing, rather than capitalising, such expenditure in order to show a fairer presentation of the results and the financial position.

(m) Marketable Securities

Marketable securities are stated at the lower of cost or market value determined on an aggregate basis.

(n) Short-term Investments

Short term investments are stated at the lower of cost or market value.

(o) Project Expenditure

Project expenditure comprises direct, general and administrative, borrowing and related expenses incurred on the proposed acquisition of companies, major assets or projects. The relevant expenditure will be transferred to the cost of investment or property, plant and equipment, as applicable, upon completion of the acquisition while expenditure related to proposed projects or acquisitions which have been aborted or discontinued will be written off to the income statement.

(p) Leased Assets

Assets held under leasing arrangements that transfer substantially the risks and rewards of ownership to the Group are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the income statement so as to produce a constant periodic rate of charge. These assets are depreciated over their expected useful lives on the basis outlined in Note 2 (e) above.

Lease rental payments on operating leases are charged to the income statement in the year in which they are payable.

(q) Revenue Recognition

Revenue from sales of plantation produce is recognised upon delivery of products to customers during the year less returns.

Revenue from sales of electricity is recognised upon supplying of electricity to the customers during the year.

Revenue derived from the provision of management services is recognised upon the rendering of management services to customers during the year on the accrual basis.

Profit from construction contract is recognised on the percentage of completion basis where the work has progressed to a stage where profit recognition can reasonably be determined in respect of each project. Provision is made for any foreseeable losses.

Profit from property development is recognised based on the percentage of completion method in respect of all building units that have been sold.

Interest income from margin/trading accounts is recognised on an accrual basis except where such margin/trading account is considered non-performing in accordance with Rule 9.4.1 Schedule 7A of the Rules of Kuala Lumpur Stock Exchange ("KLSE"), in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised upon receipt until all arrears have been paid.

Brokerage income is recognised on an accrual basis upon the completion of the trading contract.

Income from registration and nominee services is recognised when such services are rendered.

Dividend income is recognised as and when declared.

(r) Bad and Doubtful Debts

(i) General

Known bad debts are written off and appropriate provision is made for any amount considered to be doubtful of collection.

(ii) Stockbroking

Provisions are made for bad and doubtful debts in accordance with Rule 9.4.1 Schedule 7A of the Rules of KLSE whereby provisions shall be made for contra losses, overdue purchase contracts and overdue margin accounts on the following basis:

(i) provision for fifty per cent (50%) of the amount outstanding in respect of each doubtful account;

(ii) specific provision equal to the outstanding amount in respect of each bad account; and

(iii) a general provision of point five percent (0.5%) of the total trade receivables.

(s) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are highly liquid investments which are readily convertible to cash with short periods to maturity and are subject to an insignificant risk of changes in value. They also include borrowings which are not subject to a term facility and are integral to the cash management function of the Company and of the Group.

(t) Capitalisation of Borrowing Costs

Interest on borrowed funds utilised for financing construction projects is capitalised as part of the assets. The rate of interest for capitalisation is determined by comparing the total loan interests with borrowings outstanding at the end of the financial year.

3. GENERAL

The registered office and the principal place at which the Company's business is carried out is located at Lot 6, Block 44, Leboh Tiga, Sandakan, Sabah.

The Company is incorporated in Malaysia and its principal activities are the operation of an oil palm plantation and investment holding.

There have been no significant changes in the nature of these activities during the year.

The financial statements of the Company and of the Group are expressed in Ringgit Malaysia.

3. GENERAL (CONTD.)

Particulars of the subsidiary companies, which are also incorporated in Malaysia unless otherwise stated, at 31 December 2000 are as follows:

Subsidiary companies	Principal activities	Percentage of equity held by the Group 2000	1999
Bintang Angkasa Sdn. Bhd.	Cultivation of oil palm	**100%**	100%
Syarikat Capakaya Sdn. Bhd.	Cultivation of oil palm	**100%**	100%
KM Plantations Sdn. Bhd.	Cultivation of oil palm	**100%**	100%
Syarikat Kretam Ladang Sdn. Bhd.	Cultivation of oil palm	**100%**	100%
Syarikat Kretam Plantations Sdn. Bhd.	Cultivation of oil palm	**100%**	100%
Timberwood Sdn. Bhd.	Cultivation of oil palm	**100%**	100%
Syarikat Kretam Mill Sdn. Bhd.	Crude palm oil production	**100%**	100%
Kretam Management Sdn. Bhd.	Provision of plantation and palm oil mill management services	**100%**	100%
KHB Construction Sdn. Bhd.	General contracting for construction, civil engineering and mechanical works	**100%**	100%
KHB Development Sdn. Bhd.	Investment holding	**100%**	100%
KHB-Jeffa Project Management Sdn. Bhd.	Provision of project management, administrative and related services	**100%**	100%
KHB Project Management Sdn. Bhd.	Provision of project management, administrative and related services	**100%**	100%
KHB Properties Sdn. Bhd.	Investment holding, property development, coordination and management	**100%**	100%
KHB Nanyang (Malaysia) Sdn. Bhd.	Investment holding	**100%**	100%

3. GENERAL (CONTD.)

Subsidiary companies	Principal activities	Percentage of equity held by the Group 2000	1999
KHB Realty Sdn. Bhd.	Property letting	**100%**	100%
KHB Telecommunications Sdn. Bhd.	Provision of data processing services	**100%**	100%
Alglobe Progress Sdn. Bhd.	Dormant	**100%**	100%
KHB Foodchain Sdn. Bhd.	Dormant	**-**	100%
KHB Foodlinks Sdn. Bhd.	Dormant	**-**	100%
KHB Management Sdn. Bhd.	Dormant	**100%**	100%
KHB Nusantara Sdn. Bhd.	Dormant	**100%**	100%
KHB Power Sdn. Bhd.	Dormant	**100%**	100%
KHB Project Management Holdings Sdn. Bhd.	Dormant	**100%**	100%
Wilahriang Sdn. Bhd.	Dormant	**100%**	100%
Winpalm Development Sdn. Bhd	Cultivation of oil palm	**51%**	51%
Innosabah Capital Holdings Sdn. Bhd.	Investment holding	**100%**	100%
Innosabah Securities Berhad (Formerly known as Innosabah Securities Sdn. Bhd.)	Stock and share brokers and investment holding	**99.9%**	99.5%
Innosabah Options Futures Sdn. Bhd. (subsidiary of Innosabah Capital Holdings Sdn. Bhd.)	Futures broking	**51%**	51%
Rising Resources Sdn. Bhd. (subsidiary of KHB Nanyang (Malaysia) Sdn. Bhd.)	Investment holding	**91.7%**	91.7%

3. GENERAL (CONTD.)

Subsidiary companies	Principal activities	Percentage of equity held by the Group 2000	1999
Subsidiary companies of Innosabah Securities Berhad (Formerly known as Innosabah Securities Sdn. Bhd.)			
Innosabah Development Sdn. Bhd.	Dormant	**99.9%**	99.5%
Innosabah Nominees (Tempatan) Sdn. Bhd.	Provision of services as nominees and agents	**99.9%**	99.5%
Innosabah Resources Sdn. Bhd.	Research and publication, provision and maintenance of stock market information dissemination system	**99.9%**	99.5%
Innosabah Equity Management Sdn. Bhd.	Dormant	**99.9%**	79.6%
Innosabah Nominees (Asing) Sdn. Bhd.	Dormant	**99.9%**	99.5%
Innosabah Properties Sdn. Bhd.	Dormant	**99.9%**	99.5%
Innosabah Ventures Sdn. Bhd.	Dormant	**99.9%**	99.5%
Subsidiary companies of Rising Resources Sdn. Bhd.			
Rising Resources (BVI) Limited (Incorporated in British Virgin Island)	# Investment holding	**91.7%**	91.7%
Yunnan Dehong Husong He Power Development Co. Ltd. (Incorporated in the People's Republic of China)	* Operation of hydro-electric power station	**55%**	55%

3. GENERAL (CONTD.)

Subsidiary companies	Principal activities	Percentage of equity held by the Group 2000	1999
Subsidiary company of KHB Development Sdn. Bhd.			
Jeffa Construction Sdn. Bhd.	General contracting and property development	**51%**	51%
Subsidiary companies of Jeffa Construction Sdn. Bhd.			
KHB Foodchain Sdn. Bhd.	Dormant	**51%**	-
KHB Foodlinks Sdn. Bhd.	Dormant	**51%**	-
Subsidiary company disposed of during the year			
Innosabah Equity Trust Sdn. Bhd.	Trust company	**-**	59.7%

Company not required to issue audited statutory financial statements
* Audited by other firm of auditors

4. REVENUE

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Revenue consists of:				
Invoiced value of crude palm oil, palm kernel and bunch ash	**23,734**	51,764	**-**	-
Invoiced value of fresh fruit bunches	**810**	2,869	**258**	698
Management fees received	**69**	72	**-**	-
Contract income from property development	**-**	1,592	**-**	-
Brokerage fees	**4,080**	4,775	**-**	-
Fees from trust related services	**53**	351	**-**	-
Commissions from futures and options contract	**675**	724	**-**	-
Electricity units sold	**18,034**	15,427	**-**	
Gross dividend income received	**-**	-	**15,970**	-
	47,455	77,574	**16,228**	698

Transactions between companies within the Group are excluded in determining revenue of the Group.

5. OPERATING (LOSS)/PROFIT

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
This is stated after charging:				
Amortisation/write off of expenditure carried forward	**1,340**	402	**-**	-
Auditors' remuneration				
- statutory audits				
- current year	**126**	119	**20**	15
- underprovision in prior year	**1**	1	**5**	-
- other services	**14**	146	**6**	100
Bad debts written off	**138**	213	**-**	17
Depreciation of property, plant and equipment (Note 10)	**11,580**	15,682	**40**	166
Directors' remuneration:				
- Directors of the Company				
- fees	**-**	70	**-**	70
- emoluments	**1,120**	1,648	**-**	-
- other benefits	**11**	83	**-**	-
- Directors of subsidiaries				
- emoluments	**2,109**	1,906	**-**	-
- other benefits	**-**	73	**-**	-
- gratuity	**-**	80	**-**	-
Equipment hire	**-**	165	**-**	-
Inventories written off (net of write back)	**108**	286	**-**	-
Legal fees paid to a firm of which a director of a subsidiary is a partner	**-**	1	**-**	-
Loss on disposal of plant and equipment	**87**	384	**-**	362
Loss on disposal of subsidiary company	**134**	16	**-**	-
Net foreign exchange loss	**1**	-	**-**	-
Oil palm replanting expenses	**1,418**	677	**-**	
Plant and equipment written off	**86**	183	**-**	125
Professional fee paid to a Director of the Company	**27**	9	**-**	-
Provision for doubtful debts (net of recoveries)	**-**	3,818	**-**	1,402
Provision for diminution in value of stocks of shares (net of amount written back)	**37**	72	**-**	-
Provision for Special Administrators' fees and expenses	**-**	935	**-**	-
Rental expenses payable to				
- Directors of a subsidiary	**-**	52	**-**	-
- Others	**2,351**	1,929	**7**	61
Waiver of margin interest income	**1,416**	-		
Written down to net recoverable amount of plant and equipment	**-**	1,444	**-**	-
Work-in-progress written off	**259**	-	**-**	-
Year 2000 compliance cost	**-**	44	**-**	-

5. OPERATING (LOSS)/PROFIT (CONTD.)

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
and crediting:				
Bad debts recovered	**1,804**	-	**-**	-
Equipment hire income	**4**	-	**-**	-
Gain on disposal of plant and equipment	**140**	330	**-**	-
Gross dividends from investments quoted in Malaysia	**1**	7	**-**	-
Net foreign exchange gain	**-**	10	**-**	-
Professional fee received from a company in which one of the directors of a subsidiary is also a Director	**-**	18	**-**	-
Rental income	**923**	406	**-**	-
Write back of doubtful debts (net of provision)	**5**	-	**-**	-

6. NET FINANCE COSTS

Interest payable on -				
Bank overdrafts	**1,894**	3,065	**415**	30
Bank loans	**12,013**	11,145	**-**	-
Revolving credits	**11,071**	27,911	**7,558**	9,008
Novated debts	**6,856**	-	**6,856**	-
Loans from Directors	**1,390**	1,390		
Loans from shareholders	**1,381**	-	**1,381**	-
Loan from companies in which certain directors of the Company are also directors	**235**	77	**235**	77
Loan granted by directors in a subsidiary	**-**	3,687	**-**	-
Hire purchase	**99**	288	**-**	22
Remisiers' deposits	**72**	166	**-**	-
Late payment	**-**	421	**-**	-
Other charges	**102**	3,027	**-**	-
	35,113	49,787	**17,835**	9,137
Less: Interest receivable on -				
Fixed and short term deposits	**(760)**	(1,296)	**(136)**	(1,151)
Margin accounts	**(532)**	-	**-**	-
Others	**(144)**	-	**-**	-
	33,677	48,491	**17,699**	7,986

7. EXCEPTIONAL ITEMS

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
These comprise:				
Deposits written off upon termination of the acquisition of office premises	-	(3,259)	-	-
Loss on making good overpledged clients' shares	**(1,204)**	-	-	-
Provision for bad and doubtful debts	**(13,667)**	-	-	-
Provision for bad and doubtful debts written back	-	24,000	-	13,000
Provision for foreseeable losses on construction projects	-	(36,989)	-	-
Waivers obtained pursuant to the Workout Proposal				
- Waiver of interest and penalty charges on bank borrowings	**18,068**	-	-	-
- Waiver of interest on subordinated loan from directors of a subsidiary	**8,465**	-	-	-
Write back of investment in associated companies	-	2,810	-	-
Goodwill on consolidation written off	**(6,608)**	-	-	-
Provision for diminution in value of investment in subsidiaries	-	-	**89,723**	-
	5,054	(13,438)	**89,723**	13,000

8. TAXATION

Malaysian taxes				
Provision in respect of results for the year	**(3,636)**	-	-	-
Over-provision in respect of prior years	**(78)**	(3,137)	-	(3,124)
Deferred taxation (Note 25(ii))	**(208)**	(385)	**(31)**	(35)
	(3,922)	(3,522)	**(31)**	(3,159)
Overseas taxes				
Development tax	-	(18)	-	-
	(3,922)	(3,540)	**(31)**	(3,159)

9. LOSS PER SHARE

The basic and diluted loss per share is calculated by dividing the loss after minority interests by 105,253,500 (1999: 105,253,500) ordinary shares of the Company in issue during the year.

10. PROPERTY, PLANT AND EQUIPMENT

	AS AT 1.1.2000 RM'000	ADDITIONS RM'000	DISPOSALS/ WRITTEN OFF RM'000	ADJUSTMENTS RM'000	AT DATE OF DISPOSAL OF SUBSIDIARY RM'000	RECLASSI-FICATIONS RM'000	AS AT 31.12.2000 RM'000
GROUP							
Cost and valuation -							
Long leasehold land and plantations	**211,719**	482	-	(628)+	-	-	**211,573**
Short leasehold land and plantations	**344**	-				-	**344**
Leasehold land and buildings	**26,457**	15	-	-	-	8	**26,480**
Capital work-in-progress	**4**	7	-	-	-	(8)	**3**
Motor vehicles, heavy machinery, furniture and equipment	**32,394**	973	(2,459)	-	(185)	-	**30,723**
Oil mill	**17,964**	280	-	-	-	-	**18,244**
Hydropower plant	**155,125**	-	-	-	-	-	**155,125**
Renovations	**4,675**	89	(128)	-	(133)	-	**4,503**
	448,682	1,846	(2,587)	(628)	(318)	-	**446,995**

+ This represents proceeds from sale of timber salvaged in the course of clearing the leasehold land for plantation development and compensation for oil palms removed in connection with the Sabah East Coast Main Grid project.

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	AS AT 1.1.2000 RM'000	ADDITIONS RM'000	DISPOSALS/ WRITTEN OFF RM'000	AT DATE OF DISPOSAL OF SUBSIDIARY RM'000	RECLASSI-FICATIONS RM'000	AS AT 31.12.2000 RM'000
GROUP						
Accumulated Depreciation -						
Long leasehold land and plantations	**-**	-	-	-	-	**-**
Short leasehold land and plantations	**53**	7	-	-	-	**60**
Leasehold land and buildings	**12,609**	1,741	-	-	-	**14,350**
Motor vehicles, heavy machinery, furniture and equipment	**20,568**	3,646	(1,997)	(74)	-	**22,143**
Oil mill	**15,253**	620	-	-	-	**15,873**
Hydropower plant	**7,362**	4,933	-	-	-	**12,295**
Renovations	**2,244**	633	(46)	(54)	-	**2,777**
	58,089	11,580	(2,043)	(128)	-	**67,498**

	2000 RM'000	1999 RM'000
Net book value -		
Long leasehold land and plantations	**211,573**	211,719
Short leasehold land and plantations	**284**	291
Leasehold land and buildings	**12,130**	13,848
Capital work-in-progress	**3**	4
Motor vehicles, heavy machinery, furniture and equipment	**8,580**	11,826
Oil mill	**2,371**	2,711
Hydropower plant	**142,830**	147,763
Renovations	**1,726**	2,431
	379,497	390,593

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	2000 RM'000	1999 RM'000
GROUP		
Analysis of cost and valuation		
At valuation -		
Long leasehold land and plantations	**190,172**	190,172
Short leasehold land and plantations	**344**	344
Leasehold land and buildings	**11,900**	11,900
At cost -		
Leasehold land and plantations	**21,401**	21,547
Leasehold land and buildings	**14,580**	14,557
Capital work-in-progress	**3**	4
Motor vehicles, heavy machinery, furniture and equipment	**30,723**	32,394
Oil mill	**18,244**	17,964
Hydropower	**155,125**	155,125
Renovations	**4,503**	4,675
	446,995	448,682

Had the revalued properties of the Group been included in the financial statements at cost less accumulated depreciation, the net book value of the revalued properties would have been as follows:

	2000 RM'000	1999 RM'000
Long leasehold land and plantations	**45,921**	45,613
Short leasehold land and plantations	**93**	95
Leasehold land and buildings	**2,213**	2,516
	48,227	48,224

Leasehold land and plantations of the Group with a total net book value amounting to RM217,124,318 (1999: RM194,317,100) have been charged to the Company's bankers, shareholders and a company in which a Director of the Company is also a director as securities for credit facilities totalling RM286 million granted by the Group's bankers and loans totalling RM 43.6 million (1999: RM Nil) given by the shareholders and a company in which a Director of the Company is also a director. The details of the credit facilities are stated in notes 23 and 25 to the financial statements.

Plantation development expenditure of the Group incurred in previous year included auditors' remuneration of RM600.

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

GROUP

Furniture, equipment and motor vehicles of the Group acquired under hire purchase and leasing arrangements are as follows:

	2000 RM'000	1999 RM'000
Cost	**41**	2,436
Accumulated depreciation	**(28)**	(830)
Net book value	**13**	1,606

The amount capitalised in previous year under computer equipment of the Group included Year 2000 compliance cost amounted to RM498,417.

COMPANY	As at 1.1.2000 RM'000	Additions RM'000	Adjustment RM'000	Disposals RM'000	As at 31.12.2000 RM'000
At valuation -					
Long leasehold land and plantation	**3,600**	-	-	-	**3,600**
At cost -					
Estate buildings	**-**	15	-	-	**15**
Long leasehold land	**20,213**	53	(450)	-	**19,816**
Office equipment	**339**	-	-	(197)	**142**
Office furniture	**21**	4	-	-	**25**
Motor vehicles and equipment	**755**	82	-	-	**837**
	24,928	154	(450)	(197)	**24,435**
Accumulated depreciation -					
Estate buildings	**-**	1	-	-	**1**
Long leasehold land and plantation	**-**	-	-	-	**-**
Office equipment	**161**	17	-	(99)	**79**
Office furniture	**11**	2	-	-	**13**
Motor vehicles and equipment	**744**	20	-	-	**764**
	916	40	-	(99)	**857**

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	2000 RM'000	1999 RM'000
COMPANY		
Net book value -		
Long leasehold land and plantations	**23,416**	23,813
Estate buildings	**14**	-
Office equipment	**63**	178
Office furniture	**12**	10
Motor vehicles and equipment	**73**	11
	23,578	24,012

Had the revalued long leasehold land and plantations of the Company been included in the financial statements at cost less accumulated amortisation, the net book value of the revalued long leasehold land and plantations would have been RM2,039,183 (1999: RM2,039,183).

Leasehold land and plantations of the Company with a total net book value amounting to RM23,415,958 (1999: RM3,600,000) have been pledged to banks and shareholders and a company in which a Director of the Company is also a director, as securities for credit facilities amounting to RM140.7 million (1999: RM125.7 million) granted by the Group's bankers and loans totalling RM43.6 million given by the shareholders and a company in which a Director of the Company is also a director. The details of the credit facilities are stated in notes 23 and 25 to the financial statements.

The revaluation of the Company's and Group's property carried out by the Directors in 1996 was based on independent professional valuation on the fair market value basis. This asset is continued to be stated on the basis of the 1996 valuation, as allowed by the transitional provisions of International Accounting Standard 16 (Revised), "Property Plant and Equipment", an extant accounting standard adopted by MASB, even if it does not further revalue its property.

11. SUBSIDIARY COMPANIES

	COMPANY	
	2000 RM'000	1999 RM'000
Unquoted shares		
- At valuation	**145,589**	145,589
- At cost	**356,728**	147,725
	502,317	293,314
Less: Provision for diminution in value	**(249,079)**	(146,621)
	253,238	146,693
Amount due from subsidiaries	**146,573**	169,695
Amount due to subsidiaries	**(87,800)**	(95,255)
Less: Provision for doubtful debts	**(45,737)**	(58,472)
	266,274	162,661

In 1994, the Directors revalued the investments in certain subsidiaries based on their net tangible assets and the surplus arising therefrom was transferred to the revaluation reserve account.

The Company's equity interests in the subsidiaries and their respective principal activities are shown in Note 3 to the financial statements.

Included in amount due from subsidiaries in respect of 1999 were advances of RM5,981,368 remitted to its stockbroking subsidiary pursuant to the shares subscription agreement.

12. ASSOCIATED COMPANY

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Group's share of net liabilities	**(175)**	(175)	**-**	-
Goodwill on acquisition	**175**	175	**-**	-
	-	-	**-**	-
Due from associated company	**2,837**	2,837	**2,837**	2,837
Less: Provision for doubtful debts	**(2,837)**	(2,837)	**(2,837)**	(2,837)
	-	-	**-**	-
	-	-	**-**	-

12. ASSOCIATED COMPANY (CONTD.)

The associated company, which is incorporated in Malaysia, is:

NAME OF COMPANY	EFFECTIVE INTEREST 2000	EFFECTIVE INTEREST 1999	FINANCIAL YEAR END	PRINCIPAL ACTIVITY
Pantai Dalam Development Sdn. Bhd.	**49%**	49%	31 December	Property development

13. GOODWILL ON CONSOLIDATION

	GROUP 2000 RM'000	GROUP 1999 RM'000
Balance at 1 January	**11,835**	5,081
Add: Arising from acquisition of a subsidiary	**-**	6,754
Less: Goodwill written off	**(6,754)**	-
Balance at 31 December	**5,081**	11,835

14. INVESTMENT

1 unit of non-cumulative 'A' preference share in The Kuala Lumpur Options and Financial Futures Exchange Berhad	**1,500**	1,500

15. EXPENDITURE CARRIED FORWARD

At cost		
Preliminary and pre-operating expenses	**2,490**	2,490
Less: Accumulated amortisation	**(1,150)**	(1,150)
Amount written off	**(1,340)**	-
	-	1,340

Pre-operating expenses incurred in previous year included auditors' remuneration of RM2,800.

16. MDCH CLEARING FUND CONTRIBUTION

This represents a refundable contribution to the Malaysian Derivatives Clearing House (MDCH) Clearing Fund by virtue of its stockbroking subsidiary, Innosabah Securities Berhad (Formerly known as Innosabah Securities Sdn. Bhd.) ("Innosabah") being a member of MDCH. The Fund was established and maintained to make good losses suffered by the MDCH caused by failure or omission by any member to perform any of its obligations under the Business Rules of MDCH.

17. CONSTRUCTION IN PROGRESS

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	**2000 RM'000**	1999 RM'000
Cost of land	**-**	2,280	**-**	-
Development expenditure	**186,648**	178,270	**-**	-
Attributable profits	**1,024**	1,024	**-**	-
	187,672	181,574	**-**	-
Less : Progress billings	**(57,413)**	(57,413)	**-**	-
Provision for foreseeable losses	**(40,814)**	(42,998)	**-**	-
Work-in-progress written off	**(259)**	-	**-**	-
Set off against cost of land payable	**-**	(2,000)	**-**	-
Earnest deposit written off	**-**	(280)	**-**	-
	89,186	78,883	**-**	-

Included in the property development expenditure is cost incurred for the construction of certain properties for a local authority in return for certain pieces of land. Transfer of all land titles to the Group has been completed. These lands are charged to a financial institution for facilities granted to a subsidiary company.

18. INVENTORIES

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
At cost				
Fresh fruit bunches	**93**	81	**-**	-
Crude palm oil and palm kernel	**-**	1,579	**-**	-
Stores, spares and consumable supplies	**1,982**	2,250	**-**	-
Chemicals and fertilizers	**151**	128	**-**	-
Nurseries	**893**	221	**691**	-
	3,119	4,259	**691**	-
At net realisable value				
Crude palm oil and palm kernel	**3,141**	-	**-**	-
	6,260	4,259	**691**	-

19. RECEIVABLES

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Trade receivables	**21,042**	63,034	**-**	-
Other receivables, deposits and prepayment	**4,887**	11,427	**633**	147
	25,929	74,461	**633**	147

Other receivables, deposits and prepayments of the Group and Company are stated after providing for doubtful debts of RM3,324,372 (1999: RM4,639,838) and RM3,000,000 (1999: RM3,000,000) respectively.

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Trade receivables				
(i) Assets segregated for customers	**845**	808	**-**	-
(ii) Clients' trust monies	**7,257**	20,134	**-**	-
Remisiers' trust monies	**446**	147	**-**	-
(iii) Amount due from clients	**5,700**	36,204	**-**	-
(iv) Others	**6,794**	5,741	**-**	-
	21,042	63,034	**-**	-

19. RECEIVABLES (CONTD.)

(i) Assets segregated for customers

	GROUP	
	2000 RM'000	1999 RM'000
Deposits with MDCH	**368**	417
Short term deposit	**450**	300
Bank balances	**27**	91
	845	808

Amounts received as customers' margins have been segregated in separate accounts, as required by the Futures Industry Act, 1993 and the Business Rules of the Kuala Lumpur Options and Financial Futures Exchange. The corresponding liabilities are included in amount due to clients.

(ii) Clients' trust monies

	GROUP	
	2000 RM'000	1999 RM'000
Deposit with licensed bank under repurchase agreements	**6,418**	13,000
Bank balances	**839**	7,134
	7,257	20,134

Monies received from clients are deposited into trust accounts maintained with licensed financial institutions as required by the Securities Industry Act, 1983 and the Rules of KLSE. The corresponding liabilities are included in clients' trust accounts.

19. RECEIVABLES (CONTD.)

(iii) Amount due from clients

	GROUP 2000 RM'000	1999 RM'000
Balance as at 31 December		
- Non-performing accounts	**6,666**	542,005
- Performing accounts	**2,951**	1,756
	9,617	543,761
Less : Specific provision for bad debts	**2,696**	402,677
Provision for interest-in-suspense	**1,191**	104,838
General provision for doubtful debts	**30**	42
	3,917	507,557
	5,700	36,204
Detailed movements during the year:		
Non-performing accounts		
Balance as at 1 January	**542,005**	442,165
Accrual for interest-in-suspense	**36,544**	104,838
Bad debts written off	**(552,423)**	-
Waiver of interest charged	**(1,416)**	-
Repayment	**(18,044)**	(4,998)
Balance as at 31 December	**6,666**	542,005
Less: Specific provision for bad debts		
Balance as at 1 January	**402,677**	399,250
Current year provision	**13,667**	3,429
Reversal upon writing off bad debts	**(413,648)**	(2)
Balance as at 31 December	**2,696**	402,677
Less : Provision for interest-in-suspense		
Balance as at 1 January	**104,838**	-
Current year provision	**36,544**	104,838
Reversal upon writing off bad debts	**(138,775)**	-
Write back upon waiver of interest charged	**(1,416)**	-
Balance as at 31 December	**1,191**	104,838
Less: General provision for doubtful debts		
Balance as at 1 January	**42**	-
Current year (write back)/provision	**(12)**	42
Balance as at 31 December	**30**	42
	2,749	34,448
Performing accounts		
Outstanding amount	**2,951**	1,756
Total	**5,700**	36,204

The suspension of interest and provisions for bad and doubtful debts on non-performing accounts have been made in compliance with the Rules of KLSE.

19. RECEIVABLES (CONTD.)

(iv) Trade receivables -others

These are stated after providing for doubtful debts (net of amounts written back) of RM2,119,570 (1999: RM2,189,938).

20. MARKETABLE SECURITIES

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Quoted in Malaysia, at cost	**169**	306	**-**	-
Less : Provision for diminution in value	**(109)**	(72)	**-**	-
	60	234	**-**	-
Market value of shares	**60**	278	**-**	-

21. FIXED DEPOSITS

Short term placements with licensed banks	**9,815**	11,194	**-**	6,400
Fixed deposits with licensed banks	**1,804**	4,810	**1,126**	4,310
	11,619	16,004	**1,126**	10,710
Fixed deposit pledged as security for banking facilities granted to a subsidiary	**1,000**	1,000	**1,000**	1,000
Fixed deposits under lien as security for banking facilities granted to the Company and certain subsidiaries	**294**	3,310	**126**	3,310
	1,294	4,310	**1,126**	4,310

22. PAYABLES

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Trade payables				
- Amount due to clients	**2,708**	5,221	**-**	-
- Others	**5,545**	3,114	**115**	-
Other payables and accruals	**16,087**	40,618	**1,358**	10,232
Remisiers' accounts	**532**	6,953	**-**	-
Interest payable				
- Interest on loans from shareholders	**1,351**	-	**1,351**	-
- Interest on loans from directors	**1,390**	-	**1,390**	-
- Interest on loans from companies in which certain directors of the Company are also directors	**54**	22	**54**	22
- Interest on loan from joint venture partner	**2,711**	2,725	**-**	-
- Interest on credit facilities from bankers	**2,704**	1,030	**-**	512
	33,082	59,683	**4,268**	10,766

23. SHORT TERM BORROWINGS

Bank overdrafts - secured	**6,912**	55,093	**4,797**	3,624
Revolving credits - secured	**118,862**	249,436	**118,862**	105,912
- unsecured	**3,500**	5,262	**3,500**	3,500
Bank loans	**1,423**	1,540	**-**	-
Hire purchase creditors	**90**	-	**-**	-
Loans from shareholders	**20,400**		**20,400**	-
Loans from Directors	**20,200**		**20,200**	-
Loan from a third party	**1,000**		**1,000**	
Loan from a company in which a Director of the Company is also a director	**2,000**	3,000	**2,000**	3,000
Current portion of long-term borrowings (Note 25(i))	**31,358**	7,704	**31,350**	-
	205,745	322,035	**202,109**	116,036

23. SHORT TERM BORROWINGS (CONTD.)

The bank overdrafts and revolving credits are secured by fixed charges over the leasehold land and plantation of the Company and debenture charges over fixed and floating assets of certain subsidiaries, assignment over the absolute rights of the Company in respect of the Sale and Purchase Agreement for the acquisition of a subsidiary, dividend declared by a subsidiary, physical deposit of a subsidiary's unquoted shares, clients' pledged stocks and shares and guarantees given by the Company. These facilities bear interest at rates ranging from 4.55% to 8.55% per annum.

Bank loans are secured by fixed charge on the property of a subsidiary Company and corporate guarantees given by the Company. They bear interest at either 2.0% to 2.5% above the respective bankers' base lending rate or 2.0% above the respective bankers' cost of funds.

Loans from shareholders, Directors and a company in which a Director of the Company is also a director are secured by legal charge over a parcel of agricultural land of the Company and bear interest at 9.75% per annum.

Loan from a third party is unsecured and interest free.

Loan from a company in which a Director of the Company is also a director in respect of 1999 was secured by the sale and delivery of fresh fruit bunches produced from the estates of the Group and was repayable over six equal monthly instalments commencing January 2000. It bore interest at 1.75% per annum above a commercial bank's base lending rate.

Included in bank overdrafts, revolving credits and bank loans in respect of 1999 was an amount of RM133,170,487 which was novated to the Company on 5 May 2000 pursuant to the Workout Proposal of Innosabah.

The Group's short term borrowings in respect of 1999 included amounts owing by Innosabah totalling RM82,448,763 under facilities which have been recalled by the financial institutions..

24. AMOUNT DUE TO DIRECTORS OF SUBSIDIARIES

Included in the amount due to directors of subsidiaries in respect of 1999 were unsecured subordinate debts amounting to RM24,580,162 which carried interest at 15% per annum. These unsecured subordinate debts were discharged during the year by way of issuance of various classes of Redeemable Non-convertible Preference Shares of Innosabah pursuant to the approved Workout Proposal.

25. LONG-TERM LIABILITIES

	Note	GROUP		COMPANY	
		2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Long term borrowings	(i)	**232,818**	117,729	**108,676**	-
Deferred taxation	(ii)	**637**	845	**-**	31
		233,455	118,574	**108,676**	31
(i) Long term borrowings					
Novated debts		**140,026**	-	**140,026**	-
Chinese Renminbi loans					
- No. 1		**51,475**	51,475	**-**	-
- No. 2		**1,374**	-	**-**	-
US Dollar loan		**-**	57,540	**-**	-
Bank loans					
- No. 1		**56,176**	-	**-**	-
- No. 2		**15,109**	15,109	**-**	-
Hire purchase and lease creditors		**16**	1,309	**-**	-
		264,176	125,433	**140,026**	-
Repayable within twelve months (Note 23)		**(31,358)**	(7,704)	**(31,350)**	-
		232,818	117,729	**108,676**	-

Pursuant to the Workout Proposal of Innosabah, bank borrowings of Innosabah totalling RM133,170,487, which were guaranteed by the Company were novated to the Company on 5 May 2000.The novated debts are secured by a second charge over the Company's shares in Innosabah and carry interest of 1% per annum above Malayan Banking Berhad's base lending rate. These debts are repayable in bi-annual instalments commencing second quarter of year 2001.

The Chinese Renminbi loan No.1 of RMB 112 million (1999: RMB112 million), represents advances made by the joint venture partner of the hydropower project in the People's Republic of China. It bears interest at 10% per annum.

The Chinese Renminbi loan No.2 of RMB 12 million (1999: Nil), is secured by a corporate guarantee given by the joint venture partner of the hydropower project in the People's Republic of China. It bears interest at 7.22% per annum and is repayable in one lump sum after 2 years of each drawdown.

25. LONG-TERM LIABILITIES (CONTD.)

(i) Long term borrowings (contd.)

The US Dollar loan, of Nil (1999: USD 15 million) bore interest ranging from 10% to 11% per annum. During the year, the Group had restructured and converted the US Dollar loan into a Ringgit Malaysia loan in June 2000.

Bank loan No. 1 represents the restructured US Dollar loan and is secured by legal charges over properties belonging to certain subsidiary companies and by a corporate guarantee issued by the Company. It bears interest ranging from 8% to 8.15% per annum and is repayable over 53 monthly instalments commencing 14 January 2002.

Bank loan No. 2 is secured by a negative pledge and first legal charge over the property development land titles of a subsidiary company, a corporate guarantee from the Company, a debenture over all fixed and floating assets of a subsidiary company and an assignment of all sales proceeds of the proposed development, net of all project expenses. It bears interest at 1.75% (1999: 1.25% to 2.25%) above the bank's base lending rate and is repayable by 11 quarterly instalments of RM1,250,000 each and a final instalment of RM1,359,459 commencing 1 January 2002.

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
(ii) Deferred taxation				
Balance brought forward	**845**	1,230	**31**	66
Transferred to income statement (Note 8)	**(208)**	(385)	**(31)**	(35)
Balance carried forward	**637**	845	**-**	31
This is in respect of the following timing differences:				
On excess of capital allowances over depreciation	**2,437**	3,216	**-**	123
On other timing differences	**(166)**	(197)	**-**	-
Balance carried forward	**2,271**	3,019	**-**	123
Deferred tax not provided for in the financial statements:				
- tax effects of revaluation of property which are held for long term use	**5,875**	5,875	**78**	78

25. LONG-TERM LIABILITIES (CONTD.)

(ii) Deferred taxation (Contd.)

The following potential deferred tax benefits have not been accounted for in the financial statements:-

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Depreciation in excess of capital allowances	**(86)**	(27)	**-**	-
Unutilised tax losses	**100,724**	99,938	**153**	153
Unabsorbed capital allowances	**1,303**	3,061	**13**	25
	101,941	102,972	**166**	178

26. SHARE CAPITAL

	COMPANY	
	2000 RM'000	1999 RM'000
Authorised:		
Ordinary shares of RM1 each	**250,000**	250,000
Issued and fully paid:		
Ordinary shares of RM1 each	**105,254**	105,254

27. RESERVES

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
(a) Non-distributable:				
Revaluation reserve	**127,167**	127,167	**29,878**	29,878
Share premium	**121,346**	81,995	**81,995**	81,995
Reserve arising on consolidation	**13,514**	13,514	**-**	-
Currency translation reserve	**8,444**	8,444	**-**	-
	270,471	231,120	**111,873**	111,873
(b) Accumulated losses:	**(348,440)**	(323,878)	**(235,389)**	(142,135)
Total reserves :	**(77,969)**	(92,758)	**(123,516)**	(30,262)

28. MINORITY INTERESTS

	GROUP 2000 RM'000	1999 RM'000
Redeemable Non- convertible Preference Shares issued by Innosabah to minority shareholders pursuant to the Workout Proposal	**6,747**	-
Minority interests' share of Group's equity	**13,973**	15,540
	20,720	15,540

29. NET TANGIBLE ASSETS PER SHARE

The net tangible assets per share is calculated by dividing the shareholders' funds, after deducting expenditure carried forward and goodwill arising on consolidation by 105,253,500 (1999: 105,253,500) ordinary shares of the Company in issue as at 31 December 2000.

30. SEGMENTAL INFORMATION

By activities:	Revenue RM'000	Profit/(loss) before taxation RM'000	Total assets employed RM'000
2000			
Plantation and mill	**24,613**	**1,160**	**232,605**
Stockbroking and related services	**4,808**	**1,006**	**40,671**
Construction	**-**	**(3,323)**	**92,430**
Investment holding	**-**	**(26,175)**	**9,526**
Hydropower	**18,034**	**(2,596)**	**154,232**
Others	**-**	**(48)**	**131**
	47,455	**(29,976)**	**529,595**
Group's share of associated company results	**-**	**-**	**-**
	47,455	**(29,976)**	**529,595**
1999			
Plantation and mill	54,705	28,803	233,441
Stockbroking and related services	5,850	(46,674)	85,260
Construction	1,592	(42,019)	83,880
Investment holding	-	15,669	31,992
Hydropower	15,427	(5,037)	156,792
Others	-	(194)	65
	77,574	(49,452)	591,430
Group's share of associated companies results	-	329	-
	77,574	(49,123)	591,430

All the above activities are carried out in Malaysia except for the hydropower project which is carried out in the People's Republic of China.

31. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Amounts approved and contracted for	**6,003**	6,282	**-**	-
Amounts approved but not contracted for	**7,487**	3,153	**3,801**	-
Approved commitment to subscribe for ordinary shares in a subsidiary	**-**	-	**-**	54,019
	13,490	9,435	**3,801**	54,019

32. CONTINGENT LIABILITIES

	Note	GROUP		COMPANY	
		2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
SECURED					
Legal charge over the leasehold land and plantation for banking facilities granted to a subsidiary company		**-**	-	**57,700**	57,700
UNSECURED					
Litigation against the Company by the vendors of Innosabah	(i)	**33,800**	33,800	**33,800**	33,800
Legal suit against the Company and certain of its subsidiaries for construction claims	(ii)	**-**	-	**-**	13,472
Guarantees for banking and leasing facilities of subsidiaries	(iii)	**-**	-	**127,790**	440,531
Guarantees for banking facilities of third parties		**1,000**	1,000	**-**	-
Guarantees for contractors of certain subsidiaries		**18,668**	-	**18,668**	-
		53,468	34,800	**180,258**	487,803
TOTAL:		**53,468**	34,800	**237,958**	545,503

32. CONTINGENT LIABILITIES (CONTD.)

(i) On 18 September 1999, the Company, together with other defendants, was served with a Writ of Summons taken out by En Faidzan bin Hassan and Mr Kong Kok Keong ("the Plaintiffs"). The Plaintiffs were the vendors of Innosabah and had provided a profit guarantee to the Company pursuant to the Company's acquisition of 99.5% of the issued and paid-up capital of Innosabah, which was completed in 1996. The profit guarantee was backed by a bank guarantee for RM33.8 million, which was called by the Company due to the shortfall of Innosabah's profits for the year ended 31 December 1997. The Plaintiffs have claimed a refund of this RM33.8 million (including interest and damages) from the defendants on the grounds of wrongful demand of the bank guarantees.

The Company has sought legal advice and is contesting the Writ of Summons.

(ii) This is in respect of a legal suit taken up by a minority shareholder of Aru Bina Sdn. Bhd., namely Juta Semarak Sdn. Bhd. against the Company and certain of its subsidiaries for construction claims which were overdue. The plaintiff had withdrawn its claims in the year under review.

(iii) Included in guarantees for banking and leasing facilities of subsidiaries are guarantees for banking facilities granted for its stockbroking subsidiary amounting to RM2,550,000 (1999: RM312,403,600).

33. RELATED PARTY DISCLOSURES

	2000		1999	
	Amount of transactions RM'000	Outstanding amount RM'000	Amount of transactions RM'000	Outstanding amount RM'000
GROUP				
Transactions with companies/firm in which certain Directors of the Company are also directors/ partner:				
Income				
Sales of fresh fruit bunches				
- Malsa Corporation Sdn. Bhd.	**790**	**-**	2,957	563
Expenses				
Interest on loan				
- Abedon Sdn. Bhd.	**5**	**5**	-	-
- Malsa Corporation Sdn. Bhd.	**230**	**49**	77	22

33. RELATED PARTY DISCLOSURES (CONTD.)

	2000		1999	
	Amount of transactions RM'000	Outstanding amount RM'000	Amount of transactions RM'000	Outstanding amount RM'000
GROUP				
Transactions with companies/firm in which certain Directors of the Company are also directors/ partner:				
Purchase of fresh fruit bunches				
- Allok Sdn. Bhd.	**916**	**198**	-	-
- Hon Voon Estate	**109**	**14**	-	-
- Malsa Corporation Sdn. Bhd.	**265**	**-**	-	-
- Pyon Estate Sdn. Bhd.	**166**	**23**	-	-
- Quality Estate (Sabah) Sdn. Bhd.	**87**	**24**	-	-
Transactions with directors of subsidiaries:				
Income				
Proceeds from disposal of equipment				
- Innosabah Options Futures Sdn. Bhd.	**-**	**-**	37	-
- Innosabah Securities Berhad	**-**	**-**	303	-
Waiver of interest on loan				
- Innosabah Securities Berhad	**8,465**	**-**	-	-
Expenses				
Interest on loan				
- Innosabah Securities Berhad	**-**	**-**	3,687	3,687
Transactions with Directors :				
Interest on loan	**1,390**	**1,390**		

33. RELATED PARTY DISCLOSURES (CONTD.)

	2000		1999	
	Amount of transactions RM'000	Outstanding amount RM'000	Amount of transactions RM'000	Outstanding amount RM'000
COMPANY				
Transactions with subsidiary companies:				
Income				
Sales of fresh fruit bunches				
- Syarikat Kretam Mill Sdn. Bhd.	**247**	**-**	689	-
Management fee				
- Innosabah Securities Berhad	**-**	**-**	250	-
Expenses				
Data processing fee				
- KHB Telecommunications Sdn. Bhd.	**3**	**3**	-	-
Management fees				
- Kretam Management Sdn. Bhd.	**3**	**3**	18	-
Office rental				
- KHB Realty Sdn. Bhd.	**4**	**3**	4	-
Transactions with companies in which certain Directors of the Company are also directors:				
Income				
Sales of fresh fruit bunches				
- Malsa Corporation Sdn. Bhd.	**11**	**-**	9	-
Expenses				
Interest on loan				
- Abedon Sdn. Bhd.	**5**	**5**	-	-
- Malsa Corporation Sdn. Bhd.	**230**	**49**	77	22
Transactions with shareholders:				
Interest on loan	**1,381**	**1,351**	-	-
Transactions with Directors :				
Interest on loan	**1,390**	**1,390**	-	-

The Directors are of the opinion that the above transactions have been entered into in the normal course of business on terms mutually agreed by both parties.

34. EMPLOYEES INFORMATION

	GROUP		COMPANY	
	2000 RM'000	1999 RM'000	2000 RM'000	1999 RM'000
Staff cost	**12,137,749**	14,625,363	**654,853**	1,047,297

The total number of employees of the Company and of the Group as at year end were 11 (1999: 4) and 1,436 (1999: 1,468) respectively.

35. SUBSEQUENT EVENT

On 4 April 2001, the Company signed a Memorandum of Understanding with Dehong Electricity Shareholding Company Ltd. of the People's Republic of China, to dispose of Rising Resources Sdn. Bhd.'s 60% equity interest in Yunnan Dehong Husong He Power Development Co. Ltd. for a total consideration of Renminbi 185 million.

36. COMPARATIVE FIGURES

The presentation of the financial statements for the current year has been changed to adopt the format as prescribed in MASB 1 - Presentation of Financial Statements. Comparative figures have been reclassified to conform with this presentation, where necessary.

LIST OF PROPERTIES

AS AT 31 DECEMBER 2000

	LOCATION OF PROPERTY	TENURE	LAND AREA	DESCRIPTION	NET BOOK VALUE AS AT 31.12.2000 RM'000
1.	Bode Estate Mile 44 Sandakan-Lahad Datu Highway	Leasehold - expiring in 2887	2,074 hectares	Oil Palm plantation	42,675
2.	Masang Estate Off Mile 44 Sandakan-Lahad Datu Highway	Leasehold - expiring in 2887	2,400 hectares	Oil Palm plantation	40,960
3.	Sapagaya Estate Mile 60 Sandakan-Sukau Road	Leasehold - expiring in 2078 - expiring in 2041	 2,026 hectares 14 hectares	Oil Palm plantation	42,780
			2,040 hectares		
4.	Lipong Estate Off Mile 44 Sandakan-Lahad Datu Highway	Leasehold - expiring in 2919 - expiring in 2887 - expiring in 2058 - expiring in 2061 - expiring in 2064 - expiring in 2071 - expiring in 2078 - expiring in 2079 - expiring in 2080 - expiring in 2085 - expiring in 2096	 32 hectares 456 hectares 261 hectares 45 hectares 57 hectares 41 hectares 200 hectares 76 hectares 127 hectares 44 hectares 3 hectares	Oil Palm Plantation	27,604
			1,342 hectares		
		Sublease - expiring in 2096	 24 hectares		
			1,366 hectares		
5.	Bintang Estate Mile 60 Sandakan-Sukau Road	Leasehold - expiring in 2078	1,010 hectares	Oil Palm Plantation	25,384
6.	Capakaya Estate Mile 44 Sandakan-Lahad Datu Highway	Leasehold - expiring in 2077 - expiring in 2082	 274 hectares 8 hectares	Oil Palm Plantation	5,834
			282 hectares		

	LOCATION OF PROPERTY	TENURE	LAND AREA	DESCRIPTION	NET BOOK VALUE AS AT 31.12.2000 RM'000
7.	Timberwood Estate Mile 44 Sandakan-Lahad Datu Highway	Leasehold - expiring in 2077	139 hectares	Oil Palm Plantation	2,873
8.	Block J Estate Off Mile 44 Sandakan-Lahad Datu Highway	Leasehold - expiring in 2071	182 hectares	Oil Palm Plantation	3,600
9.	Silimpopon Estate Km 128 Tawau-Kalabakan Highway	Leasehold - expiring in 2096	8,091 hectares	Land held for Oil Palm Cultivation	19,816
10.	Winpalm Estate Mile 45 Sandakan-Lahad Datu Highway	Sublease - expiring in 2098	69 hectares	Oil Palm Plantation	522
11.	Wisma KHB Lot 4, 5 and 6, Block 44 Leboh Tiga, Sandakan	Leasehold - expiring in 2889	4,500 sq. feet	* 4-storey office building	3,793
12.	Lot 75 and 76, Block K Sadong Jaya, Karamunsing Kota Kinabalu	Leasehold - expiring in 2901	2,398 sq. feet	* 4-storey commercial building	1,397
13.	Lot 54, 55 and 57, Block H Sadong Jaya, Karamunsing Kota Kinabalu	Leasehold - expiring in 2901	3,449 sq. feet	* 4-storey commercial building	1,913
14.	Lot 59 Block I Sadong Jaya, Karamunsing Kota Kinabalu	Leasehold - expiring in 2901	1,250 sq. feet	* 4-storey commercial building	641

* *Unable to ascertain the age of the building when acquired from previous owner.*

SHAREHOLDING STATISTICS

AS AT 30 APRIL 2001

Authorised Capital	:	RM250,000,000
Issued and Paid-Up Capital	:	RM105,253,500
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	1 vote per share

ANALYSIS OF SHAREHOLDING

SIZE OF HOLDING	SHAREHOLDERS NUMBER	SHAREHOLDERS %	SHAREHOLDINGS NUMBER	SHAREHOLDINGS %
Less than 1,000	313	4.51	151,563	0.14
1,000 to 10,000	6,121	88.22	16,132,777	15.33
10,001 to 100,000	419	6.04	11,526,900	10.95
100,001 to less than 5% of issued shares	84	1.21	70,559,260	67.04
5% and above of issued shares	1	0.02	6,883,000	6.54
Total	6,938	100.00	105,253,500	100.00

LIST OF TOP 20 SHAREHOLDERS

As per Register of Members

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
1 .	DB (Malaysia) Nominee (Tempatan) Sdn Bhd	6,883,000	6.54
	- Pledged Securities Account for Lim Nyuk Sang @ Freddy Lim		
2 .	Genness Sdn Bhd	4,099,000	3.89
3 .	Citicorp Nominees (Asing) Sdn Bhd	3,892,000	3.70
	- Beneficial owner: Jarsuma Investments Ltd		
4 .	HSBC Nominees (Asing) Sdn Bhd	3,467,000	3.29
	- Beneficial owner: Hartlane Enterprises Inc		
5 .	DB (Malaysia) Nominee (Asing) Sdn Bhd	3,298,000	3.13
	- Beneficial owner: Contend Investments Ltd		
6 .	UOBM Nominees (Tempatan) Sdn Bhd	3,274,000	3.11
	- Pledged Securities Account for Far Concepts Sdn Bhd		
7 .	Dexia JMF Nominees (Tempatan) Sdn Bhd	3,160,000	3.00
	- Beneficial owner: Fong Kin Wui		
8 .	Seah Tee Sui Sdn Bhd	2,333,500	2.22
9 .	HDM Nominees (Asing) Sdn Bhd	2,103,000	2.00
	- Beneficial owner: Great Forest Ltd		
10 .	Santraprise Sdn Bhd	2,100,000	2.00
11 .	Dexia JMF Nominees (Tempatan) Sdn Bhd	2,011,667	1.91
	- Beneficial owner: Fong King Fun		
12 .	HSBC Nominees (Asing) Sdn Bhd	1,910,000	1.81
	- Beneficial owner: Appollo Express Inc.		
13 .	Fong King Fun	1,699,000	1.61
14 .	Chan Saik Chuen Sdn Bhd	1,683,400	1.60
15 .	Dexia JMF Asset Management Sdn Bhd	1,500,000	1.43
	- Beneficial owner: Seah Sen Leang		

LIST OF TOP 20 SHAREHOLDERS (CONTD.)

As per Register of Members

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
16 .	Dexia JMF Nominees (Tempatan) Sdn Bhd *- Beneficial owner: Vun Yun Lau @ Vun Yun Liew*	1,457,000	1.38
17 .	S T L Holdings Sdn Bhd	1,417,300	1.35
18 .	Eng Nominees (Asing) Sdn Bhd *- Beneficial owner: Weismann Investments Ltd*	1,371,000	1.30
19 .	Dexia JMF Nominees (Tempatan) Sdn Bhd *- Beneficial owner: Seah Tee Sui Sdn Bhd*	1,328,000	1.26
20 .	UOBM Nominees (Asing) Sdn Bhd *- Beneficial owner: Qualiwell Corporation Ltd*	1,125,000	1.07
	TOTAL	50,111,867	47.60

SUBSTANTIAL SHAREHOLDERS

Present substantial shareholders (with shareholding of 2% or more) of the Company and their shareholdings as at 30 April 2001 are as follows:-

SHAREHOLDERS	DIRECT TOTAL NO. OF SHARES HELD	INDIRECT TOTAL NO. OF SHARES HELD	TOTAL %
Lim Nyuk Sang @ Freddy Lim	6,883,000	2,100,000 *	8.53
Seah Sen Leang	2,282,666	4,491,500 #	6.44
Seah Tee Sui Sdn Bhd	4,341,500	-	4.12
Genness Sdn Bhd	4,099,500	-	3.89
Fong King Fun	3,928,667	-	3.73
Jarsuma Investments Ltd	3,892,000	-	3.70
Fong Kin Wui	3,664,333	-	3.48
Fong Kin Voon	99,400	3,459,000 †	3.38
Hartlane Enterprise	3,467,000	-	3.29
Contend Investments Ltd	3,298,000	-	3.13
Chan Saik Chuen	453,500	2,133,400 @	2.46
Vun Yun Lau @ Vun Yun Liew	2,147,000	-	2.03

Notes

* Deemed interest through Santraprise Sdn Bhd

\# Deemed interest through Seah Tee Sui Sdn Bhd and Khai Leang Sdn Bhd

† Deemed interest through Far Concepts Sdn Bhd

@ Deemed interest through Chan Saik Chuen Sdn Bhd

KRETAM HOLDINGS BERHAD
(Company No : 168285-H)

Form of Proxy

NO. OF ORDINARY SHARES HELD

I/We _____

of _____

Being a Member/Members of the above-named Company, hereby appoint _____

_____

of _____

or failing him _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at the Company's Registered Office at Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah on Friday, 22 June 2001 at 10.30 a.m. or at any adjournment thereof.

I/We direct my/our proxy to vote for or against the Resolutions to be proposed at the Meeting as hereinunder indicated:-

NO.	RESOLUTION	FOR	AGAINST
1.	**ORDINARY RESOLUTIONS** To receive and adopt the Directors' Report and Accounts for the year ended 31 December 2000		
2.	To re-appoint Mr Keith Reginald Dance in accordance with Section 129 of the Companies Act, 1965		
3.	To re-elect the following Directors who retire by rotation in accordance with Article 80 of the Company's Articles of Association:- a) Mr Richard Christopher Barnes		
	b) Mr Wong Len Kee		
4.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration		
5.	**As Special Business** To empower the Directors to issue new shares up to 10% of the issued and paid-up capital of the Company pursuant to Section 132D of the Companies Act, 1965		

(Please indicate with an "X" in the appropriate box against each resolution how you wish your proxy to vote. If this form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.)

Dated this _____ day of _____ 2001

_____
Signature(s) of Member(s)

NOTES:-

a) A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy or an attorney to attend and vote instead.

b) A proxy or an attorney need not be a member of the Company.

c) The form of proxy or power of attorney if executed by a corporation must be executed under common seal.

d) The instrument appointing a proxy or a power of attorney must be deposited at the Registered Office of the Company at Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah not less than 48 hours before the time set for the meeting or any adjournment thereof.

e) The proposed Ordinary Resolution No.5 if passed will empower the Directors to issue shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being, for such purposes as the Directors consider would be in the interest of the Company. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

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STAMP

KRETAM HOLDINGS BERHAD

Lot 6, Block 44,

Leboh Tiga, 90000 Sandakan

Sabah