

ANNUAL REPORT 2001**CONTENTS**

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the FOURTEENTH 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, 28 June 2002 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 2001 and the Reports of the Directors and Auditors thereon.
2. To re-elect the following Director retiring by rotation in accordance with Article 80 of the Company's Articles of Association:-
 - (a) Lim Nyuk Sang @ Freddy Lim
3. To re-elect the following Directors retiring in accordance with Article 86 of the Company's Articles of Association:-
 - (a) Lim Kun Kim
 - (b) Dr Beatrice Ming Baikan @ Berniedetta
4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

As Special Business

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

5. ORDINARY RESOLUTION
Section 132D

"THAT subject always to the Companies Act, 1965 ("Act"), 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 Act, 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. ORDINARY RESOLUTION

Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

" THAT subject to compliance with all applicable laws, regulations and guidelines, a mandate be and is hereby given to the Company and its subsidiaries to enter into recurrent transactions of a revenue or trading nature with related parties, which are necessary for the day to day operations and not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders as set out in Appendix I of the Annual Report and that authority conferred by this resolution shall commence immediately upon the passing of this resolution;

AND THAT such mandate shall continue in force until:-

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at

which time it will lapse, unless by a resolution passed at that meeting, the authority is renewed;

(b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in an AGM or Extraordinary General Meeting;

whichever is the earlier

AND THAT the breakdown of the aggregate value of the recurrent related party transactions made during the financial year will be disclosed in the Company's Annual Report based on the following information:-

(a) the type of the recurrent related party transactions made; and

(b) the names of the related parties involved in each type of the recurrent related party transactions made and their relationship with the Company.”

7. To transact any other business of the Company of which due notice has been given to the Company.

By Order of the Board

NALINI SINGAM
Secretary (LS005833)

Kuala Lumpur
6 June 2002

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.*
- f) *For item 6, further information on the Proposed Renewal of Recurrent Related Party Transactions Mandate is set out in the Appendix I attached to the Annual Report 2001 of the Company.*

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING OF THE COMPANY

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF THE KUALA LUMPUR STOCK EXCHANGE

1. Directors who are standing for re-election at the Fourteenth Annual General Meeting of the Company are as follows:-

- (i) Lim Nyuk Sang @ Freddy Lim
- (ii) Lim Kun Kim
- (iii) Dr Beatrice Ming Baikan @ Berniedetta

2. Details of attendance of the Directors at Board Meetings

There were four (4) Board of Directors' Meetings held at Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah during the financial year ended 31 December 2001. The date and time of meetings were as follows:-

Date of Meeting	Time
23 April 2001	11.00 a.m
22 June 2001	10.50 a.m
17 August 2001	11.00 a.m
12 December 2001	11.25 a.m

Details of Directors at the Board Meetings are as follows:

Name	Attendance
Seah Sen Leang	4 of 4
Lim Nyuk Sang @ Freddy Lim	4 of 4
Fong King Fun	3 of 4
Richard Christopher Barnes	3 of 4
Wong Len Kee (<i>resigned on 12 December 2001</i>)	4 of 4
Keith Reginald Dance (<i>resigned on 12 December 2001</i>)	4 of 4
Nikmat Abdullah (<i>resigned on 28 September 2001</i>)	2 of 3
Chan Saik Chuen (<i>resigned on 13 December 2001</i>)	3 of 4
Lim Kun Kim (<i>appointed on 23 November 2001</i>)	1 of 1
Dr Beatrice Ming Baikan @ Berniedetta (<i>appointed on 12 December 2001</i>)	1 of 1

3. Details of Directors who are standing for re-election are as follows:-

a) Name	:	LIM NYUK SANG @ FREDDY LIM
Age	:	50
Nationality	:	Malaysian
Qualification	:	School Certificate (Cambridge)
Position in Company	:	Chief Executive Officer / Non-Independent Executive Director
Working experience and occupation	:	He was appointed to the Board of Directors of Kretam Holdings Berhad on 10 December 1998 and is currently the Chief Executive Officer. He has been involved in the plantation business and the timber industry for approximately 27 years.
Other directorships of public companies	:	Sabah Softwoods Bhd
Securities holdings in Kretam Holdings Berhad and its subsidiaries (as at 31/12/2001)	:	6,883,000 shares (direct) and 2,100,000 shares (indirect)
Family relationship with any Director and/or major shareholder of Kretam Holdings Berhad	:	None
Any conflict of interest that the Director has with Kretam Holdings Berhad	:	None
List of convictions for offences within the past 10 years other than traffic offences, if any	:	None
b) Name	:	LIM KUN KIM
Age	:	41
Nationality	:	Malaysian
Qualification	:	Chartered Accountant Member of Malaysian Institute of Accountants (MIA) and Malaysian Association of Certified Public Accountants (MACPA)
Position in Company	:	Independent Non-Executive Director
Working experience and occupation	:	She was appointed to the Board of Directors of Kretam Holdings Berhad on 23 November 2001. Prior to setting up her own public accounting practice, she was the Assistant Accountant and later the Group Accountant cum Company Secretary of Kretam Holdings Berhad from 1989 to 1996.

Other directorships of public companies : None

Securities holdings in Kretam Holdings Berhad and its subsidiaries (as at 31/12/2001) : 2,000 shares (direct)

Family relationship with any Director and/or major shareholder of Kretam Holdings Berhad : None

Any conflict of interest that the Director has with Kretam Holdings Berhad : None

List of convictions for offences within the past 10 years other than traffic offences, if any : None

c) Name	: DR BEATRICE MING BAIKAN @ BERNIEDETTA
Age	: 44
Nationality	: Malaysian
Qualification	: Post Doctorate in Molecular Biology; Doctorate in Turfgrass Environmental Science; Masters of Science Degree in Agribusiness Economics; Bachelor of Science (Honours) Degree in Agronomy & Agricultural Economics
Position in Company	: Independent Non-Executive Director
Working experience and occupation	: She was appointed to the Board of Directors of Kretam Holdings Berhad on 12 December 2001. She is the Managing Consultant for Sustainable Environmental Management Consultants.
Other directorships of public companies	: None
Securities holdings in Kretam Holdings Berhad and its subsidiaries (as at 31/12/2001)	: None
Family relationship with any Director and/or major shareholder of Kretam Holdings Berhad	: None
Any conflict of interest that the Director has with Kretam Holdings Berhad	: None
List of convictions for offences within the past 10 years other than traffic offences, if any	: None

APPENDIX I

PROPOSED RENEWAL OF RECURRENT RELATED PARTY TRANSACTIONS

The nature of transactions which will be entered into and contemplated between the Company and/or its subsidiaries and the methods or procedures on which the transaction prices are determined are as follows:-

	NATURE OF TRANSACTION/ ESTIMATION OF AGGREGATE VALUE	RELATED PARTY	NATURE OF RELATIONSHIP	METHODS ON WHICH TRANSACTION PRICES ARE DETERMINED
1	a) Purchase of Fresh Fruit Bunches ("FFB") by Syarikat Kretam Mill Sdn Bhd ("SKMSB") amounting to RM500,000	Allok Sdn Bhd } Pyon Estate Sdn } Bhd } Quality Estate } (Sabah) Sdn Bhd }	Fong King Fun is a Director and major shareholder Fong King Fun is a partner Fong King Fun is also a Director of Kretam	Based on prevailing commodity prices
	b) Purchase of FFB by SKMSB amounting to RM150,000	Malsa Corporation Sdn Bhd	Lim Nyuk Sang @ Freddy Lim is a Director and major shareholder Lim Nyuk Sang @ Freddy Lim is both a Director and major shareholder of Kretam	Based on prevailing commodity prices
	c) Purchase of FFB by SKMSB amounting to RM250,000	Abedon Sdn Bhd	Lim Nyuk Sang @ Freddy Lim is a Director and major shareholder	Based on prevailing commodity prices
2	Sale of FFB from Kretam and/or its plantation subsidiaries amounting to RM150,000	Malsa Corporation Sdn Bhd	As disclosed in 1 (b) above	Based on prevailing commodity prices
3	Sale of FFB from Kretam and/or its plantation subsidiaries amounting to RM150,000	Abedon Sdn Bhd	As disclosed in 1 (c) above	Based on prevailing commodity prices

CORPORATE INFORMATION

BOARD OF DIRECTORS

- **Seah Sen Leang**
Chairman
Non-Independent, Executive Director
- **Lim Nyuk Sang @ Freddy Lim**
Chief Executive Officer
Non-Independent, Executive Director
- **Fong King Fun**
Non-Independent, Executive Director
- **Richard Christopher Barnes**
Chairman of Remuneration Committee
Non-Independent, Non-Executive Director
- **Lim Kun Kim**
Chairman of Audit Committee
and Nomination Committee
Independent, Non-Executive Director
- **Dr Beatrice Ming Baikan @ Berniedetta**
Independent, Non-Executive Director

EXECUTIVE COMMITTEE

Seah Sen Leang - *Chairman*
Lim Nyuk Sang @ Freddy Lim
Fong King Fun

AUDIT COMMITTEE & NOMINATION COMMITTEE

Lim Kun Kim - *Chairman*
Dr Beatrice Ming Baikan @ Berniedetta
Richard Christopher Barnes

REMUNERATION COMMITTEE

Richard Christopher Barnes - *Chairman*
Lim Kun Kim
Lim Nyuk Sang @ Freddy Lim

SECRETARY

Nalini Saraswathy Singam (LS005833)

REGISTERED OFFICE

Lot 6, Block 44, Leboh Tiga
90000 Sandakan, Sabah
Tel: 089-218999
Fax: 089-275111

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

Shelley Yap, Leong, Tseu, Chong, Chia & Co
5th Floor, Wisma Pendidikan
Jalan Padang
88000 Kota Kinabalu
Sabah

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
- Mayban Finance 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

PROFILE OF DIRECTORS

The profiles of the Directors of KHB, whereby one third of the directors are Independent, are as follows:-

SEAH SEN LEANG

Seah Sen Leang, Malaysian, aged 47, is the Chairman and a Non-Independent, Executive Director of KHB and is the Chairman of the Executive Committee. He was appointed to the Board of Directors of KHB on 27 June 1988. He obtained a Bachelor of Science (Honours) degree in Computer Science from the University of Manchester, United Kingdom in 1976. He was a Systems Analyst for the Sabah State Government from 1976 to 1980. In 1980, he joined Syarikat Kretam (Far East) Holdings Sdn. Bhd. as the EDP Manager and was appointed to the Board of Directors of Kretam Management Sdn. Bhd. in 1986. He also sits on the Board of Directors of several private companies. He does not hold any directorship position in any other public companies.

Seah Sen Leang does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten years.

Seah Sen Leang attended all the four Board Meetings of the Company held in the financial year ended 31 December 2001.

LIM NYUK SANG @ FREDDY LIM

Lim Nyuk Sang @ Freddy Lim, Malaysian, aged 50, is the Chief Executive Officer, a Non-Independent, Executive Director of KHB and a member of the Executive Committee and Remuneration Committee. He was appointed to the Board of Directors of KHB on 10 December 1998. He has been involved in the plantation business and the timber industry for approximately 27 years. He has interests in private companies which are involved in oil palm plantation and sawmilling operations. He also sits on the Board of Directors of Sabah

Softwoods Bhd and several private companies.

Lim Nyuk Sang @ Freddy Lim does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten years.

Lim Nyuk Sang @ Freddy Lim attended all the four Board Meetings of the Company held in the financial year ended 31 December 2001.

FONG KING FUN

Fong King Fun, Malaysian, aged 48, is a Non-Independent, Executive Director of KHB and a member of the Executive Committee. He was appointed to the Board of Directors of KHB on 27 April 2000. He has more than 20 years' experience in the oil palm business and also has vast exposure in the properties business. He sits on the Board of Directors of several private companies. He does not hold any directorship position in any other public companies.

Fong King Fun does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten years.

Of the four Board Meetings of the Company held in the financial year ended 31 December 2001, Fong King Fun attended all except for one for which he had extended his apologies.

RICHARD CHRISTOPHER BARNES

Richard Christopher Barnes, Malaysian, aged 49, is a Non-Independent, Non-Executive Director of KHB. He was appointed to the Board of Directors

of KHB on 29 September 1998 and is currently a member of the Audit Committee and Nomination Committee and Chairman of Remuneration Committee of KHB. He holds a Bachelor of Law (Second Class Honours) degree from the University of London, United Kingdom and is a practising partner of Messrs. Shelley Yap, Leong, Tseu, Chong, Chia & Company. He also sits on the Board of Directors of several subsidiaries of KHB. He does not hold any directorship position in any other public companies.

Richard Christopher Barnes does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten years.

Of the four Board Meetings of the Company held in the financial year ended 31 December 2001, Richard Christopher Barnes attended all except for one for which he had extended his apologies.

LIM KUN KIM

Lim Kun Kim, Malaysian, aged 41, is an Independent, Non-Executive Director of KHB. She was appointed to the Board of Directors of KHB on 23 November 2001 and is currently the Chairman of the Audit Committee and Nomination Committee of KHB as well as a member of the Remuneration Committee. She is a Chartered Accountant, a member of the Malaysian Institute of Accountants and the Malaysian Association of Certified Public Accountants. Prior to setting up her own public accounting practice, she was the Assistant Accountant and later the Group Accountant cum Company Secretary of KHB from 1989 to 1996. She does not hold any directorship position in any other public companies.

Lim Kun Kim does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has had no convictions for offences within the past ten years.

Of the four Board Meetings of the Company held in the financial year ended 31 December 2001, Lim Kun Kim attended only the final Board meeting for the year since she was only appointed on 23 November 2001.

DR BEATRICE MING BAIKAN @ BERNIEDETTA

Dr Beatrice Ming Baikan @ Berniedetta, Malaysian, aged 44, is an Independent, Non-Executive Director of KHB. She was appointed to the Board of Directors of KHB on 12 December 2001 and is currently a member of the Audit Committee and Nomination Committee of KHB. She holds a Doctorate in Turfgrass Environmental Science, a Masters of Science Degree in Agribusiness Economics, Bachelor of Science (Honours) Degree in Agronomy & Agricultural Economics and a Post Doctorate in Molecular Biology. She is the Managing Director for Sustainable Environmental Management Consultants. She does not hold any directorship position in any other public companies.

Dr Beatrice Ming Baikan @ Berniedetta does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has had no convictions for offences within the past ten years.

Of the four Board Meetings of the Company held in the financial year ended 31 December 2001, Dr Beatrice Ming Baikan @ Berniedetta attended only the final Board meeting for the year since she was only appointed on 12 December 2001.

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS' COMMITMENT

The Board of Directors of Kretam Holdings Berhad ("Kretam") welcomes the guidance given by the Malaysian Code on Corporate Governance ("Code") by clarifying its responsibilities to enhance and strengthen the controls exercised by the Board. The Board is aware that good corporate governance rests with the Directors and will endeavour to continuously address Kretam's corporate governance needs with regards to the spirit of the Code through greater transparency, accountability and better corporate performance.

The Board is pleased to provide the following statement, which outlines the main corporate governance practices that were in place throughout the financial year, unless otherwise stated:

COMPLIANCE STATEMENT

The Group has complied throughout the year ended 31 December 2001 with all the best practices of corporate governance set out in Part 2 of the Code except for the following:-

Best practice provision	Details	Compliance period
AA III	Independent Non-Executive Directors need to make up one third of the membership of the Board	From 12 December 2001 to 31 December 2001
AA VIII & IX	Nomination Committee	From 12 December 2001 to 31 December 2001
AA XXIV	Remuneration Committee	From 12 December 2001 to 31 December 2001
BB I	The Audit Committee: At least three directors, a majority of whom are independent	From 12 December 2001 to 31 December 2001

The Group has not complied with the best practices of the Code set out in the schedule below throughout the year with reasons for non-compliance specified.

Best practice provision	Details	Reason for non-compliance
AAI & DII	Formal enterprise risk management framework	<p>The Company did not have a formal enterprise risk management framework during the year due to insufficient manpower and funding. Resources had been channelled to restructure the Group.</p> <p>The Board will review and comply with this provision in 2002.</p>
AAVII	Nomination of a Senior Independent Non-Executive Director	<p>Given the current composition of the Board, in particular the strong and independent element and the separation of the roles of Chairman and Chief Executive Officer, the Board does not consider it necessary to nominate a recognised Senior Independent Non-Executive Director other than the Chairman.</p> <p>The Board will however comply in the future if there is a change to the current arrangement.</p>
AAXIII	Each new recruit to the Board should be provided with an orientation and education programme	<p>The Company does not have a formal training programme for its new Directors as it is the Company's policy to appoint to the Board individuals of sufficient calibre and experience necessary to carry out the necessary duties of a Director.</p> <p>The Board is mindful of the Code in this regard and will review the necessity for formal training from time to time.</p>
BB VII & VIII	Establish Internal Audit function	Established in January 2002.

PRINCIPLES STATEMENT

The Board of Directors have set out below how the Group has applied the principles in Part I of the Code.

The principles are dealt with under the following headings:

- A. Board of Directors
- B. Directors' Remuneration
- C. Investor Relations and Communication with Shareholders
- D. Accountability and Audit

BOARD OF DIRECTORS

Board responsibilities

The newly structured Board of Directors will discharge their duties based on the following responsibilities to enhance long-term shareholder value:-

- Strategic planning for the group
- To oversee the conduct of the Group's business and its management
- Identifying principal risks and instituting risk management
- Implementing shareholders communication policy
- Succession planning for senior management
- Reviewing adequacy of internal control system, management information system and compliance systems

The Board has a schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure projects, consideration of significant financial matters and it reviews the financial and operating performance of the Group. The schedule ensures that the governance of the Group is the sole preserve of the Board.

Board Balance

The Board currently has six (6) members as at the date of this statement. They comprise three (3) Executive Directors and (3) Non-Executive Directors with two (2) of the Non-Executive Directors being Independent. The Non-Executive Directors are persons of calibre, credibility and have the necessary skills and experience to bring an independent judgement to bear on issues of strategy, performance and resources including key appointments and standards of conduct.

On 12 December 2001, the board composition included the appointments of Lim Kun Kim and Dr Beatrice Ming Baikan @ Berniedetta as Independent Directors based on the criteria defined in Section 1.01 of the Kuala Lumpur Stock Exchange Listing Requirements ("KLR"). Hence, the composition complies with the KLR as well as the Code that require a minimum of one-third of the Board to be Independent Directors.

The Directors, with their different backgrounds and experience, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, legal affairs and operations. The Executive Directors are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as developing and implementing business and corporate strategies. The Independent Non-Executive Directors bring objective and independent judgement to the decision making process of the Board and

provide a capable check and balance for the Executive Directors. The Non-Executive Directors contribute significantly in areas such as compliance, performance monitoring, allocation of resources as well as improving governance and controls. Together with the Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

There is a clear division of responsibility between the Chairman and Chief Executive Officer to ensure a balance of power and authority.

The Board together with the Chief Executive Officer have developed Limits of Authority Schedules for themselves involving definition of limits to management's responsibilities. The Board has also approved and developed with the Chief Executive Officer, the corporate objectives which the Chief Executive Officer is responsible for meeting. The Chief Executive Officer is responsible for the day to day management of the business as well as the implementation of Board's policies and decisions. The Chairman is responsible for running of the Board and ensures that all Directors receive sufficient relevant information on the financial and non-financial matters to enable them to participate actively in Board decisions.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders in the Company.

Meetings

The Board has at least four (4) regularly scheduled meetings annually, with additional meetings for particular matters convened as and when necessary.

During the financial year ended 31 December 2001, four (4) Board Meetings were held. The matters considered were the Group's financial results, strategic decisions, business plan and direction, including the restructuring of the Group.

The Board receives documents and information on matters that requires its due attention and consideration in advance, usually a week prior to each meeting. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting.

All Directors have also unrestricted access to the advice and services of the Company Secretary.

The following is the record of attendance of the Board Members during the year ended 31 December 2001:-

Executive Directors	Number of meetings attended
Seah Sen Leang	4 of 4
Lim Nyuk Sang	4 of 4
Fong King Fun	3 of 4

Non-Executive Directors	Number of meetings attended
Richard Christopher Barnes	3 of 4
Wong Len Kee (<i>resigned, 12 December 2001</i>)	4 of 4
Keith Reginald Dance (<i>resigned, 12 December 2001</i>)	4 of 4
Nikmat Abdullah (<i>resigned, 28 September 2001</i>)	2 of 3
Chan Saik Chuen (<i>resigned, 13 December 2001</i>)	3 of 4
Lim Kun Kim (<i>appointed, 23 November 2001</i>)	1 of 1
Dr Beatrice Ming Baikan @ Berniedetta (<i>appointed, 12 December 2001</i>)	1 of 1

Lim Kun Kim and Dr Beatrice Ming Baikan @ Berniedetta were appointed on 23 November 2001 and on 12 December 2001 respectively as Independent Directors to comply with the KLR.

Board Committees

The Board delegates certain responsibilities to the Board Committees, namely Executive Committee, Audit Committee, Nomination Committee and Remuneration Committee. All Committees have their respective Terms of Reference and their own parameters of authority to act on behalf of the Board.

The Nomination Committee and Remuneration Committee were established on 12 December 2001 to assist the Board in execution of its duties and responsibilities.

The Board Committees are as follows:

(a) **Executive Committee (“Exco”)**

The members as at the date of this statement are as follows:

Seah Sen Leang - *Chairman*
Lim Nyuk Sang @ Freddy Lim
Fong King Fun

The Terms of Reference of this committee is to undertake task specifically assigned to it by the Board of Directors and the Exco shall be vested with the same powers and authority in respect of management, control, and direction of the Company as the Board of Directors save as provided below:

- 1) any investment which is in excess of 30% of the total issued and paid up Share Capital or such higher amount as the Board of Directors shall decide from time to time; and
- 2) any matter which may not by law be delegated by the Board of Directors, or which would cause the Board of Directors to be in breach of any duty.

(b) Audit Committee

The details of the Audit Committee is set out in Audit Committee Report on pages 23 to 26.

(c) Nomination Committee

The members of the Nomination Committee are as follows :

Lim Kun Kim - *Chairman, Independent Director*

Dr Beatrice Ming Baikan @ Berniedetta - *Independent Director*

Richard Christopher Barnes - *Non Independent, Non-Executive Director*

This Committee comprises exclusively of Non-Executive Directors, a majority of whom are Independent.

The Nomination Committee was formed to:-

- Recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board
- Consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder.
- Recommend to the Board, Directors to fill the seats on Board Committees.

The Board acknowledges that the actual decision as to who shall be nominated should be the responsibility of the full Board after considering the recommendations of the Committee.

Formed on 12 December 2001, the Nomination Committee will only begin to meet in 2002 and is intending to adhere and undertake the following:

- Annually review its required mix of skill and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board.
- Implement a process annually to assess the effectiveness of the Board as a whole, the Committees of the Board and assessing the contributions of each individual Director.

The Company Secretary has been entrusted to ensure that all appointments are properly made, and that all necessary information is obtained from Directors, both for the Company's own records and for the purpose of meeting statutory obligations, listing obligations, legal and other regulatory requirements. The Board of Kretam is mindful to examine its size and composition, with a view to determine the impact of the number and its effective functioning.

(d) Remuneration Committee

The details of the Remuneration Committee is set out in the Directors' Remuneration section on page 18.

Directors' Training

The Board through the Nomination Committee ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfill the duties of a Director. There is no formal training programme for the Directors. However, during the financial year, some directors have successfully completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RIIAM). The Directors and any new appointees will continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

Re-election

In accordance with the Company's Articles of Association, all Directors including the Chief Executive Officer shall retire from office at least once every three (3) years but shall be eligible for re-election. This is to provide an avenue for shareholders to review the mandate given to the Directors.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act 1965.

Supply of information

The Board is supplied in a timely fashion with information in a form and quality appropriate to enable it to discharge its duties. The information currently considered were historical (i.e statistics and production reports) or bottom line and financial-oriented. It is intended to include performance factors such as industry review and market share in the future. The Chairman undertakes the primary responsibility for organising information necessary for the Board to deal with the agenda and for providing this information to Directors on a timely basis. Additionally, the Directors have access to all information within the Company as a full board or as individual capacity in the furtherance of their duties.

Prior to meetings of the Board and the Board Committees, Board papers which include the agenda and reports relevant to the issues of the meetings covering areas of strategic, financial, operational and regulatory compliance matters, are circulated to all the Directors. These Board papers are issued at least one week in advance to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

The agendas and reports, amongst others, at the Board level include:-

- Quarterly Financial Results
- Latest statutory and non-statutory regulations and requirements
- Management reports
- Budget, plans and performance reports
- Operational and financial and non-financial matters

The Directors meet, review and approve all corporate announcements, including the announcement of the quarterly financial results, prior to releasing them to the KLSE.

The Directors, whether as full Board or in their individual capacity, in furtherance of their duties have access to obtain independent professional advice at the Company's expense when necessary. The Company Secretary had in the past carried out the duties that they entailed in a very capable manner and will continue to be a strong and positive support to the Board. The terms of appointment and removal of the Company Secretary

is a matter for the Board as a whole. The Board also recognises the importance of positive support from the Company Secretary in ensuring the effective functioning of the Board.

DIRECTORS' REMUNERATION

Remuneration Committee

The members of the Remuneration Committee are as follows:-

Richard Christopher Barnes - *Chairman, Non-Independent, Non-Executive Director*

Lim Kun Kim - *Independent, Non-Executive Director*

Lim Nyuk Sang @ Freddy Lim - *Non-Independent, Executive Director*

Majority of the Committee consists of Non -Executive Directors.

The Remuneration Committee is responsible for recommending the remuneration framework for Directors and remuneration packages of Executive Directors to the Board. The Executive Directors do not participate in determining their individual remuneration.

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

The Remuneration Committee provides remuneration packages which are sufficient and necessary to attract, retain and motivate Directors to run the Company. The remuneration of Executive Directors is linked to performance while the remuneration of Non-Executives is linked to their experience and level of responsibilities undertaken. Remuneration practices of comparable companies are taken into consideration in determining the respective remuneration packages.

The Remuneration Committee will only be meeting in 2002 in view of its inception in late 2001.

The remuneration of Directors of the Company comprising remuneration received from the Company and subsidiary companies during the financial year ended 31 December 2001 are as follows:-

- 1) Aggregate remuneration of Directors who served during the financial year categorised into appropriate components:-

Category	Basic Salary RM'000	Fees RM'000	Bonus RM'000	Benefits In Kind RM'000	Allowance RM'000	Total RM'000
Executive Directors	806	-	34	-	-	840
Non-Executive Directors	389	-	16	-	-	405

- 2) Number of Directors who served during the financial year whose remuneration falls in the following bands:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	-
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	1
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	1	1
RM300,001 to RM550,000	-	-
RM550,001 to RM600,000	1	-

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board has always recognised the importance of communicating effectively with its shareholders and the public. This is communicated through:

- 1) The Group's Annual Report and circulars to shareholders;
- 2) Timely Quarterly Results announcement and other announcements to the regulatory authorities namely the Kuala Lumpur Stock Exchange and the Securities Commission;
- 3) KLSE Link, whereby queries from the Exchange are addressed in a timely manner; and
- 4) Dialogue with shareholders at the AGM and other general meetings.

It has also been the practice to send notice of the AGM and related documents/papers to shareholders at least twenty-one (21) days before the meeting. At the AGM, the shareholders are encouraged to ask questions both about the resolution being proposed or about the Group's operations in general. The Chairman will undertake to furnish the shareholders with a written answer after the AGM when it is not possible to provide immediate answers to queries raised. The Chairman of the Board also addresses the shareholders on the review of the Group's operations for the financial year and outlines the prospects of the Group for the subsequent financial year.

In an effort to provide as much information to shareholders, the Company is mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Board presents a balanced and understandable assessment of the Group's position and prospects through its Quarterly Results announcement and Annual Report.

(b) Directors' Responsibility Statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their profit or loss and cashflows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors also have a general responsibility for taking such reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

(c) Internal Control

The Board maintains a sound system of internal control to safeguard shareholders' investment and the Company's assets. The Board is ultimately responsible for the Group's system of internal control and therefore uses a risk based approach, which is designed to manage rather than eliminate risk, to achieve corporate objectives. This includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. The Board is receptive to the enterprise risk management framework and will take on board the internal control guidance following the publication of the Statement on Internal Control : Guidance for Directors of Public Listed Companies. In January 2002, the Group has outsourced the internal audit functions to Messrs KPMG.

The Audit Committee reviews the risk monitoring and compliance procedures, ensuring that an appropriate mix of techniques is used to obtain the level of assurance required by the Board. The Audit Committee presents its findings to the Board on a quarterly basis or earlier as appropriate.

(d) Relationship with the Auditors

The Board has established a formal and transparent arrangement through the Audit Committee. This is to maintain an appropriate relationship with the Group's auditors, both external and internal.

An Audit Committee Report and the terms of reference are set out on pages 23 to 26

ADDITIONAL COMPLIANCE INFORMATION

To comply with the KLR, the following additional information is provided:-

(i) Share Buybacks

During the financial year, there was no share buyback by the Company.

(ii) Options, warrants or convertible securities

During the financial year, there were no options, warrants or convertible securities issued.

(iii) American Deposit Receipt (ADR) or Global Deposit Receipt (GDR) programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

(iv) Imposition of sanctions/penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant authorities.

(v) Non-audit fees

There were no non-audit fees paid to the external auditors for the financial year.

(vi) Profit estimate, forecast or projection

No variance arose between the results for the financial year and the unaudited results previously announced. There was no profit estimate, forecast or projection for the financial year ended 31 December 2001.

(vii) Profit guarantee

No profit guarantee was given by the Company in respect of the financial year.

(viii) Material contracts

Material contracts entered into by the Company ("the Borrower") involving Directors and major shareholders ("the Lenders") still subsisting at the end of financial year ended 2001 are as follows:-

Date of Loan Agreement	The Lenders	Principal Amount Borrowed (RM)
25.02.2000	Fong King Fun	5,500,000
14.04.2000	Lim Nyuk Sang @ Freddy Lim	10,000,000
14.04.2000	Santraprise Sdn Bhd	2,500,000
19.06.2000	Santraprise Sdn Bhd	500,000
26.04.2000	Seah Sen Leang	3,000,000
11.05.2000	Seah Sen Leang	1,000,000
26.04.2000	Khai Leang Sdn Bhd	2,000,000
26.04.2000	Seah Tee Sui Sdn Bhd	2,000,000

- 1) The purpose of the said Loans was to finance the additional capitalisation in Innosabah Securities Berhad pursuant to its Workout Proposal
- 2) The Lenders are all Directors/major shareholders of the Borrower
- 3) The interest rate is at 9.75% per annum
- 4) The security provided is a second charge on approximately 20,000 acres of plantation land in Tawau upon issuance of title deed
- 5) The said Loans would be restructured pursuant to the Debt Restructuring Scheme undertaken by the Company

(ix) Recurrent related party transactions

As announced on 30 January 2002, an Extraordinary General Meeting was convened to inter alia pass an ordinary resolution to procure a general mandate from the shareholders for recurrent related party transactions of a revenue or trading nature.

The details of the related party transactions are set out in Note 38 of the Financial Statements.

(x) Revaluation of landed properties

The Company does not have a revaluation policy on landed properties.

(xi) Utilisation of Proceeds

This was not applicable during the financial year.

AUDIT COMMITTEE REPORT

The Audit Committee was originally established on 4 January 1994. During the financial year ended 31 December 2001, there were changes in the composition of the Committee and its Terms of Reference in compliance with the new Kuala Lumpur Stock Exchange Listing Requirements (“KLR”) and the Malaysian Code on Corporate Governance (“the Code”).

COMPOSITION OF AUDIT COMMITTEE

The members of the Audit Committee as at the date of this report are as follows:-

- Chairman : Lim Kun Kim
 - *(Independent, Non-Executive Director, MIA Member)*
- Members : Dr Beatrice Ming Baikan @ Berniedetta
 - *(Independent, Non-Executive Director)*
 : Richard Christopher Barnes
 - *(Non-Independent, Non-Executive Director)*

TERMS OF REFERENCE

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 KLR and the Code.

Membership

2. The Audit Committee shall consist not less than three (3) members. A majority of the Audit Committee must be independent directors.
3. At least one member of the audit committee must be a member of the Malaysian Institute of Accountants or someone who must have 3 years' experience and qualified as specified in Part I and Part II of the 1st Schedule of the Accountants Act 1967.

No member of the Committee shall be:-

- a spouse, parent, brother, sister, son or adopted son, daughter or adopted daughter of a Non-Executive Director of the Company or any related corporation, or
- spouse of brother, sister, son or adopted son, daughter or adopted daughter of a Non-Executive Director of the Company or 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, or
- an alternate Director of the Board.

4. The members of the Committee shall select a Chairman from among their numbers who shall be an Independent Director.
5. 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.
6. The terms of office of Committee members shall be reviewed by the Board at least once every 3 years.

Authority

7. 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.

The Committee shall in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company shall also:-

- a) have the resources which are required to perform its duties
- b) have full and unrestricted access to any information pertaining to the Group
- c) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any)
- d) be able to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

Where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the KLR, the Audit Committee must promptly report such matter to the Kuala Lumpur Stock Exchange.

Functions

8. The functions of the Committee shall be to:-
- a) Review the following and report the same to the Board of Directors:-
 - i) with the external auditor, the audit plan;
 - ii) with the external auditor, his evaluation of the system of internal controls;
 - iii) with the external auditor, his audit report;
 - iv) the assistance given by the employees of the Group to the external auditor;

- v) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- vi) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- vii) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on changes in or implementation of major accounting policy changes, significant and unusual events and compliance with accounting standards and other legal requirements;
- viii) any related party transaction (including recurrent related party transaction of a revenue or trading nature) and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity and, to also ensure that transactions are on normal commercial terms and are not detrimental to the interests of the shareholders;
- ix) any letter of resignation from the external auditors of the Group;
- x) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment; and

- b) Recommend the nomination of a person or persons as external auditor.

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

Attendance At Meetings

9. In order to form a quorum for meetings of the Audit Committee, the majority of members present must be independent directors.
10. Other directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.
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 of the Audit Committee shall be decided by a majority of votes and a determination by a majority of members shall for all purposes be deemed a determination of the Audit Committee.
14. In the case of an equality of votes the Chairman of the meeting shall have a second or casting vote PROVIDED THAT where two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two members are competent to vote on the question at issue, shall not have a casting vote.
15. 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

16. The meetings shall be held not less than four (4) times a year. A member may at any time and the secretary shall on the requisition of a member summon a meeting of the Audit Committee.

Reporting Procedures

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

MEETINGS

The Committee held four (4) meetings during the financial year ended 31 December 2001. The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notice.

The attendance of the members at the Audit Committee meetings held is as follows:

Audit Committee Member	Number of meetings attended
Lim Kun Kim <i>(appointed as Chairman on 12 December 2001)</i>	1 of 1
Dr Beatrice Ming Baikan @ Berniedetta <i>(appointed on 12 December 2001)</i>	1 of 1
Richard Christopher Barnes	3 of 4
Wong Len Kee <i>(resigned on 12 December 2001)</i>	4 of 4
Keith Reginald Dance <i>(resigned on 12 December 2001)</i>	4 of 4

The Chief Financial Officer and General Manager of Finance were present by invitation in all the meetings. Representatives of the external auditors, Messrs Ernst & Young, also attended three meetings upon invitation.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The main activities undertaken by the Committee during the year were as follows:

- Reviewed the external auditors' scope of work and audit plans for the year prior to the commencement of the audit work.
- Reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response.
- Consideration and recommendation to the Board for approval of the audit fees payable to the external auditors.
- Recommended to the Board improvement opportunities in internal control, procedures and risk management.
- Met with the external auditors e.g. twice during the year without the presence of any executive Board member.
- Reviewed the annual report and the audited financial statements of the Company prior to submission to the Board for their consideration and approval. The review was to ensure that the audited financial statements were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable approved accounting standards approved by the Malaysian Accounting Standards Board (MASB).
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The review and discussions were conducted with the General Manager of Finance and Chief Financial Officer.
- Reviewed the related party transactions entered into by the Group.
- Reviewed the extent of the Group's compliance with the provisions set out under the Code for the purpose of preparing the Corporate Governance Statement pursuant to the KLR. Recommended to the Board action plans to address the identified gaps between the Group's existing corporate governance practices and the prescribed corporate governance principles and best practices under the Code.

INTERNAL AUDIT FUNCTION

During the financial year ended 31 December 2001, the Internal Audit function had not been formally set up. However, the Company has the following policies and procedures in place throughout the year:

- a) System documentation
- b) Segregation of duties; and
- c) Authorisation procedures

Similar control procedures have been designed to prevent or detect and correct any errors within the system. Control procedures, amongst others, include:

- approval and control documents;
- checking the arithmetical accuracy of the records;
- maintaining and reviewing control accounts and trial balances;
- reconciliations;
- comparing the results of cash, security and stock counts with accounting records;
- comparing internal data with external sources of information; and
- limiting direct physical access to assets and records

The Group outsourced its Internal Audit function to Messrs KPMG in January 2002.

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 2001.

OPERATIONAL REVIEW

The Group's turnover in 2001 increased by 3.26% to RM49 million from its turnover of RM47.5 million in the preceding year. The Group recorded a loss before tax of RM81.4 million in 2001 as compared to a loss of RM30.0 million in the previous year.

The Group's performance for the period declined over the previous year's mainly due to provision made for foreseeable losses amounting to RM49.1 million in respect of its property development project in Johor Bahru. However, the contribution from plantation division improved slightly due to higher production of fresh fruit bunches (FFB) and favourable commodity prices towards the end of the year.

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 2001.

RESTRUCTURING SCHEME

Towards the end of the year, the Company and one of its subsidiaries had defaulted on its interest payments for the revolving credit facilities and term loan granted by financial institutions. This prompted the management to seek a viable solution by negotiating with its lenders to restructure the Group borrowings totalling RM397,664,304 based on outstanding debt balances as at 30 September 2001. The total debts to be restructured include RM37,915,141 being loans and advances made by a group of shareholders pursuant to Innosabah Securities Berhad's Workout Proposal, resulting in

the successful upliftment of its trading restrictions.

On 5 October 2001 the proposed debt restructuring exercise of the Group was accepted under the purview of the Corporate Debt Restructuring Committee (CDRC). On 27 November 2001 the Standstill Agreements were entered into with the lenders to allow the Company and its subsidiaries to formulate a debt restructuring proposal together with the assistance of CDRC and the Creditors Steering Committee. The Company suffered a deficit in the adjusted shareholders' equity on a consolidated basis based on the unaudited financial statements for the quarter ended 31 December 2001. As a result, the Company was deemed an "affected listed issuer" pursuant to Practice Note 4/2001 issued by the Kuala Lumpur Stock Exchange. The Company made its First and Initial Announcement on 4 March 2002 and therefore the Company is obliged to announce a detailed plan to regularise its financial condition within 6 months from the date of the First Announcement. We are pleased that all parties concerned had worked expeditiously to successfully enter into a Debt Restructuring Agreement (DRA) which was announced on 5 April 2002. The Proposed Debt Restructuring is part of the Proposed Restructuring Scheme which will entail a proposed capital reconstruction and a proposed fund-raising exercise (i.e. "Proposed Rights Issue") and the submission to the relevant authorities is being prepared.

The proposed capital reconstruction involves the reduction of the existing issued and paid-up share capital of the Company of RM105,253,500 comprising 105,253,500 ordinary shares of RM1.00 each to RM52,626,750 comprising 105,253,500

ordinary shares of RM0.50 each, by way of cancellation of RM0.50 of the par value of each existing ordinary share in issue. The issued and paid-up share capital of the Company will be then consolidated, whereby every two ordinary shares of RM0.50 each shall constitute one ordinary share of RM1.00 each into 52,626,750 ordinary shares of RM1.00 each. Additionally, it is proposed that the entire balance of the share premium account of the Company of RM81,995,410 as at 31 December 2001, be utilised to set off against the accumulated losses of the Company.

The Proposed Rights Issue involves a renounceable rights issue of 26,313,375 new ordinary shares with detachable warrants on the basis of one new share and one warrant for every two shares held (after the Proposed Capital Reduction and Consolidation) at a proposed price of RM1.00 per share.

In view of the Proposed Restructuring Scheme, the Board aborted the previous Special and Rights Issues proposal submitted to the authorities in March 2000.

We believe that once the proposed debt restructuring and the fund-raising exercises are implemented, the Group will be in a better financial position to continue its efforts to expand its plantation business.

OUTLOOK FOR THE FUTURE

The Group is currently looking at a rationalisation process within a time frame of 2 years whereby the plantation sector will be the Group's main core business and the other non-core sectors will be disposed of. This will make the Group more focussed on its core business and will therefore be able to consolidate its position in the plantation sector for

the future. This will also enable the Group to capitalise on its plantation revenue which has proven to be resilient despite being affected by market and weather conditions.

Oil Palm sector

Cultivation of oil palm plantations and palm oil processing will continue to be the core business of the Group.

KHB Group's plantations comprise 9,601.55 hectares of developed oil palm estates in the Districts of Sandakan and Kinabatangan, Sabah, which had been planted/replanted since 1980, and a recently acquired parcel of plantation land of 8,090 hectares located at Sg. Silimponon in the District of Tawau, Sabah, where clearing work and planting of oil palms are in progress. The plantation division also has a palm oil mill which processes FFB harvested from its Sandakan and Kinabatangan estates. The palm oil mill is capable of processing 60 tonnes of FFB per hour.

The plantation division of KHB Group has been operating profitably for more than a decade despite the wide fluctuations in commodity prices. The recent adverse fluctuation saw CPO prices plummeting to one of its lowest level of RM695 per tonne in February 2001. CPO prices stayed, on average, below RM1,000 per tonne in 2001. In view of its past performance records, the estates will continue to flourish, assuming reasonable weather conditions, adequate labour, a prudent replanting policy, generally healthy state of the economy and no sudden changes to other factors affecting the palm oil industry.

As at the date hereof, approximately 1,500 hectares of the Sg. Silimpocon plantation land have been cleared of which 600 hectares have been planted with oil palms by KHB Group. For the immediate future, the Group plans to continue development and cultivation of oil palms over the remaining plantable areas of the Sg. Silimpocon plantation land.

The development of the additional plantation land at Sg. Silimpocon will strengthen KHB Group's plantation base and improve the plantation division's profitability in the future as maturing oil palms come into bearing.

Stockbroking sector

The stockbroking industry which is in the consolidation phase will provide the catalyst in serving investors' needs and therefore instilling greater confidence in the stockbroking sector.

The Group had been actively taking measures to heed the call by the authorities to merge the local stockbroking industry. The Company, in its effort to rationalise, had entered into an agreement with Olympia Industries Berhad ("OIB") on 9 November 2001 to dispose of the assets and business undertaking of Innosabah Securities Berhad to Jupiter Securities Berhad, a subsidiary of OIB. The disposal is pending the completion of OIB's restructuring exercise.

Property development sector

The "Pandan Place" property development project in Johor Bahru is still caught in the property overhang situation which is affecting the economy generally. The muted interest in this sector is also mainly due to cautious sentiment in the State.

However, the wholesale market which commenced operations in October 2001 will continue to contribute towards the Group's income.

Hydropower sector

The Memorandum of Understanding which was signed with Dehong Electricity Shareholding Company Ltd, of the People's Republic of China, on 4 April 2001, to dispose of 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) has since lapsed. Further offers will be considered in the future.

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

		2001	2000	1999	1998	1997
OIL PALM						
Production	(tonnes FFB)	114,932	102,001	179,929	148,537	188,943
Yield per hectare	(tonnes FFB)	15.80	13.12	22.37	18.02	22.37
Purchased for processing	(tonnes FFB)	25,914	26,935	4,586	4,296	22,414
MILL						
Production						
- Crude Palm Oil	(tonnes)	26,087	24,092	31,714	28,466	39,253
- Palm Kernel	(tonnes)	7,123	6,357	8,001	7,479	9,906
Extraction Rates						
- Crude Palm Oil	%	18.44	18.76	18.41	18.64	18.89
- Palm Kernel	%	5.04	4.95	4.64	4.90	4.77
AREA						
Oil Palm in harvesting	(hectares)	7,271	7,773	8,042	8,245	8,446
Oil Palm immature	(hectares)	1,617	1,080	768	565	6,776

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DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the operation of an oil palm plantation and investment holding. The principal activities of the subsidiaries are stated in note 11 to the financial statements and that of the associated company are 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 tax	(77,424)	(120,503)
Minority interests	1,543	-
Loss after minority interests	<u>(75,881)</u>	<u>(120,503)</u>

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

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

SIGNIFICANT EVENTS

- (i) On 4 April 2001, the Company entered into a Memorandum of Understanding ("MOU") 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. However, the MOU lapsed in November 2001.
- (ii) On 3 September 2001, the Company defaulted payment of interest on the RM206 million revolving credit facilities granted by its bankers.

On 2 October 2001, the Company and one of its subsidiaries also defaulted payment of interest on the revolving credit facilities and term loan amounting to RM124.5 million. On the same day, the Company had also announced that the Group has commenced negotiation with the lenders to restructure its Group borrowings.

- (iii) On 9 November 2001, the Company entered into an agreement with Olympia Industries Berhad ("OIB") to dispose of the assets and business undertakings of its stockbroking subsidiary, Innosabah Securities Berhad ("Innosabah") to Jupiter Securities Sdn. Bhd. ("Jupiter"), a subsidiary of OIB. Under the agreement, OIB will cause Jupiter to enter into an agreement to acquire Innosabah's assets and business undertakings upon the completion of OIB's restructuring exercise and the discharge of Jupiter's Special Administrators but not later than 30 June 2002 or such other dates as may be agreed by the Company and OIB. The disposal is still pending the completion of OIB's restructuring exercise.

- (iv) On 27 November 2001, the Company together with two of its subsidiary companies namely Rising Resources Sdn. Bhd and Syarikat Kretam Mill Sdn. Bhd. entered into Standstill Agreements with their respective lenders.

The Standstill Agreements were valid for a period of three months expiring on 26 February 2002 but subject to further extension by the lenders or the Company as they may mutually agree (“Standstill Period”).

The Standstill Agreements would have allowed the Company and its group of companies to prepare and formulate within the Standstill Period a debt restructuring proposal with the assistance of the CDRC and the Creditors’ Steering Committee (“CSC”) constituted under the guidelines issued by the CDRC and independent consultants nominated by the CSC.

- (v) On 15 January 2002, the Group via Jeffa Construction Sdn. Bhd., its 51% owned subsidiary, acquired 2 ordinary shares in Jeffa Market Technology Sdn. Bhd. representing 100% equity interest for a cash consideration of RM2.
- (vi) On 4 March 2002, the Company made its First and Initial Announcements that based on the unaudited financial statements of the Company for the quarter ended 31 December 2001, the Company suffered a deficit in the adjusted shareholders’ equity on a consolidated basis and is accordingly deemed to be an “affected listed issuer” pursuant to Practice Note 4/2001 issued by the Kuala Lumpur Stock Exchange (“KLSE”).
- (vii) On 5 April 2002, the Company and two of its subsidiaries, namely Rising Resources Sdn. Bhd. and Jeffa Construction Sdn. Bhd., entered into a debt restructuring agreement with certain financial institutions to restructure debts amounting to RM397,644,304 based on the outstanding debt balances as at 30 September 2001. The total debts of RM397,644,304 to be restructured included an amount of RM37,915,141 representing loans and advances given by a group of shareholders to the Company.

On the same date, the Company had made the requisite announcement to the KLSE in respect of the above debts restructuring scheme.

The Proposed Debt Restructuring, which was facilitated by the CDRC, forms an integral part of the Proposed Restructuring Scheme to be undertaken by the Group.

The details of the Proposed Restructuring Scheme are set out briefly in note 1 to the financial statements.

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	
Seah Sen Leang	
Richard Christopher Barnes	
Fong King Fun	
Lim Kun Kim	- Appointed on 23 November 2001
Dr. Beatrice Ming Baikan @ Berniedetta	- Appointed on 12 December 2001
Nikmat Bin Abdullah	- Resigned on 28 September 2001
Wong Len Kee	- Resigned on 12 December 2001
Keith Reginald Dance	- Resigned on 12 December 2001
Chan Saik Chuen	- Resigned on 13 December 2001

In accordance with Article 80 of the Company's Articles of Association, Lim Nyuk Sang @ Freddy Lim retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 86 of the Company's Articles of Association, Lim Kun Kim and Dr. Beatrice Ming Baikan @ Berniedetta who were appointed as Directors since the last Annual General Meeting ("AGM") retire at the forthcoming AGM and being eligible, offer themselves for 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, interests in shares of the Company as stated below:

	ORDINARY SHARES OF RM1 EACH			
	AT 1.1.2001/ AT DATE OF APPOINTMENT	BOUGHT DURING THE YEAR	SOLD	AT 31.12.2001
Lim Nyuk Sang @ Freddy Lim				
Direct shareholding	6,883,000	-	-	6,883,000
Indirect shareholding	2,100,000	-	-	2,100,000
Seah Sen Leang				
Direct shareholding	2,282,666	-	-	2,282,666
Indirect shareholding	4,491,500	-	-	4,491,500
Fong King Fun				
Direct shareholding	5,428,667	-	(1,500,000)	3,928,667
Lim Kun Kim				
Direct shareholding	2,000	-	-	2,000

The Directors by virtue of their interests in shares in the Company are also deemed to have interest 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.

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 disclosed in notes 5 and 38 to the financial statements.

OTHER STATUTORY INFORMATION

- (a) Before the income statement and balance sheet of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of 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 Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (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 Group and of the Company which would render any amount stated in the consolidated financial statements and the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

OTHER STATUTORY INFORMATION (CONTD.)

- (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the implementation of the debt restructuring exercise.
- (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 Group or of the Company 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 Group or of the Company 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 2001.

AUDITORS

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

On behalf of the Board,

LIM NYUK SANG @ FREDDY LIM

Director

SEAH SEN LEANG

Director

26 April 2002

STATEMENT BY DIRECTORS

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

We, Lim Nyuk Sang @ Freddy Lim and Seah Sen Leang, 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 39 to 91 are drawn up in accordance with applicable approved accounting standards in Malaysia so as to give a true and fair view of:

- (i) the financial position of the Group and of the Company as at 31 December 2001 and of the results of the Group and of the Company for the year ended on that date; and
- (ii) the cash flows of the Group and of the Company for the year ended 31 December 2001.

On behalf of the Board,

LIM NYUK SANG @ FREDDY LIM

Director

SEAH SEN LEANG

Director

26 April 2002

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 39 to 91 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 Kota Kinabalu in the State of Sabah on 26 April 2002.

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 39 to 91. 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 about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2001 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements of the Group and of the Company.
- (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 11 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 restructuring 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

Chartered Accountants

CHONG YEW HOONG 1502/04/03 (J)

Partner

Kota Kinabalu

26 April 2002

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	GROUP		COMPANY	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
REVENUE	4	49,002	47,455	16,586	16,228
COST OF SALES AND SERVICES		(31,904)	(30,866)	(216)	(208)
GROSS PROFIT		17,098	16,589	16,370	16,020
OTHER OPERATING INCOME		7,905	30,552	737	136
OTHER OPERATING EXPENSES		(50,665)	(21,479)	(110,933)	(89,723)
ADMINISTRATIVE EXPENSES		(15,426)	(19,285)	(1,050)	(1,883)
DISTRIBUTION COSTS		(1,189)	(1,240)	-	-
(LOSS)/PROFIT FROM OPERATIONS	5	(42,277)	5,137	(94,876)	(75,450)
FINANCE COSTS	7	(39,119)	(35,113)	(25,627)	(17,835)
LOSS BEFORE TAX		(81,396)	(29,976)	(120,503)	(93,285)
INCOME TAX	8	3,972	3,922	-	31
LOSS AFTER TAX		(77,424)	(26,054)	(120,503)	(93,254)
MINORITY INTERESTS		1,543	1,492	-	-
LOSS FOR THE YEAR		(75,881)	(24,562)	(120,503)	(93,254)
LOSS PER SHARE (SEN)	9				
- Basic		(72.09)	(23.34)		
- Diluted		(72.09)	(23.34)		

The notes set out on pages 50 to 91 form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2001

	Note	GROUP		COMPANY	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
ASSETS					
Property, plant and equipment	10	370,444	379,497	24,614	23,578
Investment in subsidiary companies	11	-	-	179,726	253,238
Investment in associated company	12	-	-	-	-
Goodwill on consolidation	13	5,081	5,081	-	-
Investment	14	1,700	1,500	-	-
MDCH Clearing Fund Contribution	15	-	1,000	-	-
		377,225	387,078	204,340	276,816
CURRENT ASSETS					
Amount due from subsidiary companies	16	-	-	56,072	100,836
Amount due from associated company	17	-	-	-	-
Property development	18	44,624	89,186	-	-
Inventories	19	4,291	6,260	1,274	691
Receivables	20	22,090	25,929	427	633
Tax refundable		9,554	5,379	9,022	4,472
Stock of shares	21	7	60	-	-
Fixed deposits	22	10,103	11,619	100	1,126
Cash and bank balances		4,007	4,084	151	17
		94,676	142,517	67,046	107,775
CURRENT LIABILITIES					
Amount due to subsidiary companies	23	-	-	81,427	87,800
Payables	24	44,306	33,149	14,227	4,268
Clients' trust accounts		8,562	6,418	-	-
Short term borrowings	25	266,353	205,745	238,903	202,109
Provision for taxation		3,228	2,823	-	-
		322,449	248,135	334,557	294,177
NET CURRENT LIABILITIES		(227,773)	(105,618)	(267,511)	(186,402)
		149,452	281,460	(63,171)	90,414

BALANCE SHEETS

AS AT 31 DECEMBER 2001 (CONTD.)

	Note	GROUP		COMPANY	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Financed by:					
Share capital	26	105,254	105,254	105,254	105,254
Reserves	27	(153,850)	(77,969)	(244,019)	(123,516)
SHAREHOLDERS'(DEFICITS)/EQUITY		(48,596)	27,285	(138,765)	(18,262)
Minority interests	28	16,308	20,720	-	-
LONG-TERM LIABILITIES					
Amount due to joint venture partner	29	50,285	51,475	-	-
Long term borrowings	30	131,017	181,343	75,594	108,676
Deferred taxation	31	438	637	-	-
		149,452	281,460	(63,171)	90,414
NET TANGIBLE (LIABILITIES)/ASSETS PER SHARE					
	32	RM(0.51)	RM0.21	RM(1.32)	RM(0.17)

The notes set out on pages 50 to 91 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2001

	SHARE CAPITAL RM'000	ACCUMULATED LOSSES RM'000	REVALUATION RESERVE RM'000
GROUP			
Balance at 1 January 2000 as previously reported	105,254	(323,878)	127,167
Realisation of revaluation surplus*	-	62,018	(62,018)
Balance at 1 January 2000 (Restated)	105,254	(261,860)	65,149
Share premium on RNPS issued+	-	-	-
Net gain not recognised in the income statement	-	-	-
Loss for the year	-	(24,562)	-
Balance at 31 December 2000 as previously reported	105,254	(348,440)	127,167
Realisation of revaluation surplus*	-	62,018	(62,018)
Reclassification to capital reserve	-	-	-
Balance at 31 December 2000 (Restated)	105,254	(286,422)	65,149
Loss for the year	-	(75,881)	-
Balance at 31 December 2001	105,254	(362,303)	65,149

* This represents realisation of revaluation reserve upon disposal of a subsidiary in prior year.

+ This relates to share premium which arose from issuance of Redeemable Non-Convertible Preference Shares ("RNPS") by a subsidiary in prior year.

SHARE PREMIUM RM'000	RESERVE ON CONSOLIDATION RM'000	CURRENCY TRANSLATION RESERVE RM'000	CAPITAL RESERVE RM'000	TOTAL RM'000
81,995	13,514	8,444	-	12,496
-	-	-	-	-
81,995	13,514	8,444	-	12,496
-	-	-	39,351	39,351
-	-	-	39,351	39,351
-	-	-	-	(24,562)
121,346	13,514	8,444	-	27,285
-	-	-	-	-
(39,351)	-	-	39,351	-
81,995	13,514	8,444	39,351	27,285
-	-	-	-	(75,881)
81,995	13,514	8,444	39,351	(48,596)

The notes set out on pages 50 to 91 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTD.)

	SHARE CAPITAL RM'000	ACCUMULATED LOSSES RM'000	REVALUATION RESERVE RM'000	SHARE PREMIUM RM'000	TOTAL RM'000
COMPANY					
Balance at 1 January 2000	105,254	(142,135)	29,878	81,995	74,992
Loss for the year	-	(93,254)	-	-	(93,254)
Balance at 31 December 2000	105,254	(235,389)	29,878	81,995	(18,262)
Loss for the year	-	(120,503)	-	-	(120,503)
Balance at 31 December 2001	105,254	(355,892)	29,878	81,995	(138,765)

The notes set out on pages 50 to 91 form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 RM'000	2000 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(81,396)	(29,976)
Adjustments for:		
Bad debts written off	603	138
Depreciation of property, plant and equipment	10,272	11,580
Dividend income	(5)	-
Expenditure carried forward written off	-	1,340
Refund of interest overpaid	(1,260)	-
Goodwill written off	-	6,608
Plant and equipment scrapped	737	86
Interest expenses	39,119	35,113
Interest income	(561)	(136)
Loss on making good overpledged clients' shares	192	1,204
Loss on disposal of plant and equipment	141	87
Property development written off	-	259
Loss on disposal of subsidiary company	-	134
(Write back)/provision for diminution in value of stock of shares	(20)	37
Provision for bad and doubtful debts	1,430	13,662
Provision for bad and doubtful debts written back	(2,199)	-
Provision for foreseeable losses on development project	49,061	-
Inventories written off	-	108
Gain on disposal of plant and equipment	(112)	(140)
Waiver of interest and penalty charges on bank borrowings	-	(18,068)
Waiver of interest on subordinated loan from directors	-	(8,465)
Waiver of margin interest income	-	1,416
Operating profit before working capital changes	16,002	14,987
Property development expenditure	(4,499)	(8,562)
Assets segregated for customers	364	(37)
Associated companies	(586)	(24)
Clients' trust accounts	2,144	(10,044)
Payables	(24)	(21,463)
Receivables	1,492	16,755
Inventories	1,969	(2,109)
Trust monies	(3,171)	12,532
Joint venture partner of hydro power project	(1,190)	-
Cash generated from operations	12,501	2,035
Refund of interest overpaid	1,260	-
Interest paid	(7,194)	(1,307)
Tax refund	7	1,957
Tax paid	(4)	-
Net cash from operating activities	6,570	2,685

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTD.)

	2001 RM'000	2000 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investment in preference shares	(200)	-
Compensation received	-	178
Addition to plantation development	(1,237)	(40)
Withdrawal of fixed deposits	894	3,016
Proceeds from disposal of subsidiary	-	180
Proceeds from disposal of plant and equipment	237	394
Proceeds from sale of timber	-	450
Purchase of plant and equipment	(985)	(1,708)
Purchase of preference shares from minority interests	(2,869)	-
Interest received	561	-
Proceeds from disposal of stock of shares	73	137
Refund of MDCH clearing fund contribution	1,000	-
Dividend received	5	-
<i>Net cash (used in)/from investing activities</i>	(2,521)	2,607
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest received	-	136
Loans drawdown	8,989	57,925
Payment of hire purchase liabilities	(72)	(1,301)
Repayment of bank borrowings	(10,200)	554
Interest paid	(3,858)	(18,879)
<i>Net cash (used in)/from financing activities</i>	(5,141)	38,435
Net (decrease)/increase in cash and cash equivalents	(1,092)	43,727
Cash and cash equivalents at beginning of year	7,497	(36,230)
Cash and cash equivalents at end of year	6,405	7,497
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents comprise the following balance sheet amounts:		
Cash and bank balances	4,007	4,084
Fixed deposits	817	510
Short term deposits	8,886	9,815
Bank overdrafts	(7,305)	(6,912)
	6,405	7,497

Cash and cash equivalents exclude fixed deposits with licensed banks of RM400,302 (2000: RM1,294,363) which were pledged and held under lien as securities for banking facilities granted to the Group.

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTD.)

	2001 RM'000	2000 RM'000
<i>Summary of the effects on disposal of subsidiary company:</i>		
Equipment	-	190
Clients' trust monies	-	24
Sundry receivables	-	241
Clients' trust accounts	-	(44)
Sundry payables	-	(71)
Amount due to directors	-	(26)
	-	314
Loss on disposal	-	(134)
	-	180
Proceeds from disposal of subsidiary	-	180

The notes set out on pages 50 to 91 form an integral part of the financial statements.

CASH FLOW STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 RM'000	2000 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(120,503)	(93,285)
Adjustments for:		
Dividend income	(16,250)	(15,970)
Depreciation of property, plant and equipment	36	40
Interest expenses	25,627	17,835
Interest income	(561)	(136)
Profit on disposal of equipment	(26)	-
Provision for diminution in value of investments in subsidiaries	76,381	89,723
Provision for doubtful debts	34,552	-
Operating loss before working capital changes	(744)	(1,793)
Amount due to subsidiaries	(6,373)	(167)
Inventories	(583)	(691)
Associated company	(586)	(24)
Receivables	206	(463)
Payables	(2,315)	(6,498)
Amount due from subsidiaries	10,798	-
Cash generated from/(absorbed by) operations	403	(9,636)
Interest paid	(2,184)	-
Tax paid	(4,550)	(319)
<i>Net cash used in operating activities</i>	(6,331)	(9,955)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	16,250	15,970
Addition to plantation development	(1,065)	-
Purchase of equipment	(7)	(154)
Proceeds from disposal of equipment	26	98
Proceeds from sale of timber	-	450
Interest received	561	136
Decrease in fixed deposits	1,026	3,184
Subscription of ordinary shares in a subsidiary	-	(60,000)
Purchase of preference shares from minority interests	(2,869)	-
<i>Net cash from/(used in) investing activities</i>	13,922	(40,316)

CASH FLOW STATEMENT OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTD.)

	2001 RM'000	2000 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans drawdown	2,000	56,551
Repayment of loans	(9,599)	(3,000)
Interest paid	-	(10,979)
<i>Net cash (used in)/from financing activities</i>	(7,599)	42,572
Net decrease in cash and cash equivalents	(8)	(7,699)
Cash and cash equivalents at beginning of year	(4,780)	2,919
Cash and cash equivalents at end of year	(4,788)	(4,780)
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents comprise the following balance sheet amounts:		
Cash and bank balances	151	17
Bank overdrafts	(4,939)	(4,797)
	(4,788)	(4,780)

Cash and cash equivalents exclude fixed deposits with licensed banks of RM100,302 (2000: RM1,126,193) which were pledged and held under lien as securities for banking facilities granted to certain subsidiaries of the Company.

The notes set out on pages 50 to 91 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2001

1. FUNDAMENTAL ACCOUNTING CONCEPT

On 5 April 2002, the Company and two of its subsidiaries, namely Rising Resources Sdn. Bhd. and Jeffa Construction Sdn. Bhd. ("Scheme Companies"), entered into a debt restructuring agreement ("DRA") with certain financial institutions ("Lenders") to restructure debts amounting to RM397,644,304 based on the outstanding debt balances as at 30 September 2001 ("Proposed Debt Restructuring"). The total debts of RM397,644,304 to be restructured included an amount of RM37,915,141 representing loans and advances given by a group of shareholders of the Company ("S Creditors") to the Company ("Shareholders' Loans and Advances").

The Proposed Debt Restructuring, which was facilitated by the Corporate Debt Restructuring Committee, forms an integral part of the Proposed Restructuring Scheme to be undertaken by the Group.

The details of the Proposed Restructuring Scheme, are set out briefly below:

(i) *Proposed Capital Reduction and Consolidation*

The existing issued and paid-up share capital of the Company of RM105,253,500 comprising 105,253,500 ordinary shares of RM1.00 each shall be reduced, pursuant to Section 64 of the Companies Act, 1965 ("Act") to RM52,626,750 comprising 105,253,500 ordinary shares of RM0.50 each, by way of cancellation of RM0.50 of the par value of each existing ordinary share in issue. Thereafter, the issued and paid-up share capital of the Company shall be consolidated in such manner that every two ordinary shares of RM0.50 each shall constitute one ordinary share of RM1.00 each into 52,626,750 ordinary shares of RM1.00 each.

It is also proposed that the entire balance of the share premium account of the company as at 31 December 2000, amounting to approximately RM81,995,410 be utilised to set off against the accumulated losses of the Company pursuant to Section 60(2) and 64(1) of the Act.

(ii) *Proposed Rights Issue*

The Proposed Rights Issue, involves a renounceable rights issue of 26,313,375 Rights Shares with 26,313,375 free detachable Warrants to the shareholders of the Company on the basis of one Rights Share and one Warrant for every two shares held (after the Proposed Capital Reduction and Consolidation) at an indicative issue price of RM1.00 per Rights Share.

The final rights issue price shall be fixed at the price-fixing date to be determined at a later date after the approval of the Securities Commission has been obtained.

(iii) *Proposed Debt Restructuring*

The Company proposes to restructure its debts in the following manner:

- All debts outstanding including interest accrued as at 30 September 2001 of the Lenders will be converted into debt instruments, namely, Redeemable Convertible Secured Loan Stocks ("RCSLS") and Irredeemable Convertible Unsecured Loan Stocks ("ICULS") with tenures ranging from three years to seven years.

- All interest arising after 30 September 2001, up to a maximum of nine months will be waived. Upon expiry of the interest waiver period and for as long as the DRA subsists, interest on total debts will continue to accrue with effect from 1 July 2002 at prescribed rates agreed between the Lenders and the Company under the Proposed Debt Restructuring and will be payable quarterly in arrears in cash until the issuance of RCSLS, ICULS and Warrants pursuant to the Proposed Debt Restructuring.
- All secured debts of the Lenders will be settled on the basis of RM1.00 nominal value of RCSLS for every RM1.00 of secured loans.
- The unsecured portion of the Lenders' debts will be subject to a debt write-off of approximately RM59,244,000. The balance of the unsecured debts after the debt write-off will be settled via the issuance of ICULS on the basis of RM1.00 nominal value of ICULS for every RM1.00 of the balance of unsecured loans after the debt write-off.
- Notional interest on the RCSLS will be settled upfront by a cash payment of RM6,179,000 out of the proceeds of the Rights issue and the issuance of RM33,541,000 nominal value of ICULS and 31,305,000 Warrants.
- Shareholders' Loans and Advances will be settled via the issuance of new shares of the Company. As the Shareholders' Loans and Advances are only partially secured, the portion of the loans and advances that is deemed unsecured will be subject to the same percentage of write-off assumed by the Lenders for their unsecured debt portion.

(iv) Proposed Rationalisation

The Group shall undertake a restructuring of its existing business activities and those businesses representing the Group's non-core assets may be divested in order that more efforts can be concentrated on its core activities, namely plantation.

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 successful implementation of the proposed capital reconstruction, proposed debt restructuring and proposed fund raising exercises.

The financial statements do not include any adjustments that would be required if the Proposed Restructuring Scheme is not successfully implemented.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Group and of the Company have been prepared in accordance with the historical cost convention, modified by revaluation of certain property, plant and equipment and investment in certain subsidiaries and comply with applicable approved accounting standards issued by the Malaysian Accounting Standards Board (MASB).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Accounting (Contd.)

The leasehold land and plantations of the Company and of the subsidiary companies were revalued in 1996 based on an independent professional valuation using open market values on an existing use basis. As permitted by the MASB, where such revaluation was an isolated one-off event prior to the adoption of the applicable approved accounting standard (MASB Standard No. 15, "Property, Plant and Equipment", and International Accounting Standard No. 16 (Revised), the predecessor standard), and provided no further revaluations have been adopted in the preparation of the financial statements, where a policy of revaluation has not been adopted, and these assets have continued to be stated on the basis of their previous valuation amounts (subject to continuity in depreciation policy and the requirement to write the assets down to their recoverable amount).

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2001. Particulars of the subsidiary companies are set out in note 11 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.

A surplus arising from revaluation of subsidiary companies is credited to revaluation reserve while a deficit is recognised as an expense in the income statement. However, a deficit relating to a previous revaluation is charged directly against revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation reserve.

In the year of disposal of a revalued subsidiary, the attributable revaluation surplus is transferred from revaluation reserve to retained profits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(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.

(e) Depreciation of Property, Plant and Equipment

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

Where an indication of impairment exists, the recoverable amount of the asset is determined and the carrying amount of the asset is written down immediately to its recoverable amount. Impairment loss is recognised as an expense. Any reversal of an impairment loss will be immediately recognised as income.

(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. The effect on the non-amortisation of the leasehold land and plantations is disclosed under note 10 to 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 from the sale of timber salvaged in the course of clearing the Group'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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Depreciation of Property, Plant and Equipment (Contd.)

(iii) *Other property, plant and equipment*

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
Motor vehicles	20
Heavy equipment	20
Computer equipment	20
Oil mill	7
Hydropower plant	3 1/3
Renovations	5 - 20
Plant and machinery	10 and 20
Furniture, fittings and equipment	10 and 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 written off in the income statement in the year in which the expenditure is incurred.

(g) Investments

(i) *Long term 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.

(ii) *Short term investments*

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

(h) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Property Development

Property development 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 property development 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 rates used in translation as at year end were RM0.458 (2000: RM0.458) per Chinese Renminbi and RM3.795 (2000: RM3.795) per US Dollar.

(l) 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.

(m) Stock of Shares

Shares held as trading stocks are stated at the lower of cost and net realisable value. Provision is made for any diminution in value.

(n) 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 in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) 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 written off in 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 written off in the income statement in the year in which they are payable.

(p) Revenue Recognition

Revenue from sales of plantation produce is recognised on an accrual basis upon delivery of products to customers less returns.

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

Revenue from provision of management services, registration and nominee services is recognised on an accrual basis upon the rendering of services to customers.

Commission income from future and option contracts is recognised on an accrual basis upon the completion of the trading contract.

Revenue from sales of electricity is recognised on an accrual basis upon supplying of electricity to the customers.

Revenue from sale of properties is recognised based on the percentage of completion method. The stage of completion is measured by reference to the completion of a physical proportion of the contract work. Attributable profits on incomplete development are determined by reference to the stage of completion.

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.

Dividend income is recognised when the shareholder's right to receive payment is established.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) 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. In prior years, the said provisions were calculated 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.

Pursuant to the recent revisions made to the said rules, the basis for provisions other than that in respect of specific bad debts are as follows:

- (i) provision for fifty percent (50%) of the amount outstanding in respect of each account aging between 16 to 30 calendar days;
- (ii) full provision on amount outstanding in respect of accounts aging above 30 calendar days; and
- (iii) a general provision of point seven five percent (0.75%) of its total trade receivables.

This change in estimates has no material impact for the current year. No cumulative adjustments have been made for prior years against opening reserves of the Group as it is immaterial to quantify the amount.

(r) 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 Group and of the Company.

3. GENERAL

The registered office and the principal place at which the Company's business is carried out are situated at Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah.

The Company is incorporated in Malaysia under the Companies Act, 1965 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 Group and of the Company are expressed in Ringgit Malaysia.

4. REVENUE

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Revenue consists of:				
Invoiced value of crude palm oil, palm kernel and bunch ash	27,707	23,734	-	-
Invoiced value of fresh fruit bunches	13	810	336	258
Management fees received	61	69	-	-
Brokerage fees	2,708	4,080	-	-
Fees from trust related services	-	53	-	-
Commissions from futures and options contract	334	675	-	-
Electricity units sold	18,179	18,034	-	-
Gross dividend income received	-	-	16,250	15,970
	49,002	47,455	16,586	16,228

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

5. (LOSS)/PROFIT FROM OPERATIONS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
This is stated after charging:				
Auditors' remuneration				
- current year	123	126	21	20
- underprovision in prior year	7	1	-	5
- other services	-	14	-	6
Bad debts written off	603	138	-	-
Depreciation of property, plant and equipment (note 10)	10,272	11,580	36	40
Directors' remuneration:				
- Directors of the Company (note 6)				
- emoluments	1,245	1,060	-	-
- other benefits	-	11	-	-
- Directors of subsidiaries				
- emoluments	1,426	2,169	-	-
- fees	39	-	-	-
- other benefits	26	11	-	-
Expenditure carried forward written off	-	1,340	-	-
Foreign exchange loss - realised	-	1	-	-
Goodwill on consolidation written off	-	6,608	-	-
Inventories written off	-	108	-	-
Loss on disposal of plant and equipment	141	87	-	-
Loss on disposal of subsidiary company	-	134	-	-
Loss on making good overpledged clients' shares	192	1,204	-	-
Oil palm replanting expenses	1,982	1,418	-	-
Plant and equipment scrapped	737	86	-	-
Professional fee paid to a Director of the Company	-	27	-	-
Provision for bad and doubtful debts	1,430	13,667	34,552	-
Provision for diminution in value of stock of shares	-	37	-	-
Provision for diminution in value of investment in subsidiary companies	-	-	76,381	89,723
Provision for foreseeable losses on development project	49,061	-	-	-
Rental expenses	844	2,351	10	7
Waiver of margin interest income	-	1,416	-	-
Work-in-progress written off	-	259	-	-

5. (LOSS)/PROFIT FROM OPERATIONS (CONTD.)

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
and crediting:				
Bad debts recovered	1,967	1,804	-	-
Equipment hire income	2	4	-	-
Gain on disposal of plant and equipment	112	140	26	-
Gross dividends from investments quoted in Malaysia	5	1	-	-
Interest income	1,291	1,436	561	136
Provision for bad and doubtful debts written back	2,199	-	-	-
Rental income	207	923	-	-
Waiver of interest and penalty charges on bank borrowing	-	18,068	-	-
Waiver of interest on subordinated loan from directors of a subsidiary	-	8,465	-	-
Write back of doubtful debts	-	5	-	-
Write back in value of stock of shares	20	-	-	-

6. DIRECTORS' REMUNERATION

The aggregate remuneration of the Directors of the Company is as follows:

	2001		2000	
	EXECUTIVE DIRECTORS RM'000	NON- EXECUTIVE DIRECTORS RM'000	EXECUTIVE DIRECTORS RM'000	NON- EXECUTIVE DIRECTORS RM'000
Total remuneration:				
Salaries	806	389	806	254
Bonuses	34	16	-	-
Benefit in kind	-	-	-	11
	840	405	806	265

6. DIRECTORS' REMUNERATION (CONTD.)

The number of Directors of the Company whose total remuneration fell within the respective ranges, were as follows:

Range of remuneration (RM)	NUMBER OF DIRECTORS			
	2001		2000	
	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS	EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS
50,001 - 100,000	-	-	-	1
100,001- 150,000	-	1	-	-
150,001- 200,000	-	-	-	1
250,001- 300,000	1	1	1	-
500,001- 550,000	-	-	1	-
550,001- 600,000	1	-	-	-
	2	2	2	2

7. FINANCE COSTS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Interest payable on -				
Bank overdrafts	524	1,894	524	415
Bank loans	8,428	6,675	-	-
Revolving credits	9,770	11,071	9,770	7,558
Novated debts	11,169	6,856	11,169	6,856
Loans from Directors	2,401	1,390	2,401	1,390
Loans from shareholders	1,709	1,381	1,709	1,381
Loans from third party	12	-	12	-
Advances from joint venture partner	5,010	5,338	-	-
Loans from companies of which certain directors of the Company are also directors	42	235	42	235
Hire purchase	19	99	-	-
Remisiers' deposits	19	72	-	-
Other charges	16	102	-	-
	39,119	35,113	25,627	17,835

8. INCOME TAX

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
(a) The charge for income tax is made up as follows:				
On the results for the year:				
Malaysian income tax	774	836	-	-
Tax credit arising from dividends paid by subsidiary companies	(4,550)	(4,472)	-	-
Transfer from deferred taxation (note 31)	(199)	(208)	-	(31)
	(3,975)	(3,844)	-	(31)
Prior year item:				
Under/(over)provision in respect of prior years	3	(78)	-	-
	(3,972)	(3,922)	-	(31)

(b) The income tax expense of the Group is in respect of results of plantations and interest income of the stockbroking operations. It varies from the amount of income tax determined by applying the Malaysian income tax rate of 28% to profit before tax of the respective operations mainly because of:

- (i) utilisation of unabsorbed capital and agriculture allowances and tax losses brought forward from previous years resulting in a tax savings of approximately RM298,500 (2000: RM2,505,000); and
- (ii) difference in treatment of certain expenses for accounting and taxation purposes.

(c) As at 31 December 2001, the Group and the Company have unutilised tax losses and unabsorbed capital and agriculture allowances amounting to RM419,711,000 (2000: RM365,990,000) and RM3,226,000 (2000: RM1,819,000) respectively which, subject to the agreement with the Inland Revenue Board, can be carried forward and utilised to set off against future business profits of the Group and of the Company.

9. LOSS PER SHARE

The basic and diluted loss per share is calculated by dividing the loss after minority interests by 105,253,500 (2000: 105,253,500) ordinary shares of the Company in issue during the year.

10. PROPERTY, PLANT AND EQUIPMENT

	AS AT 1.1.2001 RM'000	ADDITIONS RM'000	DISPOSALS RM'000	SCRAPPED RM'000	AS AT 31.12.2001 RM'000
GROUP					
Cost and Valuation -					
Long leasehold land and plantations	211,573	1,529	-	-	213,102
Short leasehold land and plantations	344	-	-	-	344
Leasehold land and buildings	26,480	-	-	-	26,480
Motor vehicles	6,888	337	(393)	-	6,832
Heavy equipment	2,973	31	-	-	3,004
Computer equipment	11,468	41	(63)	(1,499)	9,947
Oil mill	18,244	11	-	-	18,255
Hydropower plant	155,125	142	-	-	155,267
Renovations	4,503	-	(81)	(491)	3,931
Plant and machinery	2,050	77	-	-	2,127
Furniture, fittings and equipment	7,344	33	(437)	(492)	6,448
Capital work-in-progress	3	21	-	-	24
	446,995	2,222	(974)	(2,482)	445,761
	AS AT 1.1.2001 RM'000	CHARGE FOR THE YEAR RM'000	DISPOSALS RM'000	SCRAPPED RM'000	AS AT 31.12.2001 RM'000
Accumulated Depreciation -					
Long leasehold land and plantations	-	-	-	-	-
Short leasehold land and plantations	60	7	-	-	67
Leasehold land and buildings	14,350	1,463	-	-	15,813
Motor vehicles	5,771	531	(375)	-	5,927
Heavy equipment	2,435	200	-	-	2,635
Computer equipment	8,613	1,462	(53)	(1,170)	8,852
Oil mill	15,873	275	-	-	16,148
Hydropower plant	12,295	4,933	-	-	17,228
Renovations	2,777	602	(54)	(286)	3,039
Plant and machinery	1,737	163	(1)	-	1,899
Furniture, fittings and equipment	3,587	636	(225)	(289)	3,709
Capital work-in-progress	-	-	-	-	-
	67,498	10,272	(708)	(1,745)	75,317

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	2001 RM'000	2000 RM'000
GROUP		
Net Book Value -		
Long leasehold land and plantations	213,102	211,573
Short leasehold land and plantations	277	284
Leasehold land and buildings	10,667	12,130
Motor vehicles	905	1,117
Heavy equipment	369	538
Computer equipment	1,095	2,719
Oil mill	2,107	2,371
Hydropower plant	138,039	142,830
Renovations	892	1,726
Plant and machinery	228	313
Furniture, fittings and equipment	2,739	3,893
Capital work-in-progress	24	3
	370,444	379,497
Analysis of cost and valuation		
At valuation -		
Long leaseholds land and plantations	190,172	190,172
Short leasehold land and plantations	344	344
Leasehold land and buildings	11,900	11,900
	202,416	202,416
At cost -		
Long leasehold land and plantations	22,930	21,401
Leasehold land and buildings	14,580	14,580
Motor vehicles	6,832	6,888
Heavy equipment	3,004	2,973
Computer equipment	9,947	11,019
Oil mill	18,255	18,244
Hydropower plant	155,267	155,125
Renovations	3,931	4,503
Plant and machinery	2,127	2,050
Furniture, fittings and equipment	6,448	7,793
Capital work-in-progress	24	3
	243,345	244,579
Total	445,761	446,995
Plant and equipment of the Group acquired under hire purchase arrangements are as follows:		
	2001 RM'000	2000 RM'000
Cost	528	528
Accumulated depreciation	(485)	(375)
Net book value	43	153

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	AS AT 1.1.2001 RM'000	ADDITIONS RM'000	DISPOSALS RM'000	AS AT 31.12.2001 RM'000
COMPANY				
At Valuation -				
Long leasehold land and plantation	3,600	-	-	3,600
At Cost -				
Long leasehold land and plantations	19,816	1,065	-	20,881
Estate building	15	-	-	15
Office equipment and furniture	167	7	-	174
Motor vehicles	833	-	(79)	754
Plant and machinery	4	-	-	4
	24,435	1,072	(79)	25,428
	AS AT 1.1.2001 RM'000	CHARGE FOR THE YEAR RM'000	DISPOSALS RM'000	AS AT 31.12.2001 RM'000
Accumulated Depreciation -				
Long leasehold land and plantations	-	-	-	-
Estate building	1	1	-	2
Office equipment and furniture	92	19	-	111
Motor vehicles	764	16	(79)	701
Plant and machinery	-	-	-	-
	857	36	(79)	814
			2001 RM'000	2000 RM'000
Net Book Value -				
Long leasehold land and plantations			24,481	23,416
Estate building			13	14
Office equipment and furniture			63	75
Motor vehicles			53	69
Plant and machinery			4	4
			24,614	23,578

10. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**GROUP AND COMPANY**

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

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Long leasehold land and plantations	45,921	45,921	2,039	2,039
Short leasehold land and plantations	91	93	-	-
Leasehold land and buildings	2,044	2,213	-	-
	48,056	48,227	2,039	2,039

Leasehold land and plantations of the Group and of the Company with a total net book value amounting to RM218,468,839 (2000: RM217,124,318) and RM24,480,515 (2000: RM23,415,958) respectively, have been pledged to banks as securities for credit facilities amounting to RM326 million (2000: RM286 million) and RM217.6 million (2000: RM140.7 million) respectively granted by the Group's bankers. The details of the credit facilities are stated in notes 25 and 30 to the financial statements.

The leasehold land and plantations of the Company and of the subsidiary companies were revalued by the Directors in 1996 respectively based on an independent professional valuation using the open market value basis. No revaluation has been carried out since the aforesaid revaluation date. The Directors have not adopted a policy of regular of revaluation of such assets. As permitted under the transitional provisions issued by the MASB on the adoption of International Accounting Standard No. 16 (Revised) *Property, Plant and Equipment*, these assets continue to be stated at their previous valuation less accumulated depreciation.

Title deed to land costing RM19,815,958 (2000: RM19,815,958) alienated to the Company has yet to be issued by the relevant authorities as at the balance sheet date.

The financial impact of non-amortisation of the long leasehold land and plantations on the financial results as stated in note 2(e)(ii) is an increase in amortisation charge for the Group and the Company of RM1,646,601 (2000: RM1,616,720) and RM268,934 (2000: RM254,992) respectively.

11. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2001 RM'000	2000 RM'000
Unquoted shares		
- At valuation	145,589	145,589
- At cost	359,597	356,728
	505,186	502,317
Less: Provision for diminution in value	(325,460)	(249,079)
	179,726	253,238

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

The 1994 valuation was a one-off exercise. It has never been the Group's policy to carry out regular revaluation of its investment in subsidiary companies and accordingly, the carrying amount of the revalued investment has been retained on the basis of this one-off revaluation as though it has never been revalued.

Details of the subsidiary companies, which are incorporated in Malaysia unless otherwise stated, at 31 December 2001 are as follows:

SUBSIDIARY COMPANIES	PRINCIPAL ACTIVITIES	PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2001	2000
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.	Milling and sale of oil palm products	100%	100%
Kretam Management Sdn. Bhd.	Provision of plantation and palm oil mill management and related services	100%	100%

11. INVESTMENT IN SUBSIDIARY COMPANIES (CONTD.)

SUBSIDIARY COMPANIES	PRINCIPAL ACTIVITIES	PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2001	2000
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 and the provision of property management, administrative and related services	100%	100%
KHB Nanyang (Malaysia) Sdn. Bhd.	Investment holding	100%	100%
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 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%

11. INVESTMENT IN SUBSIDIARY COMPANIES (CONTD.)

SUBSIDIARY COMPANIES	PRINCIPAL ACTIVITIES	PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2001	2000
Innosabah Capital Holdings Sdn. Bhd.	Investment holding	100%	100%
Innosabah Securities Berhad	Stock and share brokers and investment holding	99.9%	99.9%
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%
Subsidiary companies of Innosabah Securities Berhad			
Innosabah Development Sdn. Bhd.	Dormant	99.9%	99.9%
Innosabah Nominees (Tempatan) Sdn. Bhd.	Provision of services as nominees and agents	99.9%	99.9%
Innosabah Resources Sdn. Bhd.	Research and publication, provision and maintenance of stock market information dissemination system	99.9%	99.9%
Innosabah Equity Management Sdn. Bhd.	Dormant	99.9%	99.9%
Innosabah Nominees (Asing) Sdn. Bhd.	Dormant	99.9%	99.9%
Innosabah Properties Sdn. Bhd.	Dormant	99.9%	99.9%
Innosabah Ventures Sdn. Bhd.	Dormant	99.9%	99.9%

11. INVESTMENT IN SUBSIDIARY COMPANIES (CONTD.)

SUBSIDIARY COMPANIES	PRINCIPAL ACTIVITIES	PERCENTAGE OF EQUITY HELD BY THE GROUP	
		2001	2000
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%
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%	51%
KHB Foodlinks Sdn. Bhd.	Dormant	51%	51%

Company not required to issue audited statutory financial statements

* *Audited by other firm of auditors*

Disposal of a subsidiary

The effect of the disposal of a subsidiary in the preceding year on the financial position of Group was a decrease of RM314,085 in that year's Group net assets.

The effect of the disposal of a subsidiary in the preceding year on the results of the Group was an increase in net loss of RM44,658 in that year's Group results.

12. INVESTMENT IN ASSOCIATED COMPANY

	GROUP	
	2001 RM'000	2000 RM'000
Group's share of net liabilities	(175)	(175)
Goodwill on acquisition	175	175
	-	-

Details of the associated company, which is incorporated in Malaysia, are as follows:

NAME OF COMPANY	EFFECTIVE INTEREST		FINANCIAL YEAR END	PRINCIPAL ACTIVITY
	2001	2000		
Pantai Dalam Development Sdn. Bhd.	49%	49%	31 December	Property development

13. GOODWILL ON CONSOLIDATION

	GROUP	
	2001 RM'000	2000 RM'000
Balance at 1 January	5,081	11,835
Less: Goodwill written off	-	(6,754)
Balance at 31 December	5,081	5,081

14. INVESTMENT

Unquoted preference shares, at cost, in Malaysian Derivatives Exchange Berhad (MDEX)

1 unit of non-cumulative "A" preference share
1 unit of non-cumulative "C" preference share

Balance at 31 December

	GROUP	
	2001 RM'000	2000 RM'000
	1,500	1,500
	200	-
	1,700	1,500

15. MDCH CLEARING FUND CONTRIBUTION

This represented a refundable contribution to the Malaysian Derivatives Clearing House (MDCH) Clearing Fund. With effect from 1 August 2001, its future broking subsidiary has ceased to be a clearing member of MDCH.

16. AMOUNT DUE FROM SUBSIDIARY COMPANIES

	COMPANY	
	2001 RM'000	2000 RM'000
Amount due from subsidiary companies	135,775	146,573
Less: Provision for doubtful debts	(79,703)	(45,737)
	56,072	100,836

Amount due from subsidiary companies is unsecured, interest-free and has no fixed terms of repayment.

17. AMOUNT DUE FROM ASSOCIATED COMPANY

	GROUP AND COMPANY	
	2001 RM'000	2000 RM'000
Amount due from associated company	3,423	2,837
Less: Provision for doubtful debts	(3,423)	(2,837)
	-	-

Amount due from associated company is unsecured, with no fixed terms of repayment and interest is charged at 10.68% per annum on the balance outstanding.

18. PROPERTY DEVELOPMENT

	GROUP	
	2001 RM'000	2000 RM'000
Cost of land	-	-
Development expenditure	191,147	186,648
Attributable profits	1,024	1,024
	192,171	187,672
Less : Progress billings	(57,413)	(57,413)
Provision for foreseeable losses	(89,875)	(40,814)
Work-in-progress written off	(259)	(259)
	44,624	89,186

Included in the property development expenditure is cost incurred for the construction of certain properties for a local authority in consideration for certain parcels of land alienated to the company. These lands are charged to a financial institution as security for facilities granted to a subsidiary company.

19. INVENTORIES

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
At cost				
Fresh fruit bunches	33	93	-	-
Crude palm oil and palm kernel	537	-	-	-
Stores, spares and consumable supplies	1,973	1,982	-	-
Chemicals and fertilizers	144	151	-	-
Nurseries	1,604	893	1,274	691
	4,291	3,119	1,274	691
At net realisable value				
Crude palm oil and palm kernel	-	3,141	-	-
	4,291	6,260	1,274	691
20. RECEIVABLES				
Trade receivables	20,349	21,042	-	-
Other receivables, deposits and prepayment	1,741	4,887	427	633
	22,090	25,929	427	633

Other receivables, deposits and prepayments of the Group and Company are stated after providing for doubtful debts of RM3,050,359 (2000: RM3,324,372) and RM3,000,000 (2000: RM3,000,000) respectively.

	GROUP	
	2001 RM'000	2000 RM'000
Trade receivables		
(i) Assets segregated for customers	481	845
(ii) Clients' trust monies	9,400	7,257
Remisiers' trust monies	1,474	446
(iii) Amount due from clients	8,510	5,700
(iv) Others	484	6,794
	20,349	21,042

20. RECEIVABLES (CONTD.)

	GROUP	
	2001 RM'000	2000 RM'000
(i) Assets segregated for customers		
Deposits with AF	274	-
Deposits with MDCH	-	368
Short term deposit	160	450
Bank balances	47	27
	481	845

Amounts received as customers' margins have been segregated in separate trust bank accounts, as required by the Futures Industry Act, 1993 and the Business Rules of the MDEX. With effect from 1 August 2001, the future broking subsidiary has ceased to be a clearing member of Malaysia Derivatives Clearing House Berhad ("MDCH") and all the contracts executed by the future broking subsidiary are being cleared and settled through another clearing member, Apex Futures Sdn. Bhd. ("AF"). The corresponding liabilities are included in amount due to clients.

	GROUP	
	2001 RM'000	2000 RM'000
(ii) Clients' trust monies		
Deposit with licensed bank under repurchase agreements	8,244	6,418
Bank balances	1,156	839
	9,400	7,257

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 Kuala Lumpur Stock Exchange. The corresponding liabilities are included in clients' trust accounts.

	GROUP	
	2001 RM'000	2000 RM'000
(iii) Amount due from clients		
Balance at 31 December		
- Non-performing accounts	4,459	6,666
- Performing accounts	7,307	2,951
	11,766	9,617

20. RECEIVABLES (CONTD.)

	GROUP	
	2001 RM'000	2000 RM'000
(iii) Amount due from clients (contd.)		
Less :		
Specific provision for bad debts	1,656	2,696
Provision for interest-in-suspense	1,552	1,191
General provision for doubtful debts	48	30
	3,256	3,917
	8,510	5,700
Detailed movements during the year:		
Non-performing accounts:		
Balance at 1 January	6,666	542,005
Current year addition	155	-
Accrual for interest-in-suspense	384	36,544
Bad debts written off	(68)	(552,423)
Waiver of interest charged	(23)	(1,416)
Repayment	(2,655)	(18,044)
Balance at 31 December	4,459	6,666
Less : Specific provision for bad debts		
Balance at 1 January	2,696	402,677
Current year provision	1,159	13,667
Reversal upon writing off bad debts	(2,199)	(413,648)
Balance at 31 December	1,656	2,696
Less : Provision for interest-in-suspense		
Balance at 1 January	1,191	104,838
Current year provision	384	36,544
Reversal upon writing off bad debts	-	(138,775)
Write back upon waiver of interest charged	(23)	(1,416)
Balance at 31 December	1,552	1,191

20. RECEIVABLES (CONTD.)

	GROUP	
	2001 RM'000	2000 RM'000
(iii) Amount due from clients (contd.)		
Less : General provision for doubtful debts		
Balance at 1 January	30	42
Current year provision/(write back)	18	(12)
Balance at 31 December	48	30
	1,203	2,749
Performing accounts		
Outstanding amount	7,307	2,951
Total	8,510	5,700

The suspension of interest and provision for bad and doubtful debts on non-performing accounts have been made in compliance with Rules of Kuala Lumpur Stock Exchange.

(iv) Trade receivables - others

These are stated after providing for doubtful debts (net of amounts written back) of RM2,175,055 (2000: RM2,119,570).

21. STOCK OF SHARES

	GROUP	
	2001 RM'000	2000 RM'000
Quoted in Malaysia, at cost	96	169
Less : Provision for diminution in value	(89)	(109)
	7	60
Market value of shares	7	60

22. FIXED DEPOSITS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Short term placements with licensed banks	8,886	9,815	-	-
Fixed deposits with licensed banks	1,217	1,804	100	1,126
	10,103	11,619	100	1,126
Fixed deposit pledged as security in favour of AF	300	-	-	-
Fixed deposit pledged as security for banking facilities granted to a subsidiary	-	1,000	-	1,000
Fixed deposits under lien as security for banking facilities granted to the Company and certain subsidiaries	100	294	100	126
	400	1,294	100	1,126

23. AMOUNT DUE TO SUBSIDIARY COMPANIES

This represents interest free advances received from subsidiary companies, which are unsecured, interest free and have no fixed term of repayment.

24. PAYABLES

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Trade payables				
- Amount due to clients	5,637	2,708	-	-
- Others	4,043	5,545	73	115
Other payables and accruals	16,931	16,087	1,047	943
Remisiers' accounts	-	532	-	-
Interest payable				
- Interest on loans from shareholders	1,828	1,351	1,828	1,351
- Interest on loans from directors	3,157	1,390	3,157	1,390
- Interest on loans from companies of which certain directors of the Company are also directors	-	54	-	54
- Interest on loan from third party	12	-	12	-
- Interest on loan from joint venture partner of hydro power project	-	2,711	-	-
- Interest on credit facilities from bankers	12,698	2,704	8,110	415
Amount due to directors of a subsidiary company	-	67	-	-
	44,306	33,149	14,227	4,268

25. SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Bank overdrafts - secured	7,305	6,912	4,939	4,797
Revolving credits - secured	120,863	118,862	120,863	118,862
- unsecured	3,500	3,500	3,500	3,500
Bank loans - secured	824	1,423	-	-
Hire purchase creditors (note 33)	34	90	-	-
Loans from shareholders	13,500	20,400	13,500	20,400
Loans from Directors	19,500	20,200	19,500	20,200
Loan from a third party	1,000	1,000	1,000	1,000
Loan from a company in which a Director of the Company is also a director	-	2,000	-	2,000
Current portion of long-term borrowings (note 30)	99,827	31,358	75,601	31,350
	266,353	205,745	238,903	202,109

The bank overdrafts and revolving credits are secured by fixed charges over the leasehold land and plantations of the Company and certain subsidiaries, and debenture charges over fixed and floating assets of certain subsidiaries and guarantees given by the Company. The bank overdrafts bear interest at rates ranging from 1% to 1.75% per annum above the bank's base lending rate. The revolving credits bear interest either ranging from 1.25% to 1.75% above the respective bankers' cost of funds or 9.5% per annum.

During the year, the Company defaulted interest payment of interest of RM1,548,774 on the revolving credit facilities granted by its bankers.

Bank loans are secured by a fixed charge over the property of a subsidiary company. They bear interest at either ranging from 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, a company in which a Director of the Company is also a director and a third party are to be secured by a second legal charge over a parcel of agricultural land of the Company upon issuance of the title and bear interest at 9.75% per annum with no fixed term of repayment.

26. SHARE CAPITAL

	COMPANY	
	2001 RM'000	2000 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	
	2001 RM'000	2000 RM'000 (RESTATED)	2001 RM'000	2000 RM'000
(a) Non-distributable:				
Revaluation reserve	65,149	65,149	29,878	29,878
Share premium	81,995	81,995	81,995	81,995
Reserve arising on consolidation	13,514	13,514	-	-
Currency translation reserve	8,444	8,444	-	-
Capital reserve	39,351	39,351	-	-
	208,453	208,453	111,873	111,873
(b) Distributable:				
Accumulated losses	(362,303)	(286,422)	(355,892)	(235,389)
Total reserves :	(153,850)	(77,969)	(244,019)	(123,516)

Capital reserve represents share premium which arose from issuance of Redeemable Non-Convertible Preference Shares ("RNPS") by a subsidiary company.

28. MINORITY INTERESTS

	GROUP	
	2001 RM'000	2000 RM'000
Redeemable Non- convertible Preference Shares held by minority shareholders	3,878	6,747
Minority interests' share of Group's equity	12,430	13,973
	16,308	20,720

29. AMOUNT DUE TO JOINT VENTURE PARTNER

This represents advances of RMB112 million (2000: RMB112 million) made by the joint venture partner of hydro power project. The advance is unsecured, bears interest at 10% per annum and is not expected to be payable within the next twelve months.

30. LONG TERM BORROWINGS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Novated debts	151,195	140,026	151,195	140,026
Chinese Renminbi loans				
- No. 1	3,664	1,374	-	-
- No. 2	1,374	-	-	-
- No. 3	916	-	-	-
Bank loans				
- No. 1	58,586	56,176	-	-
- No. 2	15,109	15,109	-	-
Hire purchase creditors (note 33)	-	16	-	-
	230,844	212,701	151,195	140,026
Less : Repayable within twelve months (note 25)	(99,827)	(31,358)	(75,601)	(31,350)
Repayable after twelve months	131,017	181,343	75,594	108,676

The novated debts are secured by a first charge over the Company's shares in Innosabah, and a debenture with fixed and floating charge over Innosabah's assets. They bear interest at 1% per annum above Malayan Banking Berhad's base lending rate. These debts are repayable in bi-annual instalments commencing second quarter of the year 2001.

The Chinese Renminbi loan No. 1 of RMB 8 million (2000: RMB 3 million) is secured by a corporate guarantee given by the joint venture partner of the hydropower project. It bears interest at 7.722% and is repayable in one lump sum after 2 years of each drawdown.

The Chinese Renminbi loan No. 2 of RMB 3 million (2000: Nil) is secured by a corporate guarantee given by the joint venture partner of the hydropower project. It bears interest at 6.3375% per annum and is repayable in one lump sum after 1/2 year of the drawdown.

The Chinese Renminbi loan No. 3 of RMB 2 million (2000: Nil) is secured by a corporate guarantee given by the joint venture partner of the hydropower project. It bears interest at 4.875% per annum and is repayable in one lump sum after 1 year of the drawdown.

Bank loan No. 1 is secured by legal charges over properties belonging to certain subsidiary companies, debenture charges over fixed and floating assets of certain subsidiaries 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.

30. LONG TERM BORROWINGS (CONTD.)

Bank loan No. 2 is secured by first legal charge over land held for property development 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 rates of 1.75% 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.

During the year, the Group defaulted payment of interest of RM322,092 on Bank loan No. 2.

On 5 April 2002, the Company and two of its subsidiaries, namely Rising Resources Sdn. Bhd. and Jeffa Construction Sdn. Bhd., entered into a debt restructuring agreement with certain financial institutions to restructure debts amounting to RM397,644,304 based on the outstanding debt balances as at 30 September 2001. The total debts of RM397,644,304 to be restructured included an amount of RM37,915,141 representing loans and advances given by a group of shareholders to the Company.

The Proposed Debt Restructuring, which had been facilitated by the Corporate Debt Restructuring Committee, forms an integral part of the Proposed Restructuring Scheme to be undertaken by the Group.

The details of the Proposed Restructuring Scheme, are set out briefly in note 1 to the financial statements.

31. DEFERRED TAXATION

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Balance at 1 January	637	845	-	31
Transfer to income statement (note 8)	(199)	(208)	-	(31)
Balance at 31 December	438	637	-	-
This is in respect of the following timing differences:				
On excess of capital allowances over depreciation	1,564	2,437	-	-
On other timing differences	-	(166)	-	-
	1,564	2,271	-	-

31. DEFERRED TAXATION (CONTD.)

The Group and the Company have not accounted for the following timing differences which would result in a debit to the deferred tax balance :

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Excess of depreciation over capital allowances	50	86	-	-
Excess of capital allowances over depreciation	(31)	(22)	(22)	(22)
Unutilised tax losses	116,481	101,138	717	471
Unabsorbed capital allowances	1,038	1,340	186	39
	117,538	102,542	881	488

No deferred taxation has been provided in respect of the surplus on revaluation on the leasehold land of the Group and the Company as these lands are held for long term use and not expected to be disposed of in the foreseeable future.

32. NET TANGIBLE (LIABILITIES)/ASSETS PER SHARE

The net tangible (liabilities) / assets per share is calculated by dividing the shareholders' funds, after deducting goodwill arising on consolidation by 105,253,500 (2000: 105,253,500) ordinary shares of the Company in issue as at 31 December 2001.

33. HIRE PURCHASE CREDITORS

	GROUP	
	2001 RM'000	2000 RM'000
Hire-purchase payments:		
- not later than one year	40	92
- later than one year and not later than five years	-	26
- later than five years	-	-
	40	119
Less : Future interest charges	(6)	(13)
Present value of hire purchase liabilities	34	106

33. HIRE PURCHASE CREDITORS (CONTD.)

	GROUP	
	2001 RM'000	2000 RM'000
Current:		
- not later than one year	34	90
Non-current		
- later than one year and not later than five years	-	16
- later than five years	-	-
	34	106

34. SEGMENTAL INFORMATION

	REVENUE RM'000	PROFIT/(LOSS) BEFORE TAX RM'000	TOTAL ASSETS EMPLOYED RM'000
By activities:			
2001			
Plantation and mill	27,781	1,912	230,044
Stockbroking and related services	3,042	(2,965)	33,547
Property development and construction	-	(51,237)	47,822
Investment holding	-	(26,503)	14,249
Hydropower	18,179	(2,423)	146,230
Others	-	(180)	9
	49,002	(81,396)	471,901
2000			
Plantation and mill	24,613	1,160	232,605
Stockbroking and related services	4,808	1,006	40,671
Property development and 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

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.

35. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Amounts approved and contracted for	5,475	6,003	-	-
Amounts approved but not contracted for	22,492	7,487	19,981	3,801
	27,967	13,490	19,981	3,801
36. COMMITMENTS				
Approved commitment to subscribe for RNPS shares in a subsidiary	-	-	818	-
Approved commitment to dispose of shares in a subsidiary	-	-	35,000	-

37. CONTINGENT LIABILITIES

	NOTE	GROUP		COMPANY	
		2001 RM'000	2000 RM'000	2001 RM'000	2000 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
Guarantees for banking and leasing facilities of subsidiaries		-	-	22,009	121,290
Guarantees to contractors of a subsidiary company		-	-	15,409	18,668
		33,800	33,800	71,218	173,758
TOTAL :		33,800	33,800	128,918	231,458

37. 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. Faizdan 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 in the same suit has also counter-claimed for the sum of RM330,179,909 against the plaintiffs being the shortfall on the profit guarantee given by the Plaintiffs.

The Company’s solicitors are of the view that the Company has an arguable case against the Plaintiffs’ claim and also in respect of the counterclaim against the Plaintiffs.

38. RELATED PARTY TRANSACTIONS

	2001		2000	
	AMOUNT OF TRANSACTIONS RM’000	OUT- STANDING AMOUNTS RM’000	AMOUNT OF TRANSACTIONS RM’000	OUT- STANDING AMOUNTS RM’000
GROUP				
<i>Transactions with companies of which Mr. Lim Nyuk Sang @ Freddy Lim and Mr. Wong Len Kee are directors:</i>				
Sales of fresh fruit bunches				
- Malsa Corporation Sdn. Bhd.	-	-	790	-
Sales of bunch ash				
- Abedon Oil Mills Sdn. Bhd.	3	-	-	-
- Malsa Corporation Sdn. Bhd.	2	-	-	-
Sales of crude palm oil				
- Malsa Corporation Sdn. Bhd.	405	-	-	-

38. RELATED PARTY TRANSACTIONS (CONTD.)

	2001		2000	
	AMOUNT OF TRANSACTIONS RM'000	OUT- STANDING AMOUNTS RM'000	AMOUNT OF TRANSACTIONS RM'000	OUT- STANDING AMOUNTS RM'000
GROUP				
<i>Transactions with companies of which Mr. Lim Nyuk Sang @ Freddy Lim and Mr. Wong Len Kee are directors: (contd.)</i>				
Interest on loan				
- Abedon Sdn. Bhd.	42	-	5	5
- Malsa Corporation Sdn. Bhd.	-	-	230	49
Purchase of fresh fruit bunches				
- Abedon Sdn. Bhd.	54	-	-	-
- Malsa Corporation Sdn. Bhd.	-	-	265	-
<i>Transactions with a firm in which Mr. Fong King Fun has interest:</i>				
Purchase of fresh fruit bunches				
- Hon Voon Estate	59	-	109	14
<i>Transactions with companies of which Mr. Fong King Fun is director:</i>				
Purchase of fresh fruit bunches				
- Allok Sdn. Bhd.	602	-	916	198
- Pyon Estate Sdn. Bhd.	111	-	166	23
- Quality Estate (Sabah) Sdn. Bhd.	53	-	87	24
<i>Transactions with directors of Innosabah Securities Berhad</i>				
Waiver of interest on loans granted by directors				
- Kong Kok Keong	-	-	6,094	-
- Faizdan Bin Hassan	-	-	1,018	-
- Mohd Zahir Bin Ahmad	-	-	1,353	-
	-	-	8,465	-

38. RELATED PARTY TRANSACTIONS (CONTD.)

	2001		2000	
	AMOUNT OF TRANSACTIONS RM'000	OUT- STANDING AMOUNTS RM'000	AMOUNT OF TRANSACTIONS RM'000	OUT- STANDING AMOUNTS RM'000
GROUP				
<i>Interest on loans granted by Shareholders</i>				
- Chan Saik Chuen Sdn. Bhd.	224	224	134	134
- Chan Saik Chuen	6	6	-	-
- Fong Kin Wui	289	289	412	412
- Fong Shuk Gin	240	-	252	252
- Fong Tham Yu	112	112	67	67
- Khai Leang Sdn. Bhd.	223	223	127	127
- Santraprise Sdn. Bhd.	392	392	262	232
- Seah Tee Sui Sdn. Bhd.	223	223	127	127
	1,709	1,469	1,381	1,351
<i>Interest on loans given by Directors</i>				
- Chan Saik Chuen	105	105	66	66
- Fong King Fun	635	635	247	247
- Lim Nyuk Sang @ Freddy Lim	1,119	1,119	679	679
- Richard Christopher Barnes	-	-	81	81
- Seah Sen Leang	542	542	317	317
	2,401	2,401	1,390	1,390
<i>Interest income from an associated Company</i>				
- Pantai Dalam Development Sdn. Bhd.	548	548	-	-

38. RELATED PARTY TRANSACTIONS (CONTD.)

COMPANY	2001		2000	
	AMOUNT OF TRANSACTIONS RM'000	OUT- STANDING AMOUNTS RM'000	AMOUNT OF TRANSACTIONS RM'000	OUT- STANDING AMOUNTS RM'000
<i>Transactions with subsidiary companies:</i>				
Income				
Sales of fresh fruit bunches				
- Syarikat Kretam Mill Sdn. Bhd.	336	336	247	-
Gross dividend income received				
- Timberwood Sdn. Bhd.	350	-	330	-
- Syarikat Capakaya Sdn. Bhd.	600	-	540	-
- Bintang Angkasa Sdn. Bhd.	2,000	-	1,800	-
- Syarikat Kretam Plantations Sdn. Bhd.	1,200	-	1,200	-
- Syarikat Kretam Ladang Sdn. Bhd.	4,000	-	4,000	-
- KM Plantations Sdn. Bhd.	5,400	-	5,400	-
- Syarikat Kretam Mill Sdn. Bhd.	2,700	-	2,700	-
	16,250	-	15,970	-
Expenses				
Data processing fee				
- KHB Telecommunications Sdn. Bhd.	4	4	3	3
Management fees				
- Kretam Management Sdn. Bhd.	3	3	3	3
Office rental				
- KHB Realty Sdn. Bhd.	4	4	4	3

38. RELATED PARTY TRANSACTIONS (CONTD.)

*Transactions with companies
of which Mr. Lim Nyuk Sang @ Freddy Lim
and Mr. Wong Len Kee are directors:*

COMPANY	2001		2000	
	AMOUNT OF TRANSACTIONS RM'000	OUT- STANDING AMOUNTS RM'000	AMOUNT OF TRANSACTIONS RM'000	OUT- STANDING AMOUNTS RM'000
Income				
Sales of fresh fruit bunches				
- Malsa Corporation Sdn. Bhd.	-	-	11	-
Expenses				
Interest on loan				
- Abedon Sdn. Bhd.	42	-	5	5
- Malsa Corporation Sdn. Bhd.	-	-	230	49
Interest on loans granted by Shareholders				
- Chan Saik Chuen Sdn. Bhd.	224	224	134	134
- Chan Saik Chuen	6	6	-	-
- Fong Kin Wui	289	289	412	412
- Fong Shuk Gin	240	-	252	252
- Fong Tham Yu	112	112	67	67
- Khai Leang Sdn. Bhd.	223	223	127	127
- Santraprise Sdn. Bhd.	392	392	262	232
- Seah Tee Sui Sdn. Bhd.	223	223	127	127
	1,709	1,469	1,381	1,351

38. RELATED PARTY TRANSACTIONS (CONTD.)

COMPANY	2001		2000	
	AMOUNT OF TRANSACTIONS RM'000	OUT- STANDING AMOUNTS RM'000	AMOUNT OF TRANSACTIONS RM'000	OUT- STANDING AMOUNTS RM'000
Interest on loans given by Directors				
- Chan Saik Chuen	105	105	66	66
- Fong King Fun	635	635	247	247
- Lim Nyuk Sang @ Freddy Lim	1,119	1,119	679	679
- Richard Christopher Barnes	-	-	81	81
- Seah Sen Leang	542	542	317	317
	2,401	2,401	1,390	1,390
Interest income from an Associated Company				
- Pantai Dalam Development Sdn. Bhd.	548	548	-	-

The Directors are of the opinion that all related party transactions were entered into the normal course of business on terms mutually agreed between the respective parties.

39. EMPLOYEES INFORMATION

	GROUP		COMPANY	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Staff cost	11,087	12,138	662	655

The total number of employees of the Group and of the Company at year end were 1,312 (2000: 1,436) and 10 (2000: 11) respectively.

40. SUBSEQUENT EVENTS

- (i) On 15 January 2002, the Group via Jeffa Construction Sdn. Bhd., its 51% owned subsidiary acquired 2 ordinary shares in Jeffa Market Technology Sdn. Bhd. representing 100% equity interest for a cash consideration of RM2.
- (ii) On 5 April 2002, the Company and two of its subsidiaries, namely Rising Resources Sdn. Bhd. and Jeffa Construction Sdn. Bhd., entered into a debt restructuring agreement with certain financial institutions to restructure debts amounting to RM397,644,304 based on the outstanding debt balances as at 30 September 2001. The total debts of RM397,644,304 to be restructured included an amount of RM37,915,141 representing loans and advances given by a group of shareholders to the Company.

40. SUBSEQUENT EVENTS (CONTD.)

The Proposed Debt Restructuring, which had been facilitated by the Corporate Debt Restructuring Committee, forms an integral part of the Proposed Restructuring Scheme to be undertaken by the Group.

The details of the Proposed Restructuring Scheme, are set out briefly in note 1 to the financial statements.

41. COMPARATIVE FIGURES

The comparative figures of the Group and the Company have been reclassified to conform with the disclosure requirements of MASB 1, Presentation of Financial Statement para 29 and 31, as follows:

	GROUP		COMPANY	
	AS PREVIOUSLY REPORTED RM'000	AS RESTATED RM'000	AS PREVIOUSLY REPORTED RM'000	AS RESTATED RM'000
Balance Sheet				
Subsidiary companies	-	-	266,274	-
Investment in subsidiary companies	-	-	-	253,238
Amount due from subsidiary companies	-	-	-	100,836
Amount due to subsidiary companies	-	-	-	(87,800)
Long term liabilities	(233,455)	-	-	-
Long term borrowings	-	(181,343)	-	-
Deferred taxation	-	(637)	-	-
Amount due to joint venture partner	-	(51,475)	-	-
Payables	33,082	33,149	-	-
Amount due to directors of Subsidiaries	67	-	-	-
Income Statement				
Finance costs	(33,677)	(35,113)	(17,699)	(17,835)
Other operating income	2,583	30,552	-	136
Exceptional items	5,054	-	(89,723)	-
Other operating expenses	-	(21,479)	-	(89,723)

LIST OF PROPERTIES

AS AT 31 DECEMBER 2001

LOCATION OF PROPERTY	TENURE	LAND AREA	DESCRIPTION	NET BOOK VALUE AS AT 31.12.2001 RM'000	YEAR ACQUIRED
1. Bode Estate Mile 44 Sandakan-Lahad Datu Highway	Leasehold - expiring in 2887	2,074 hectares	Oil Palm plantation	42,588	NA
2. Masang Estate Off Mile 44 Sandakan-Lahad Datu Highway	Leasehold - expiring in 2887	2,400 hectares	Oil Palm plantation	40,759	NA
3. Sapagaya Estate Mile 60 Sandakan-Sukau Road	Leasehold - expiring in 2078 - expiring in 2041	2,026 hectares 14 hectares	Oil Palm plantation	42,647	NA
		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	28,339	NA
		1,342 hectares			
	Sublease - expiring in 2096 - expiring in 2099	24 hectares 43 hectares			
		1,409 hectares			
5. Bintang Estate Mile 60 Sandakan-Sukau Road	Leasehold - expiring in 2078	1,010 hectares	Oil Palm Plantation	25,383	NA
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	NA
		282 hectares			

LOCATION OF PROPERTY	TENURE	LAND AREA	DESCRIPTION	NET BOOK VALUE AS AT 31.12.2001 RM'000	YEAR ACQUIRED
7. Timberwood Estate Mile 44 Sandakan-Lahad Datu Highway	Leasehold - expiring in 2077	139 hectares	Oil Palm Plantation	2,873	NA
8. Block J Estate Off Mile 44 Sandakan-Lahad Datu Highway	Leasehold - expiring in 2071	182 hectares	Oil Palm Plantation	3,600	NA
9. Silimpon Estate Km 128 Tawau-Kalabakan Highway	Leasehold - expiring in 2096	8,090 hectares	Land held for Oil Palm Cultivation	20,896	NA
10. Winpalm Estate Mile 45 Sandakan-Lahad Datu Highway	Sublease - expiring in 2098	69 hectares	Oil Palm Plantation	560	NA
11. Wisma KHB Lots 4, 5 and 6 Block 44 Leboh Tiga Sandakan	Leasehold - expiring in 2889	4,500 sq. feet	* 4-storey office building	3,742	1993
12. Lots 75 and 76 Block K Sadong Jaya Karamunsing Kota Kinabalu	Leasehold - expiring in 2901	2,398 sq. feet	* 4-storey commercial building	1,363	1992
13. Lots 54 & 55 Block H Sadong Jaya Karamunsing Kota Kinabalu	Leasehold - expiring in 2901	2,298 sq. feet	* 4-storey commercial building	1,328	1996
14. Lot 57 Block H Sadong Jaya Karamunsing Kota Kinabalu	Leasehold - expiring in 2901	1,149 sq. feet	* 4-storey commercial building	543	1993
15. Lot 59 Block I Sadong Jaya Karamunsing Kota Kinabalu	Leasehold - expiring in 2901	1,250 sq. feet	* 4-storey commercial building	626	1993

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

SHAREHOLDING STATISTICS

AS AT 30 APRIL 2002

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

GROUP	SHAREHOLDERS		SHAREHOLDINGS	
	NUMBER	%	NUMBER	%
1 to 999	309	4.38	149,563	0.14
1,000 to 10,000	6,225	88.16	16,789,777	15.95
10,001 to 100,000	443	6.27	12,202,900	11.60
100,001 to less than 5% of issued shares	83	1.18	69,228,260	65.77
5% and above of issued shares	1	0.01	6,883,000	6.54
Total	7,061	100.00	105,253,500	100.00

LIST OF TOP 30 SHAREHOLDERS

AS PER REGISTER OF MEMBERS

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	PERCENTAGE (%)
1.	DB (Malaysia) Nominee (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Lim Nyuk Sang @ Freddy Lim</i>	6,883,000	6.54
2.	Citicorp Nominees (Asing) Sdn Bhd - <i>Beneficial Owner: Jarsuma Investments Ltd</i>	4,282,000	4.07
3.	Genness Sdn Bhd	4,099,000	3.89
4.	HSBC Nominees (Asing) Sdn Bhd - <i>Beneficial Owner: Hartlane Enterprises Inc</i>	3,467,000	3.29
5.	DB (Malaysia) Nominee (Asing) Sdn Bhd - <i>Beneficial Owner: Contend Investments Ltd</i>	3,298,000	3.13
6.	UOBM Nominees (Tempatan) Sdn Bhd - <i>Pledged Securities Account for Far Concepts Sdn Bhd</i>	3,274,000	3.11
7.	Dexia JMF Nominees (Tempatan) Sdn Bhd - <i>Beneficial Owner: Fong Kin Wui</i>	3,160,000	3.00
8.	Seah Tee Sui Sdn Bhd	2,333,500	2.22
9.	Santraprise Sdn Bhd	2,100,000	2.00
10.	HDM Nominees (Asing) Sdn Bhd - <i>Beneficial Owner: Great Forest Ltd</i>	2,016,000	1.92
11.	Dexia JMF Nominees (Tempatan) Sdn Bhd - <i>Beneficial Owner: Fong King Fun</i>	2,011,667	1.91

LIST OF TOP 30 SHAREHOLDERS (Continued)

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES HELD	PERCENTAGE (%)
12.	HSBC Nominees (Asing) Sdn Bhd - Beneficial Owner: Appollo Express Inc	1,910,000	1.81
13.	Fong King Fun	1,699,000	1.61
14.	Chan Saik Chuen Sdn Bhd	1,683,400	1.60
15.	Dexia JMF Nominees (Tempatan) Sdn Bhd - Beneficial Owner: Seah Sen Leang	1,500,000	1.43
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	1,382,000	1.31
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
21.	PAB Nominee (Tempatan) Sdn Bhd - Pledged Securities Account for Datuk Ahmad Zahid Hamidi	1,092,000	1.04
22.	Dexia JMF Asset Management Sdn Bhd - Beneficial Owner: Koh Tong Sin	1,060,000	1.01
23.	Bank Simpanan Nasional	1,053,000	1.00
24.	AMSEC Nominees (Tempatan) Sdn Bhd - Beneficial Owner: Datuk Ahmad Zahid Hamidi	1,000,000	0.95
25.	AMSEC Nominees (Tempatan) Sdn Bhd - Beneficial Owner: Fong Kin Voon	1,000,000	0.95
26.	Citicorp Nominees (Asing) Sdn Bhd - Beneficial Owner: Winnie Choi Lai Ying	985,000	0.94
27.	Seah Sen Leang	783,000	0.74
28.	Measurement (Malaysia) Sdn Bhd	774,280	0.74
29.	HSBC Nominees (Asing) Sdn Bhd - Beneficial Owner: Greenwich International Ltd	764,000	0.73
30.	DB (Malaysia) Nominee (Asing) Sdn Bhd - Beneficial Owner: Lin Hsiou Yun	734,000	0.70

SUBSTANTIAL SHAREHOLDERS as at 30 April 2002

	DIRECT		INDIRECT	
	NO. OF SHARES HELD	PERCENTAGE (%)	NO. OF SHARES HELD	PERCENTAGE (%)
Lim Nyuk Sang @ Freddy Lim	6,883,000	6.54	2,100,000 *	2.00
Seah Sen Leang	2,282,666	2.17	4,491,500 #	4.27

*Notes:** *Deemed interest through Santraprise Sdn Bhd*# *Deemed interest through Seah Tee Sui Sdn Bhd and Khai Leang Sdn Bhd***DIRECTORS' SHAREHOLDINGS** as at 30 April 2002

	DIRECT		INDIRECT	
	NO. OF SHARES HELD	PERCENTAGE (%)	NO. OF SHARES HELD	PERCENTAGE (%)
Lim Nyuk Sang @ Freddy Lim	6,883,000	6.54	2,100,000 *	2.00
Seah Sen Leang	2,282,666	2.17	4,491,500 #	4.27
Fong King Fun	3,928,667	3.73	-	-
Lim Kun Kim	2,000	-	-	-
Richard Christopher Barnes	-	-	-	-
Dr Beatrice Ming Baikan @ Berniedetta	-	-	-	-

*Notes:** *Deemed interest through Santraprise Sdn Bhd*# *Deemed interest through Seah Tee Sui Sdn Bhd and Khai Leang Sdn Bhd*

NO. OF ORDINARY SHARES HELD

FORM OF PROXY

I/We,

of

being a Member of Kretam Holdings Berhad, hereby appoint

.....

of

or failing him

of

as my/our proxy to vote for me/us and on my/our behalf at the Fourteenth 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, 28 June 2002 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.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the Directors' Report and Accounts for the year ended 31 December 2001		
2.	To re-elect the following Director retiring by rotation in accordance with Article 80 of the Company's Articles of Association:- (a) Lim Nyuk Sang @ Freddy Lim		
3.	To re-elect the following Directors retiring in accordance with Article 86 of the Company's Articles of Association:- (a) Lim Kun Kim		
	(b) Dr Beatrice Ming Baikan @ Berniedetta		
4.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration		
5.	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		
6.	Special Business Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature		

(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 _____ 2002

Signature(s) of Member

Notes:-

- 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.
- A proxy or an attorney need not be a member of the Company.
- The form of proxy or power of attorney if executed by a corporation must be executed under common seal.
- 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.
- 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.
- For item 6, further information on the Proposed Renewal of Recurrent Related Party Transactions Mandate is set out in the Appendix I attached to the Annual Report 2001 of the Company.

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STAMP

KRETAM HOLDINGS BERHAD

Lot 6, Block 44, Leboh Tiga

90000 Sandakan

Sabah