ANNUAL Report 2003

KHB KRETAM HOLDINGS BERHAD

(Company No : 168285-H)

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(Company No : 168285-H)

ANNUAL Report 2003

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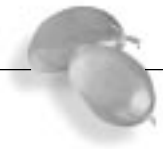
Notice of Annual General Meeting



NOTICE IS HEREBY GIVEN that the SIXTEENTH 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, 18 June 2004 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 2003 and the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**

2. To re-elect the following Director retiring by rotation in accordance with Article 80 of the Company's Articles of Association:-

   (a) Mr Richard Christopher Barnes **Ordinary Resolution 2**

3. To re-elect the following Directors retiring in accordance with Article 86 of the Company's Articles of Association:-

   (a) Mr Wong Len Kee **Ordinary Resolution 3**
   (b) Mr Lee Hock Leang **Ordinary Resolution 4**

4. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

5. As Special Business, to consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:-

   5.1 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".

   Ordinary Resolution 6

   5.2 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 1 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." **Ordinary Resolution 7**

6. 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 (LS0008818)
Liu Yee Ling @ Annie Liu (LS0001146)
Secretaries

Sandakan
27 May 2004

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.6 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 the proposed Ordinary Resolution No. 7, further information on the Proposed Renewal of Recurrent Related Party Transactions Mandate is set out in the Appendix 1 attached to the 2003 Annual Report of the Company.

Statement Accompanying Notice of Annual General Meeting of the Company

Pursuant To Paragraph 8.28(2) Of The Listing Requirements Of Bursa Malaysia Securities Berhad

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

   (i) Mr Richard Christopher Barnes
   (ii) Mr Wong Len Kee
   (iii) Mr Lee Hock Leang

2. The Sixteenth Annual General Meeting of the Company will be held as follows:-

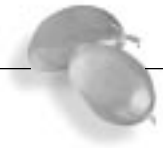
   Place : Lot 6, Block 44, Leboh Tiga, 90000 Sandakan, Sabah
   Date and time : Friday, 18 June 2004 at 10.30 a.m.

3. Details of Directors who are standing for re-election are attached in the Directors' Profile Section of this Annual Report. The Directors who are standing for re-election do not hold any shares in the Company or in any subsidiaries of the Company save as disclosed below:-

DIRECTOR	ORDINARY SHARES OF RM1.00 EACH IN THE COMPANY AS AT 30 APRIL 2004	WARRANTS IN THE COMPANY AS AT 30 APRIL 2004
Mr Wong Len Kee	42,750	43,000

4. Details of attendance of Directors at Board meetings are set out in the Corporate Governance Statement.

Appendix 1 - 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 RM3,000,000	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 Holdings Berhad ("KHB")	Based on prevailing commodity prices
	b) Purchase of FFB by SKMSB amounting to RM3,000,000	Abedon Sdn Bhd Tioman Baru Sdn Bhd* } Bumiwealth Sdn Bhd* } Abedon Oil Mill Sdn Bhd* } **Wholly-owned subsidiaries of Abedon Sdn Bhd*	Lim Nyuk Sang @ Freddy Lim is a Director and major shareholder Wong Len Kee is a Director and a shareholder Wong Len Kee is a Director Wong Len Kee is also a Director and a shareholder of KHB	Based on prevailing commodity prices
2	Sale of FFB from KHB and/or its plantation subsidiaries amounting to RM3,000,000	Malsa Corporation Sdn Bhd	As disclosed in 1(a) above	Based on prevailing commodity prices
3	Sale of FFB from KHB and/or its plantation subsidiaries amounting to RM3,000,000	Abedon Sdn Bhd	As disclosed in 1(b) above	Based on prevailing commodity prices

Corporate Information

Board of Directors

- **Dato' Abd. Aziz Bin Haji Sheikh Fadzir**
  - Executive Chairman
- **Lim Nyuk Sang @ Freddy Lim**
  - Chief Executive Officer
  - Non-Independent, Executive Director
- **Wong Len Kee**
  - 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
- **Lee Hock Leang**
  - Independent, Non-Executive Director

Executive Committee

Dato' Abd. Aziz Bin Haji Sheikh Fadzir
Lim Nyuk Sang @ Freddy Lim
Wong Len Kee

Audit Committee

Lim Kun Kim - *Chairman*
Wong Len Kee
Lee Hock Leang

Remuneration Committee

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

Nomination Committee

Lim Kun Kim - *Chairman*
Richard Christoper Barnes
Lee Hock Leang

Secretaries

Nalini Saraswathy Singam (LS0008818)
Liu Yee Ling @ Annie Liu (LS0001146)

Registered Office

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

Registrars

Lawco Corporate Services Sdn Bhd
Suite 6.01, Level 6 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

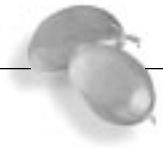
Principal Bankers

- Affin Bank Berhad
- Ambank Berhad
- Aseambankers 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

Bursa Malaysia Securities Berhad
- Main Board

Profile of Directors



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

Dato' Abd. Aziz Bin Haji Sheikh Fadzir

DATO' ABD. AZIZ BIN HAJI SHEIKH FADZIR, aged 41, a Malaysian, is an Executive Non-Independent Director and Executive Chairman of KHB. He is also the Chairman of the Executive Committee. He was appointed to the Board of KHB on 1 July 2002. He holds a Bachelor of Science (Accounting) degree from Purdue University, Indiana, United States of America. He started his career in 1986 as a Project Co-ordinator for Pembangunan Kulim Sdn. Bhd. where he had been actively involved in numerous projects. Prior to joining Gold Bridge Engineering & Construction Berhad where he is the Managing Director and is in charge of the overall management and operations since 1989, he also worked in several construction and property development companies. He also sits on the board of Safeguard Corporation Berhad and Construction And Supplies House Berhad.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

Dato' Abd. Aziz Bin Haji Sheikh Fadzir attended two of the four Board Meetings held during the financial year ended 31 December 2003.

Lim Nyuk Sang @ Freddy Lim

LIM NYUK SANG @ FREDDY LIM, aged 52, a Malaysian, is an Executive Non-Independent Director and is the Chief Executive Officer of KHB. He is also a member of both the Executive Committee and Remuneration Committee of KHB. 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 about twenty-nine years. He has interests in private companies which are involved in oil palm plantation and sawmilling operations. He also holds directorships in Sabah Softwoods Bhd and several private companies.

He does not have any family relationship with other Directors and/or major shareholders of the Company. The details of his related party transactions are disclosed in Appendix 1 of the Annual Report. He has not been convicted of any offence within the past ten years.

Lim Nyuk Sang @ Freddy Lim attended all the four Board Meetings held during the financial year ended 31 December 2003.

Wong Len Kee

WONG LEN KEE, aged 52, a Malaysian, is an Executive Non-Independent Director of KHB. He is also a member of both the Executive Committee and the Audit Committee of KHB. He was appointed to the Board of Directors of KHB on 14 April 2004. He holds a Bachelor of Science (Forestry) degree from The Australian National University Canberra, A.C.T. He was the Project Manager from 1974 to 1984 for Sabah Softwoods Sdn Bhd. From 1985 to 1986, he was a director of Sri Brumas Sdn Bhd. He also holds directorships in several private companies. Prior to his present appointment as a Director of KHB, he was and continues to be the Plantations Director of KHB Group.

He does not have any family relationship with other Directors and/or major shareholders of the Company. The details of his related party transactions are disclosed in Appendix 1 of the Annual Report. He has not been convicted of any offence within the past ten years.

Lim Kun Kim

LIM KUN KIM, aged 43, a Malaysian, is an Independent Non-Executive Director of KHB. She was appointed to the Board of KHB on 23 November 2001 and is currently the Chairman of both 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 both 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 subsequently the Group Accountant and Company Secretary of KHB from 1989 to 1996. She does not hold any directorship in any other public companies.

She does not have any family relationship with other Directors and/or major shareholders of the Company nor does she have any conflict of interest with the Company. She has not been convicted of any offence within the past ten years.

Lim Kun Kim attended all the four Board Meetings held during the financial year ended 31 December 2003.

Richard Christopher Barnes

RICHARD CHRISTOPHER BARNES, aged 52, a Malaysian, is a Non-Executive Non-Independent Director of KHB. He was appointed to the Board of KHB on 29 September 1998 and is currently a member of the Nomination Committee and the Chairman of the 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 some subsidiaries of KHB and several other private companies. He does not hold any directorship in any other public companies.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

Richard Christopher Barnes attended three of the four Board Meetings held during the financial year ended 31 December 2003.

Lee Hock Leang

LEE HOCK LEANG, aged 39, a Malaysian, is an Independent Non-Executive Director of KHB. He was appointed to the Board of KHB on 16 February 2004 and is currently a member of both the Audit Committee and Nomination Committee of KHB. He holds a Bachelor of Science of Mechanical and Manufacturing Engineering (Honours) from Bradford University, United Kingdom and a Certificate of Steam Engineer Grade 1. He was employed by Ryford Video Ltd as Industrial Engineer from 1988 to 1989. He was employed by Pamol Estates Sabah Sdn Bhd as a Management Trainee from 1989 to 1991, as the Mill Maintenance Engineer from 1991 to 1994 and later as the Mill Manager from 1994 to 1996. Currently, he is the Group Engineer for Lai Fook Kim Corporation Sdn Bhd.

He does not have any family relationship with other Directors and/or major shareholders of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offence within the past ten years.

Corporate Governance Statement

The Board of Directors ("the Board") of Kretam Holdings Berhad ("KHB"/"the Company") is pleased to report on the practices adopted by the Board in the application of the Principles and Best Practices of Corporate Governance as set out in the Malaysian Code of Corporate Governance ("the Code") and the extent of compliance thereof.

COMPLIANCE STATEMENT

Throughout the year ended 31 December 2003, the Company has complied with the Best Practices as set out in Part 2 of the Code, save as disclosed below:

BEST PRACTICE PROVISION	DETAILS	REASON FOR NON-COMPLIANCE
AAVII	Nomination of a Senior Independent Non-Executive Director	The Board does not consider it necessary to nominate a recognised Senior Independent Non-Executive Director as the roles of the Chairman and the Chief Executive Officer are distinct and separate. The Board will however comply in the future if there is a change to the current arrangement.
AAXIII	Each new recruit to the Board should be provided with an orientation and education programme	The Company does not have a formal training programme for its new Directors but will review the necessity for formal training from time to time.

BOARD OF DIRECTORS

(a) Board Responsibilities

The Board controls and guides the Company including the Management, to carry out the following responsibilities to ensure good performance of the Company's business and to enhance long-term shareholder value:-

- Reviewing and adopting strategic plans for the KHB Group
- Overseeing and evaluating the conduct of the KHB Group's business to ensure proper management thereof
- Identifying principal risks and instituting risk management
- Implementing shareholder communications policy
- Succession planning for senior management
- Reviewing adequacy of internal control systems, management information systems and compliance systems

To ensure a balance of power and authority, the responsibilities of the Chairman and the Chief Executive Officer are clearly divided. The Chairman heads the Board and leads the Directors to review and decide on the Management's proposals relating to the Company's financial and corporate matters. The Chief Executive Officer is delegated with the day-to-day management of the Company's operations and the implementation of the Board's policies and decisions.

(b) Board Balance

The Board has six (6) members as at the date of this Statement comprising three (3) Executive Directors and three (3) Non-Executive Directors. Two of the Non-Executive Directors are Independent Directors who are individuals of calibre, credibility, specialist skills and wide experiences. The Independent Directors bring objective and independent judgment to the decision-making process of the Board and provide a capable check and balance for the Executive Directors. Careful consideration is given to the Board composition to ensure that the Board is well balanced and that Independent Non-Executive Directors make up at least one-third (1/3) of the Board membership. The Board composition reflects a broad range of financial, corporate, legal and operational experiences and expertise which are required for the Company's business.

The Board is satisfied that the current Board composition fairly represents the interests of minority shareholders in the Company.

(c) Appointments To The Board

The Nomination Committee is responsible for recommending new appointments to the Board and for assessing Directors' performance on an on-going basis. The Board through the Nomination Committee ensures that the right candidate with the necessary knowledge, experience and competencies is recruited to the Board. Details of the Nomination Committee are set out on page 12.

(d) Re-election

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board during the year, shall hold office only until the next Annual General Meeting ("AGM") and shall be eligible for re-election. In addition, all the Directors, including the Chief Executive Officer, shall retire from office at the AGM at least once every three years but shall be eligible for re-election.

(e) Meetings

Board Meetings are scheduled to be held at quarterly intervals, with additional meetings convened as and when required. Four (4) Board Meetings were held during the financial year ended 31 December 2003. Matters considered during the Board Meetings included the Group's financial results, strategic decisions, business plan and direction and the restructuring of the Group.

Attendance of the Board Members during the year ended 31 December 2003 was as follows:-

DIRECTORS	DESIGNATION	ATTENDANCE
Dato' Abd. Aziz Bin Haji Sheikh Fadzir	Chairman	2 of 4
Lim Nyuk Sang @ Freddy Lim	Chief Executive Officer	4 of 4
Seah Sen Leang*	Executive Director	4 of 4
Fong King Fun*	Executive Director	4 of 4
Lim Kun Kim	Independent Director	4 of 4
Dr Beatrice Ming Baikan @ Berniedetta*	Independent Director	4 of 4
Richard Christopher Barnes	Non-Executive Director	3 of 4

* resigned with effect from 14 April 2004

(f) Directors' Training

There is no formal training programme for the Directors. However, as required by the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements, on completion of the Mandatory Accreditation Programme, the Directors will continue to attend the Continuing Education Programme to further enhance their skills and knowledge.

(g) Supply Of Information

Information including latest statutory and non-statutory regulations and requirements is provided to the Board members on a timely basis. One (1) week prior to meetings of the Board and the Board Committees, the Directors are provided with Board papers which include the agenda, minutes of meetings and reports such as quarterly financial results, management, performance, operational, financial and non-financial reports, budget and plans, to enable the Directors to be properly briefed and to obtain further explanation, where necessary, or information before the meetings.

The Board members have access to all information within the Company as a full board or in their individual capacity to enable them to discharge their duties.

The Directors may, as a full Board or in their individual capacity, seek independent professional advice at the Company's expense when necessary. They also have access to the advice and services of the Company Secretary who is very capable in carrying out the duties to which the post entails. The terms of appointment and removal of the Company Secretary is a matter for the Board as a whole.

h) Directors' Remuneration

A summary of the Directors' remuneration received from the Company and subsidiary companies during the financial year ended 31 December 2003 is as follows:-

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

CATEGORY	BASIC SALARY (RM'000)	EPF (RM'000)	BONUS (RM'000)	BENEFIT IN KIND (RM'000)	ATTENDANCE FEES (RM'000)	TOTAL (RM'000)
Executive Directors	720	92	121	6	15	954
Non-Executive Directors	Nil	Nil	Nil	Nil	28	28

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

NUMBER OF DIRECTORS	RANGE OF REMUNERATION	
	EXECUTIVE	NON-EXECUTIVE
Below RM50,000	1	4
RM50,001 - RM250,000	Nil	Nil
RM250,001 - RM300,000	1	Nil
RM300,001 - RM600,000	Nil	Nil
RM600,001 - RM650,000	1	Nil

BOARD COMMITTEES

(a) Executive Committee

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

Dato' Abd. Aziz Bin Haji Sheikh Fadzir - Chairman
Lim Nyuk Sang @ Freddy Lim
Wong Len Kee

The Terms of Reference of this committee is to undertake tasks specifically assigned to it by the Board of Directors and the Executive Committee 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

Details of the Audit Committee are set out in the Audit Committee Report on page 16.

(c) Remuneration Committee

The Remuneration Committee as at the date of this Statement consists of the following Directors, majority of whom are Non-Executive Directors:-

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

The Remuneration Committee is responsible for:-

- Recommending to the Board the framework for remuneration of the Directors and remuneration packages of Executive Directors so as to attract and retain the Directors needed to run the Company successfully;
- Assisting the Board in assessing the responsibility and commitment undertaken by the Board member; and
- Assisting the Board in ensuring the remuneration of the Directors reflects the responsibility and commitment of the Director concerned.

The Executive Directors do not participate in determining their individual remuneration.

The Remuneration Committee held one (1) meeting on 10 November 2003 during the financial year ended 31 December 2003.

(d) Nomination Committee

The members of the Nomination Committee as at the date of this Statement are as follows:-

Lim Kun Kim	-	Chairman, Independent Non-Executive Director
Richard Christopher Barnes	-	Non-Independent Non-Executive Director
Lee Hock Leang	-	Independent Non-Executive Director

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

The Nomination Committee is responsible for:-

- Identifying and recommending to the Board of Directors, candidates to the Board and Board Committees;
- Considering, 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; and
- Reviewing the effectiveness of the Board as a whole, the Board Committees and assessing the contributions of each individual Director.

The Board acknowledges that all Board appointments should be the responsibility of the full Board after considering the recommendations of the Committee.

The Nomination Committee held one (1) meeting on 10 November 2003 during the financial year ended 31 December 2003.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board acknowledges the importance of effective communication with the Company's shareholders and the public and this is conducted through:

1) Distributing the Group's Annual Report and circulars to shareholders;
2) Timely release of the Group's Annual Report, Quarterly results announcement and other announcements to the regulatory authorities namely the Bursa Malaysia and the Securities Commission;
3) Accessibility of full results of the Group's Annual Report, Quarterly results announcement and all the other announcements and press releases through the Bursa Malaysia internet web-site;
4) KLSE Link, whereby queries from Bursa Malaysia are addressed in a timely manner;
5) Notifying shareholders of dates of AGM and other general meetings in the printed media and on the Bursa Malaysia internet web-site to ensure communication with the shareholders; and
6) Holding dialogue with shareholders at the AGM and other general meetings.

Notices convening meetings are sent to shareholders at least 14 days before the meeting or at least 21 days before the meeting together with related circulars or the Group's Annual Report where any special resolution is to be proposed or where it is an AGM. At the AGM, the shareholders are given the opportunity to raise questions or seek information on the resolution being proposed and about the Group's operations in general. The Company's Auditors are also present at the AGM. 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.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

The Board aims to present 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 has ensured that the financial statements have been prepared based on applicable approved accounting standards issued by Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965 ("CA") so as to 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 the results and cashflows for the financial year.

The Directors have also ensured that proper accounting records are kept and which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements are in compliance with the CA.

(c) Internal Control

The Company's Statement on Internal Control is in accordance with the publication of the Statement on Internal Control : Guidance for Directors of Public Listed Companies, is set out on page 20.

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 good working relationship with the Group's internal and external auditors through the Audit Committee.

ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Bursa Malaysia Listing Requirements, additional information where relevant is provided as follows:-

(a) Options, Warrants or Convertible Securities

On 11 August 2003, KHB had issued the following to its Lenders as part settlement of the amounts owing to them under the Restructuring Scheme:-

i) RM131,388,954 nominal amount of Redeemable Convertible Secured Loan Stocks ("RCSLS") A 2003/2010;
ii) RM15,960,050 nominal amount of RCSLS A-1 2003/2006;
iii) RM64,270,053 nominal amount of RCSLS B 2003/2010;
iv) RM35,000,000 nominal amount of RCSLS C 2003/2006;
v) RM87,406,000 nominal amount of 1% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") 2003/2010; and
vi) 31,305,000 Warrants 2003/2008.

Up to the date of this report, there has been no conversion/exercise of the above securities in the Company.

(b) Utilisation of Proceeds

The Company raised RM26,313,375 from its Rights Issue. As at 31 December 2003, these proceeds had been utilised as follows:-

	APPROVED UTILISATION RM'000	AMOUNT UTILISED RM'000	BALANCE TO BE UTILISED RM'000
Payment of upfront interest on RCSLS	6,179	6,179	0
Expenses related to the Group's restructuring	3,000	1,652	1,348
Plantation development expenditure	10,000	10,000	0
Capital expenditure for palm oil mill operations	3,000	0	3,000
Working capital for plantation and mill operations	4,134	4,134	0
	26,313	21,965	4,348

(c) Non-audit Fees

Non-audit fees paid or payable to the external auditors for the financial year amounted to RM54,623 being professional fees for services rendered to the Company in relation to the following:

Restructuring Exercise Compilation of Strategic Risk Profiles	44,073 10,550
	RM54,623

(d) Material Contracts

Under the Company's Restructuring Scheme, the following material contracts (i.e. loans) entered into by the Group involving Directors and major shareholders were settled by the Company by issuing 30,650,368 Ordinary Shares of RM1.00 in the Company to the respective Directors and major shareholders on 3 December 2003:

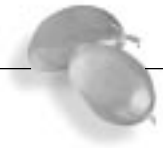
DATE OF LOAN AGREEMENT *	THE LENDERS	PRINCIPAL AMOUNT BORROWED (RM)	AMOUNT OUTSTANDING (RM)
25.02.2000	Fong King Fun	5,500,000	6,186,601
14.04.2000	Lim Nyuk Sang @ Freddy Lim	10,000,000	11,126,476
14.04.2000 & 19.06.2000	Santraprise Sdn Bhd	3,000,000	3,326,276
26.04.2000 &11.05.2000	Seah Sen Leang	5,000,000	5,561,357
26.04.2000	Khai Leang Sdn Bhd	2,000,000	2,224,829
26.04.2000	Seah Tee Sui Sdn Bhd	2,000,000	2,224,829
		Total	30,650,368

* S Creditors Debt Restructuring Agreement entered into between the relevant shareholders and the Company on 22 May 2002 pursuant to the Debt Restructuring Scheme undertaken.

(e) Recurrent Related Party

Recurrent related party transactions of a revenue nature of the Group for the financial year ended 31 December 2003 are disclosed under Note 38 of the Notes To The Financial Statements.

Audit Committee Report



COMPOSITION OF AUDIT COMMITTEE

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

Chairman	:	Ms Lim Kun Kim - (Independent, Non-Executive Director, MIA Member)
Members	:	Mr Lee Hock Leang - (Independent, Non-Executive Director) (Appointed on 16 February 2004)
	:	Mr Wong Len Kee - (Non-Independent Executive Director) (Appointed on 28 April 2004)

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 Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements 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 1 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 Bursa Malaysia Listing Requirements, the Audit Committee must promptly report such matter to the Bursa Malaysia.

Functions

8. The functions of the Committee shall be to:-

A. Review the following and report the same to the Board of Directors:-
   a) with the external auditor, the audit plan;
   b) with the external auditor, his evaluation of the system of internal controls;
   c) with the external auditor, his audit report;
   d) the assistance given by the employees of the Group to the external auditor;
   e) 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;
   f) 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;
   g) 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;
   h) 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;
   i) any letter of resignation from the external auditors of the Group;
   j) 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 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

Four (4) Audit Committee meetings were held during the financial year ended 31 December 2003. The meetings were appropriately structured through the use of agendas, which were distributed to members with at least one (1) week's notice.

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

AUDIT COMMITTEE MEMBER	ATTENDANCE
Lim Kun Kim	4 of 4
Dr Beatrice Ming Baikan @ Berniedetta *(Resigned on 14 April 2004)*	4 of 4
Richard Christopher Barnes *(Resigned on 28 April 2004)*	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 two meetings upon invitation.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

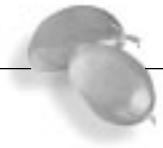
The main activities undertaken by the Committee during the year were as follows:

- Reviewing the external auditors' scope of work, audit plans and the Service Charter for the year prior to the commencement of the audit work.
- Reviewing with the external auditors on the results of the audit, the audit report and the management letter, including management's response.
- Meeting with the external auditors twice during the year without the presence of any executive Board member.
- Reviewing the Internal Audit Reports prepared by KPMG on findings arising from their visits to the Group's plantations and their recommendations and the management's responses thereto and ensuring that material findings were addressed by management.
- Reviewing the performance of KPMG as members of Internal Audit Function.
- Reviewing the annual report and the audited financial statements of the Company and ensuring that they were drawn up in accordance with the provisions of the Companies Act 1965 and the applicable accounting standards approved by the Malaysian Accounting Standards Board (MASB), prior to submission to the Board for their consideration and approval.
- Reviewing the quarterly unaudited financial results' announcements and discussing them with the General Manager of Finance and Chief Financial Officer before recommending them for the Board's approval.
- Reviewing the related party transactions entered into by the Group.
- Reviewing 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 Bursa Malaysia Listing Requirements. Recommending 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

The scope of work of Messrs KPMG, appointed to provide Internal Audit Function for the Plantation Operations of the Group, includes making four (4) visits to the Group's plantations to review the revenue and expenditure cycles, reviewing the internal controls of the Group which does not include identifying risk areas, and presenting their reports and findings to the operating personnel and the Audit Committee for comments and necessary action.

Statement on Internal Control



The Board of Directors recognises its responsibility for maintaining a sound system of internal control for the Group. The Group's internal control system covers, in addition to financial controls, operational and compliance controls and risk management, and involves each business unit. By its nature, such a system can only provide reasonable, rather than absolute, assurance against significant loss, as it is designed to manage rather than eliminate the risk of failure to achieve the Group's objectives.

Recognising the importance of a control-conscious environment, the Board had designed the Group's organisational structure in such a way that each business unit and its scope of activities and responsibilities is clearly defined. Within each of these business units, there is a clear and well-defined delegation of authority and responsibilities to the various personnel; emphasis is given to the segregation of duties among employees. Levels of authorisation are also imposed on management personnel who have been authorised to enter into day-to-day transactions on behalf of their respective business units. In all cases, management personnel and employees are made aware of their responsibilities for safeguarding the assets of the Group against loss.

The framework and key features of the internal control system of the Group include:

- The Board reviews quarterly reports from Management on key operating performance, legal, environmental and regulatory matters. Financial performance is deliberated at the Management and Executive Committees, and thereafter tabled to the Board on a quarterly basis.

- Annual budgets and business plans are prepared by all business units and consolidated at Group level. Operating results and key performance indicators are closely monitored by Senior Management against budgets. All major variances and critical operational issues are being followed up with actions taken thereon.

- Limits of Authority manual provides a sound framework of authority and accountability within the organisation and to facilitate quality and timely corporate decision making at the appropriate level in the organisation's hierarchy.

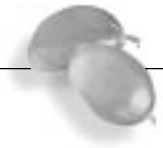
- Policies and Procedures are clearly documented for all major operations of the Group.

The Board had reviewed the Group's need for an internal audit department, and is for the time being of the opinion that the Group's needs can be met adequately by outsourcing the internal audit function to Messrs KPMG, a firm of chartered accountants. The reports from the internal audit function are reviewed by the Audit Committee, and appropriate action is taken to correct any weaknesses identified in the internal control system.

To safeguard shareholders' investment and the Company's assets, the Board has put in place a risk management policy to monitor and manage risks. During the year the Group completed the process of documenting the risk profiles of its key business units to confirm that adequate actions have been taken to address all significant risks and control issues.

The Board confirms that its system of internal control was operational throughout the financial year and up to the date of approval of the Annual Report.

Chairman's Statement



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Kretam Holdings Berhad ("KHB"/"The Company") and its Group of companies for the year ended 31 December 2003.

Operational Review

The year ended 31 December 2003 augured well for the KHB Group with the completion of its Restructuring Scheme, complemented by the strong Crude Palm Oil ("CPO") prices. CPO and Palm Kernel prices continued to increase sharply in 2003 due to tight global supply of major vegetable oils and higher demand from major importer countries like India, China, and Pakistan. The soya bean harvests had been affected by adverse weather conditions and this had further supported the rally in CPO prices. The price of CPO averaged RM1,529 per metric tonne in 2003 compared to RM1,305 per metric tonne in 2002.

This resulted in the KHB Group recording a revenue of RM69.1 million, an increase of 16.9% from its revenue of RM59.1 million in 2002. The Group recorded a profit before tax of RM125.3 million following the completion of the Restructuring Scheme in 2003 as compared to a loss before tax of RM71.0 million in the preceding year.

KHB's oil palm plantations yielded a total of 116,028 metric tonnes ("mt") of fresh fruit bunches ("FFB") marking an increase of 3.9% from 111,727 in 2002. The average yield per hectare in 2003 was 17.00 mt, compared to 17.05 mt in 2002. The total CPO production increased by 3.9% to 23,841 mt in 2003.

KHB recorded an average oil extraction rate of 19.14% during the year.

Dividend

Taking into consideration the prevailing financial position and future commitment of the Group pursuant to the Restructuring Scheme as well as the past losses incurred by the Group, the Board of Directors does not propose any dividend payment for the financial year ended 31 December 2003.

Restructuring Scheme

The Restructuring Scheme undertaken by KHB and two of its subsidiaries, namely, Jeffa Construction Sdn. Bhd. ("JCSB") and Rising Resources Sdn. Bhd. ("RRSB") was announced on 5 April 2002.

The Restructuring Scheme had been approved by the relevant authorities and shareholders of KHB in 2002.

On 11 August 2003, KHB had issued to the Lenders as part settlement of the amounts owing to them pursuant to the Debt Restructuring exercise, being part of the Restructuring Scheme:-

i) RM131,388,954 nominal amount of Redeemable Convertible Secured Loan Stocks ("RCSLS ") A 2003 / 2010

ii) RM15,960,050 nominal amount of RCSLS A-1 2003 / 2006

iii) RM64,270,053 nominal amount of RCSLS B 2003 / 2010

iv) RM35,000,000 nominal amount of RCSLS C 2003 / 2006

v) RM87,406,000 nominal amount of 1% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") 2003 / 2010; and

vi) 31,305,000 Warrants 2003/2008

On 22 October 2003, the Abridged Prospectus had been dispatched to the Company's shareholders in respect of the following:-

i) Renounceable Rights Issue of 26,313,375 new ordinary shares of RM1.00 in the Company with 26,313,375 free detachable Warrants 2003/2008 at an issue price of RM1.00 per share ("Rights Issue"); and

ii) Renounceable Offer for Sale by certain Lenders of the Company to the shareholders of the Company of up to 33,541,000 nominal value of 1% ICULS 2003/2010 and up to 31,305,000 Warrants 2003/2008 ("Offer for Sale").

The Rights Issue and Offer for Sale of Warrants were oversubscribed by the shareholders, as a reflection of their confidence in the Group's recovery.

On 3 December 2003, the Company issued 37,915,141 ordinary shares of RM1 each at par as settlement of amounts outstanding to certain of its shareholders.

The Restructuring Scheme was completed on 16 December 2003 with the listing of the new KHB shares, 1% ICULS 2003/2010, and Warrants 2003/2008 on the Main Board of the Bursa Malaysia Securities Berhad.

STATUS OF UTILISATION OF PROCEEDS RAISED FROM RIGHTS ISSUES

The Company raised a total proceeds of RM26,313,375 from its Rights Issue. As at 31 December 2003, these proceeds had been utilized as follows:-

	APPROVED UTILISATION RM'000	AMOUNT UTILISED RM'000	BALANCE TO BE UTILISED RM'000
Payment of upfront interest on RCSLS	6,179	6,179	0
Expenses related to the Restructuring Scheme	3,000	1,652	1,348
Plantation development expenditure	10,000	10,000	0
Capital expenditure for palm oil mill operations	3,000	0	3,000
Working capital for plantation and mill operations	4,134	4,134	0
	26,313	21,965	4,348

The Company expects to utilise the proceeds raised within two years from the date of the listing of the new KHB Shares issued pursuant to the Rights Issue to finance the Group's efforts to expand its plantation business.

PROPOSED RATIONALISATION

In addition to the Restructuring Scheme, the Group intends to undertake a restructuring of its current business and activities. Certain businesses representing the Group's non-core assets will be divested in order that more effort can be concentrated on its core activities, i.e. plantation. The Proposed Rationalisation is expected to be implemented by the first quarter of the second anniversary from the date of issue of the RCSLS, ICULS and Warrants pursuant to the Debt Restructuring, i.e. by 10 November 2005.

The status of the Proposed Rationalisation is set out below:

1. Stockbroking Sector

KHB has on 9 November 2001 executed a memorandum of understanding ("MOU") with Olympia Industries Berhad ("OIB") to dispose the assets and business of Innosabah Securities Berhad ("Innosabah") to Jupiter Securities Sdn. Bhd., a subsidiary of OIB . The MOU has since lapsed on 30 June 2002.

Currently KHB is in negotiations with various interested parties, including OIB, for the disposal of Innosabah , its stockbroking subsidiary, to heed the call by the authorities to merge the local stockbroking industry

2. Property Development Sector

KHB had initiated negotiations with several interested parties for the outright disposal of JCSB, its subsidiary involved in the development of the property in Johor Bahru ("JB Project") pursuant to the Proposed Rationalisation. However, finalisation of the disposal failed to materialise despite numerous attempts.

On 5 June 2002, JCSB had entered into a Joint Venture Agreement with Southcon Corporation (Malaysia) Sdn. Bhd. ("SCM") to establish a joint venture company for the purpose of continuing and completing the development of the JB Project. The Proposed Joint Venture had been approved by the shareholders of KHB on 23 October 2002. The Securities Commission approved the Proposed Joint Venture on 28 August 2003 subject to certain revised terms and conditions that were not accepted by SCM.

On 5 December 2003, JCSB and SCM agreed to terminate the Proposed Joint Venture, and pursuant to its termination entered into a Settlement Agreement to settle the following which were under the terms of the Joint Venture Agreement ("JVA"):-

i) Advances made by SCM totaling RM4,192,303 from 5 June 2002 to 5 September 2003 to settle some of JCSB's liabilities.

ii) SCM's agreement to continue to pay monies to construct and complete the Pandan Retail Market of up to RM3,000,000 with effect from 1 October 2003 until the completion thereof, and

iii) SCM's agreement to continue to settle debts due from JCSB to its project creditors (which obligation had been contracted for under the JVA but not settled yet) totaling RM4,181,301. As the termination of the JVA had invalidated the original Deeds of Assignment dated 5 June 2002, JCSB, SCM and the project creditors had re-executed Deeds of Assignment on 5 December 2003.

The following creditors and their balances are to be assumed by SCM:-

	RM
Rushoe Trading & Contracts Sdn. Bhd.	399,908
Pembinaan LEC Sdn. Bhd.	3,035,612
Strong Elite Electrical Engineering Sdn. Bhd.	572,955
Hitachi Elevator Engineering Sdn. Bhd.	63,000
Zainal Abidin Jurutera Perunding	109,826
	4,181,301

Under the terms of the re-executed Deeds of Assignment with Pembinaan LEC Sdn. Bhd. and Rushoe Trading & Contracts Sdn. Bhd. which had earlier commenced legal action against JCSB and the Company, they have withdrawn their respective claims.

3. Hydropower Sector

On 19 December 2003, Rising Resources Sdn. Bhd. ("RRSB"), a 91.67% owned subsidiary of the Group, entered into a conditional Equity Transfer Agreement with Yunan Dehong Power Shareholding Co. Ltd. ("YDPS") to dispose its entire 60% shareholding in Yunnan Dehong Husong He Power Development Co. Ltd. ("YDHHPD") to YDPS for RMB58.0 million (RM26.2 million). RRSB also assigned to YDPS its rights to its repayment of a RM60 million loan by YDHHPD for RMB102.0 (RM46.8 million) cash. A Deed of Assignment was entered into between RRSB, YDHHPD on 19 December 2003 for this purpose.

The proceeds from the disposal, totalling RMB160 million (RM73 million), will be used to partially redeem the RCSLS-A issued by the Company to its secured lenders.

The above proposal is subject to the approval of :-

- in the case of RRSB:-
  i) the Board of Directors and shareholders of RRSB. The Board of Directors approval was obtained on 10 December 2003 ;
  ii) shareholders of KHB ;
  iii) Securities Commission ("SC"). The SC had on 11 May 2004 approved the Company's application for exemption from having to seek the SC's approval for the proposed disposal, subject to the Company making full disclosure of the proposed disposal and the said exemption in its circular to its shareholders; and
  iv) the relevant authorities in Malaysia.
- in the case of YDPS, the relevant authorities of the government of the People's Republic of China.

Malaysian Palm Oil Industry

The strong performance of the agriculture sector for 2003 was attributable both to supply and demand factors. CPO recorded a bumper production of 13.35 million mt, an increase of 12.1%. Growth was primarily due to expansion in total mature area, mainly in Sabah and Sarawak as well as good agriculture practices. This was also encouraged by more favourable commodity prices. Production of CPO was also supported by favourable weather conditions.

CPO prices increased mainly due to imbalances in the global edible oils markets, arising from shortages in the supply of major oilseeds amidst rising demand. Malaysian palm oil also benefited from import substitution by several price sensitive buyers given the large price discounts of palm oil against other major oilseeds, particularly soybean oil, its closest substitute. The major export markets for Malaysian palm oil in 2003 were China, the Middle East, India and the European Union, which together accounted for 60% of total Malaysian palm oil exports.

The agricultural sector is expected to expand further, albeit at a more moderate pace of 2.6% in 2004 as growth in the major commodities, particularly palm oil is expected to moderate following the double-digit growth in 2003. While yields are likely to remain strong amidst sustained high prices for palm oil, increased production would emanate mainly from the expansion in mature areas.

Outlook For The Future

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

The Group's plantations cover 17,755.65 hectares of land comprising 9,665.65 hectares of developed oil palm estates in the Districts of Sandakan and Kinabatangan, Sabah, which have been planted / replanted since 1980, and an area of approximately 8,090 hectares located at Sg. Silimpopon in the District of Tawau, Sabah, which is currently under development with 4,897 hectares planted with oil palms. Whilst planting operations continue, harvesting has commenced from the first planted palms during the second half of 2003 and initial crops from the replanted area are showing a rising trend. The Plantation Division has its own 60 tonnes FFB/hour palm oil mill constructed in 1982 which handles fruit harvested from its Sandakan and Kinabatangan estates. The fruits from the Silimpopon estate are sold to local palm oil mills.

The Plantation Division of the KHB Group benefited from improved commodity prices during the year 2003 compared to the previous year, and the prices of both CPO and palm kernel have continued to strengthen during the first quarter of the current year, and we remain cautiously optimistic that satisfactory commodity prices will be sustained during the year. However, reasonable weather conditions, adequate labour supply and an absence of unforeseen adverse factors are essential to ensure that estates may operate profitably.

In the future, the Silimpopon estates should add to profitability as further areas of palms mature and are brought into harvest.

Acknowledgement

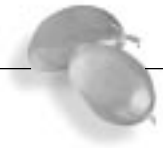
On behalf of the Board, I would like to thank the management and staff of the KHB Group for their dedication and commitment in completing the Restructuring Scheme undertaken by the Group.

I would like to express my appreciation to our shareholders, clients, business associates, bankers, and relevant regulatory authorities for their continued support to the KHB Group, especially in the challenging years.

For and behalf of the Board

Dato' Abd. Aziz Bin Hj. Sheikh Fadzir
Executive Chairman

Plantation Statistics



		2003	2002	2001	2000	1999
OIL PALM						
Production	(tonnes FFB)	**116,028**	111,727	114,932	102,001	179,929
Yield per hectare	(tonnes FFB)	**17.00**	17.05	15.80	13.12	22.37
Purchased for processing	(tonnes FFB)	**8,593**	7,654	25,914	26,935	4,586
MILL						
Production						
- Crude Palm Oil	(tonnes)	**23,841**	22,954	26,087	24,092	31,714
- Palm Kernel	(tonnes)	**6,123**	6,323	7,123	6,357	8,001
Extraction Rates						
- Crude Palm Oil	%	**19.14**	19.25	18.44	18.76	18.41
- Palm Kernel	%	**4.92**	5.30	5.04	4.95	4.64
AREA						
Oil Palm in harvesting	(hectares)	**6,824**	6,554	7,271	7,773	8,042
Oil Palm immature	(hectares)	**6,682**	4,084	1,617	1,080	768

FINANCIAL Statements 2003

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The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the operation of an oil palm plantation and investment holding. The principal activities of the subsidiary and associated companies are stated in Note 10 and 11 to the financial statements respectively. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	GROUP RM'000	COMPANY RM'000
Profit after taxation	123,969	61,336
Minority interests	(7,588)	-
Net profit for the year	116,381	61,336

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than:

(a) the effects arising from the changes in accounting policies resulting in a decrease in the Group's and in the Company's net profit for the year by RM176,492 and RM7,946 respectively as disclosed in Note 32 to the financial statements;

(b) the effects arising from the acquisition of two associates during the year contributing to an increase in net profit for the year of RM428,502 to the Group as disclosed in Note 11 to the financial statements; and

(c) the effects arising from the waiver of payment of interest expense and principal sum of loans by the lenders, pursuant to the Debt Restructuring Agreement as stated in Note 28 to the financial statements, resulting in an increase in net profit for the year of the Group and of the Company of RM83,631,160 and RM79,042,783 respectively.

SIGNIFICANT EVENTS

(a) On 15 January 2003, the Company acquired 22,100 ordinary shares in its subsidiary company, Innosabah Securities Berhad for a cash consideration of RM71,000, resulting in the latter becoming a wholly-owned subsidiary of the Company.

(b) On 28 January 2003, the Company obtained the sanction of the High Court of Sabah and Sarawak to implement the Capital Reconstruction as announced to the public.

(c) On 23 July 2003, the Company and two of its subsidiaries, Rising Resources Sdn. Bhd. ("Rising") and Jeffa Construction Sdn. Bhd. ("Jeffa"), entered into an Amendment Agreement relating to the Debt Restructuring Agreement ("DRA") dated 5 April 2002 to amend specific terms of the DRA pursuant to requests made by some of the Lenders.

SIGNIFICANT EVENTS (continued)

(d) On 11 August 2003, the Company had issued the following to settle the debts and outstanding interest payable as at 30 September 2001 pursuant to the DRA:

(i) RM131,388,954 nominal value of Redeemable Convertible Secured Loan Stocks (RCSLS-A) 2003/2010 to settle the term loan of a subsidiary company and amount owing to certain financial institutions by the Company on the basis of every RM1.00 nominal value of RCSLS-A for every RM1.00 of the debt;

(ii) RM15,960,750 nominal value of Redeemable Convertible Secured Loan Stocks (RCSLS-A1) 2003/2006 to settle the term loan of a subsidiary company on the basis of every RM1.00 nominal value of RCSLS-A1 for every RM1.00 of the debt;

(iii) RM64,270,853 nominal value of Redeemable Convertible Secured Loan Stocks (RCSLS-B) 2003/2010 to settle the debts owing to certain financial institutions by the Company on the basis of every RM1.00 nominal value of RCSLS-B for every RM1.00 debt;

(iv) RM35,000,000 nominal value of Redeemable Convertible Secured Loan Stocks (RCSLS-C) 2003/2006 and RM53,865,000 1% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") 2003/2010 and a cash payment of RM164 to certain financial institutions to settle the debts of RM148,108,606 owing to them. The remaining balance of the debts amounting to RM59,243,442 was waived by the lenders of the novated debts; and

(v) RM33,541,000 nominal value of 1% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") 2003/2010 and 31,305,000 Warrants at RM0.20 per Warrant together with cash payment of RM6,179,000 paid in December 2003 to various RCSLS holders as upfront interest payments on the RCSLS.

(e) On 3 December 2003, pursuant to the Rights Issue exercise, the Company issued 26,313,375 ordinary shares with free detachable warrants at RM1.00 each on the basis of one rights share with one free warrant for every two existing shares held.

(f) On 3 December 2003, the Company had issued 37,915,141 ordinary shares of RM1.00 each to certain Directors, shareholders and a third party to settle the amounts owing to them pursuant to the Shareholders' Settlement Agreement dated 23 July 2003.

(g) On 5 December 2003, Jeffa and Southcon Corporation (M) Sdn. Bhd. ("Southcon"), the Joint Venture partner for the Pusat Perdagangan Pandan Place project ("Pandan Place") mutually terminated the Joint Venture for the continued development of Pandan Place and in pursuance thereof the parties entered into a Settlement Agreement on the same date.

(h) On 5 December 2003, Jeffa, Southcon and certain creditors of Jeffa re-executed deeds of assignment upon termination of the Joint Venture Agreement to absolutely assign debts totalling RM4,181,301 owed by Jeffa to the creditors, to Southcon.

(i) On 5 December 2003, Jeffa entered into a separate Settlement Agreement with one of its creditors to settle an amount of RM2,880,000 owed to it by 35 monthly instalments of a minimum amount of RM38,000 each. In consideration, Jeffa agreed to pay interest at 15% per annum on the outstanding balance to be calculated on a daily basis until full settlement of the said amount.

SIGNIFICANT EVENTS (continued)

(j) On 19 December 2003, Rising entered into a conditional Equity Transfer Agreement with its joint venture partner to dispose of its entire 60% shareholding in Yunnan Dehong Husong He Power Development Co. Ltd. ("Yunnan") for a cash consideration of RMB57.9768 million (RM26.6 million).

On the same date, Rising entered into a Deed of Assignment with the joint venture partner and Yunnan to assign to the joint venture partner its rights to the repayment of a RMB132.165 million (RM60 million) loan by Yunnan for RMB102.0232 million (RM46.8 million) cash.

The proposed transfer of equity and assignment of debt are subject to the approvals from:

(i) the board of directors and shareholders of Rising;

(ii) shareholders of the Company; and

(iii) the Securities Commission to be obtained by the Company in respect of the disposal.

SHARE CAPITAL

(a) Capital Reconstruction

On 31 January 2003, pursuant to the Capital Reconstruction Exercise, 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 was reduced to RM52,626,750 comprising 105,253,500 ordinary shares of RM0.50 each by the cancellation of RM0.50 of the par value of each existing ordinary share of the Company. Subsequent to that, the entire paid-up share capital of 105,253,500 ordinary shares of RM0.50 each were consolidated into 52,626,750 ordinary shares of RM1.00 each.

(b) Paid-up Share Capital

Subsequent to the Capital Reconstruction Exercise, the issued and paid-up ordinary share capital of the Company was increased from RM52,626,750 to RM116,855,266 by way of:

(i) the issuance of 37,915,141 ordinary shares of RM1.00 each at par to settle the amounts owing to certain Directors, shareholders and a third party pursuant to the Shareholders' Settlement Agreement; and

(ii) the issuance of 26,313,375 ordinary shares of RM1.00 each at par with 26,313,375 free detachable warrants pursuant to the Rights Issue exercise to finance capital expenditure and for working capital purposes.

The new ordinary shares rank pari passu in all respects with existing shares of the Company.

REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

Pursuant to the Debt Restructuring Agreement ("DRA") dated 23 July 2003, the Company issued RM246,620,557 nominal value of the four classes of Redeemable Convertible Secured Loan Stocks ("RCSLS") at a nominal value of RM1.00 each as part settlement of loans and outstanding interest payable to certain financial institutions on 11 August 2003. The terms of issue of the RCSLS are disclosed in Note 29 to the financial statements.

REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

The movements of RCSLS during the financial year are as follows:

			MOVEMENT DURING THE YEAR		
		AT DATE OF ISSUE	EXPIRED	CONVERTED	AT END OF YEAR
RCSLS - A	2003/2010	131,388,954	-	-	131,388,954
RCSLS - A1	2003/2006	15,960,750	-	-	15,960,750
RCSLS - B	2003/2010	64,270,853	-	-	64,270,853
RCSLS - C	2003/2006	35,000,000	-	-	35,000,000

IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

Pursuant to the DRA, the Company on 11 August 2003 issued RM87,406,000 nominal value of 1% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") as part settlement of loans and outstanding interest payable to certain financial institutions and upfront settlement of interest on RCSLS. The terms of issue of 1% ICULS are disclosed in Note 30 to the financial statements.

The movement of 1% ICULS 2003/2010 during the financial year is as follows:

			MOVEMENT DURING THE YEAR		
		AT DATE OF ISSUE	EXPIRED	CONVERTED	AT END OF YEAR
1% ICULS	2003/2010	87,406,000	-	-	87,406,000

WARRANTS 2003/2008

During the year, the Company issued 57,618,375 warrants in conjunction with the Rights Issue and the Debt Restructuring exercise.

The movement of Warrants 2003/2008 during the financial year is as follows:

		MOVEMENT DURING THE YEAR		
	AT DATE OF ISSUE	EXPIRED	EXERCISED	AT END OF YEAR
Warrants - issued on 11 August 2003	31,305,000	-	-	31,305,000
Warrants - issued on 3 December 2003	26,313,375	-	-	26,313,375

The salient features of the Warrants are as follows:

(i) each Warrant entitles the registered holder at any time during the subscription period to subscribe for one new ordinary share of RM1.00 each at an exercise price of RM1.00 per ordinary share;

WARRANTS 2003/2008 (continued)

(ii) the subscription price may be adjusted, where appropriate under circumstances provided for in the Deed Poll;

(iii) the subscription period is five years from the date of issue;

(iv) the Warrant holder has no right to participate by virtue of the Warrants in any other share issue of any other company; and

(v) upon expiry of the subscription period, any unexercised rights will lapse and cease to be valid for any purposes.

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:

Dato' Abd. Aziz Bin Haji Sheikh Fadzir	
Lim Nyuk Sang @ Freddy Lim	
Richard Christopher Barnes	
Lim Kun Kim	
Lee Hock Leang	(Appointed on 16 February 2004)
Wong Len Kee	(Appointed on 14 April 2004)
Seah Sen Leang	(Resigned on 14 April 2004)
Fong King Fun	(Resigned on 14 April 2004)
Dr. Beatrice Ming Baikan @ Berniedetta	(Resigned on 14 April 2004)

In accordance with Article 80 of the Company's Articles of Association, Richard Christopher Barnes retires at the forthcoming Annual General Meeting ("AGM") and, being eligible, offers himself for re-election.

In accordance with Article 86 of the Company's Articles of Association, Lee Hock Leang and Wong Len Kee who were appointed as Directors since the last AGM retire at the forthcoming AGM and being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than those in respect of 1% ICULS 2003/2010 and Warrants 2003/2008 as stated above.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 5 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 38 to the financial statements.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of the Directors in office at the end of the financial year in shares, 1% ICULS 2003/2010 and Warrants 2003/2008 in the Company during the financial year were as follows:

	ORDINARY SHARES OF RM1.00 EACH				
	AT 1.1.2003	CAPITAL REDUCTION AND CONSOLIDATION	BOUGHT/ SUBSCRIBED	SOLD	AT 31.12.2003
Shares in the Company					
Dato' Abd. Aziz Bin Haji Sheikh Fadzir					
Direct shareholding	-	-	3,693,139	-	3,693,139
Lim Nyuk Sang @ Freddy Lim					
Direct shareholding	6,883,000	(3,441,500)	12,847,226	-	16,288,726
Indirect shareholding	3,017,000	(1,508,500)	4,080,526	-	5,589,026
Seah Sen Leang					
Direct shareholding	2,295,000	(1,147,500)	2,458,895	-	3,606,395
Indirect shareholding	4,491,500	(2,245,750)	4,449,658	-	6,695,408
Fong King Fun					
Direct shareholding	3,928,667	(1,964,334)	7,168,767	-	9,133,100
Lim Kun Kim					
Direct shareholding	2,000	(1,000)	500	-	1,500

DIRECTORS' INTERESTS (continued)

	NUMBER OF WARRANTS			
	AT 1.1.2003	BOUGHT/ SUBSCRIBED	SOLD/ EXERCISED	AT 31.12.2003
Warrants in the Company				
Fong King Fun				
Direct	-	1,964,332	-	1,964,332
Lim Nyuk Sang @ Freddy Lim				
Direct	-	3,441,500	-	3,441,500
Indirect	-	1,498,500	-	1,498,500
Lim Kun Kim				
Direct	-	1,000	-	1,000
Seah Sen Leang				
Direct	-	1,700,000	-	1,700,000

	1% IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (ICULS) 2003/2010 OF RM NOMINAL VALUE			
	AT 1.1.2003	BOUGHT	SOLD/ CONVERTED	AT 31.12.2003
ICULS in the Company				
Fong King Fun	-	100	-	100
Lim Nyuk Sang @ Freddy Lim	-	100	-	100
Seah Sen Leang	-	100	-	100

Lim Nyuk Sang @ Freddy Lim, by virtue of his interest in shares in the Company, is 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.

OTHER STATUTORY INFORMATION

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

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

OTHER STATUTORY INFORMATION (continued)

(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 had 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 inadequate to any substantial extent; and

(ii) the values attributed to the 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 financial statements of the Group and of the Company which would render any amount stated in 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 liabilities of any other person; or

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

(f) 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 their 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.

AUDITORS

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

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

Lim Nyuk Sang @ Freddy Lim

Wong Len Kee

Sandakan, Malaysia
28 April 2004

Statement by Directors

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

We, Lim Nyuk Sang @ Freddy Lim and Wong Len Kee, being two of the Directors of Kretam Holdings Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 39 to 116 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

Lim Nyuk Sang @ Freddy Lim

Wong Len Kee

Sandakan, Malaysia
28 April 2004

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 accompanying financial statements set out on pages 39 to 116 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Lee Swi Heng at Sandakan in the State of Sabah on 28 April 2004.

Lee Swi Heng

Before me -
Commissioner for Oaths

Report of the Auditors

TO THE MEMBERS OF KRETAM HOLDINGS BERHAD (COMPANY NO: 168285-H)

We have audited the accompanying financial statements set out on pages 39 to 116. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform 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 presentation of 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 2003 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; and

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

We have considered the financial statements and the Auditors' Reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 10 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company 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.

ERNST & YOUNG
AF: 0039
Chartered Accountants

CHONG YEW HOONG
1502/04/05 (J)
Partner

Sandakan, Malaysia
28 April 2004

Income Statements

FOR THE YEAR ENDED 31 DECEMBER 2003

	NOTE	GROUP 2003 RM'000	GROUP 2002 RM'000 (RESTATED)	COMPANY 2003 RM'000	COMPANY 2002 RM'000 (RESTATED)
Revenue	4	**69,081**	59,061	**12,280**	9,237
Cost of sales and services		**(31,942)**	(28,835)	**(372)**	(242)
Gross profit		**37,139**	30,226	**11,908**	8,995
Other operating income		**120,801**	2,948	**79,064**	275
Other operating expenses		**(2,304)**	(48,709)	**(17,381)**	(38,019)
Administrative expenses		**(11,282)**	(12,623)	**(2,462)**	(2,577)
Distribution costs		**(2,660)**	(1,976)	**-**	-
Profit/(loss) from operations	5	**141,694**	(30,134)	**71,129**	(31,326)
Finance costs	6	**(16,863)**	(40,831)	**(9,531)**	(26,984)
Share of results of associates		**482**	-	**-**	-
Profit/(loss) before taxation		**125,313**	(70,965)	**61,598**	(58,310)
Income tax	7	**(1,344)**	(1,626)	**(262)**	103
Company and subsidiaries		**(1,291)**	(1,626)	**(262)**	103
Associates		**(53)**	-	**-**	-
Profit/(loss) after taxation		**123,969**	(72,591)	**61,336**	(58,207)
Minority interests		**(7,588)**	10,236	**-**	-
Net profit/(loss) for the year		**116,381**	(62,355)	**61,336**	(58,207)
Earnings/(loss) per share (sen)	8				
- Basic		**201.60**	(118.49)		
- Diluted		**60.30**	-		

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

Balance Sheets

AS AT 31 DECEMBER 2003

	NOTE	GROUP 2003 RM'000	GROUP 2002 RM'000 (RESTATED)	COMPANY 2003 RM'000	COMPANY 2002 RM'000 (RESTATED)
NON-CURRENT ASSETS					
Property, plant and equipment	9	**367,216**	328,196	**38,878**	29,955
Investment in subsidiary companies	10	**-**	-	**178,928**	178,856
Investment in associated companies	11	**429**	-	**-**	-
Goodwill on consolidation	12	**7,414**	7,344	**-**	-
Investments	13	**1,700**	1,700	**-**	-
Deferred tax assets	31	**9**	1	**-**	-
		376,768	337,241	**217,806**	208,811
CURRENT ASSETS					
Amounts due from subsidiary companies	14	**-**	-	**75,329**	18,278
Amounts due from associated companies	15	**2,591**	-	**1**	-
Property development	16	**44,624**	44,624	**-**	-
Inventories	17	**5,313**	4,685	**1,646**	1,405
Receivables	18	**51,440**	33,107	**225**	41
Tax refundable		**10,236**	11,870	**9,824**	11,402
Stock of shares	19	**1**	7	**-**	-
Fixed deposits	20	**6,019**	7,613	**103**	103
Cash and bank balances		**35,095**	3,986	**20,129**	554
		155,319	105,892	**107,257**	31,783
CURRENT LIABILITIES					
Amount due to joint venture partner	21	**10,534**	-	**-**	-
Amounts due to subsidiary companies	22	**-**	-	**84,780**	88,217
Payables	23	**55,420**	74,646	**12,010**	26,768
Clients' trust accounts		**7,420**	6,812	**-**	-
Short term borrowings	24	**4,516**	319,489	**-**	275,876
Provision for taxation		**5,036**	6,031	**-**	-
		82,926	406,978	**96,790**	390,861
NET CURRENT ASSETS/(LIABILITIES)		**72,393**	(301,086)	**10,467**	(359,078)
		449,161	36,155	**228,273**	(150,267)

	NOTE	GROUP 2003 RM'000	GROUP 2002 RM'000 (RESTATED)	COMPANY 2003 RM'000	COMPANY 2002 RM'000 (RESTATED)
FINANCED BY:					
Share capital	25	**116,855**	105,254	**116,855**	105,254
Reserves	26	**18,551**	(238,225)	**(114,690)**	(316,421)
Shareholders' equity/(deficit)		**135,406**	(132,971)	**2,165**	(211,167)
Minority interests	27	**12,945**	5,358	**-**	-
LONG TERM LIABILITIES					
Amount due to joint venture partner	21	**50,284**	50,284	**-**	-
Payables	23	**9,145**	-	**-**	-
Long term borrowings	28	**180,328**	83,959	**180,328**	46,808
Deferred tax liabilities	31	**61,053**	29,525	**45,780**	14,092
		300,810	163,768	**226,108**	60,900
		449,161	36,155	**228,273**	(150,267)
NET TANGIBLE ASSETS/(LIABILITIES) PER SHARE	33	**RM 0.40**	RM (1.33)	**RM (0.68)**	RM (2.01)

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2003

	NOTE	SHARE CAPITAL RM'000	ACCUMULATED LOSSES RM'000	REVALUATION RESERVE RM'000	SHARE PREMIUM RM'000	CAPITAL RESERVE RM'000	CURRENCY TRANSLATION RESERVE RM'000	TOTAL RM'000
Group								
At 1 January 2002								
- As previously reported		105,254	(362,303)	65,149	81,995	39,351	8,444	(62,110)
- Prior year adjustment	32	-	3,570	(12,076)	-	-	-	(8,506)
At 31 December 2002 (Restated)		105,254	(358,733)	53,073	81,995	39,351	8,444	(70,616)
Profit after taxation		-	(62,355)	-	-	-	-	(62,355)
At 31 December 2002		105,254	(421,088)	53,073	81,995	39,351	8,444	(132,971)
At 1 January 2003								
- As previously reported		105,254	(424,894)	65,149	81,995	39,351	8,444	(124,701)
- Prior year adjustment	32	-	3,806	(12,076)	-	-	-	(8,270)
At 1 January 2003 (Restated)		105,254	(421,088)	53,073	81,995	39,351	8,444	(132,971)
Profit after taxation		-	116,381	-	-	-	-	116,381
Capital reconstruction								
- Reduction of share capital	25	(52,627)	52,627	-	-	-	-	-
- Share premium utilised to offset against accumulated losses		-	81,995	-	(81,995)	-	-	-
Issue of share capital	25	64,228	-	-	-	-	-	64,228
Equity component								
- RCSLS		-	-	-	-	20,659	-	20,659
- ICULS		-	-	-	-	60,848	-	60,848
Issue of Warrants		-	-	-	-	6,261	-	6,261
At 31 December 2003		**116,855**	**(170,085)**	**53,073**	**-**	**127,119**	**8,444**	**135,406**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

	NOTE	SHARE CAPITAL RM'000	ACCUMULATED LOSSES RM'000	REVALUATION RESERVE RM'000	SHARE PREMIUM RM'000	CAPITAL RESERVE RM'000	TOTAL RM'000
Company							
At 1 January 2002							
- As previously reported		105,254	(355,892)	29,878	81,995	-	(138,765)
- Prior year adjustment	32	-	88	(14,283)	-	-	(14,195)
At 1 January 2002 (Restated)		105,254	(355,804)	15,595	81,995	-	(152,960)
Profit after taxation		-	(58,207)	-	-	-	(58,207)
At 31 December 2002		105,254	(414,011)	15,595	81,995	-	(211,167)
At 1 January 2003							
- As previously reported		105,254	(414,202)	29,878	81,995	-	(197,075)
- Prior year adjustment	32	-	191	(14,283)	-	-	(14,092)
At 1 January 2003 (Restated)		105,254	(414,011)	15,595	81,995	-	(211,167)
Profit after taxation		-	61,336	-	-	-	61,336
Capital reconstruction							
- Reduction of share capital	25	(52,627)	52,627	-	-	-	-
- Share premium utilised to offset against accumulated losses		-	81,995	-	(81,995)	-	-
Issue of share capital	25	64,228	-	-	-	-	64,228
Equity component							
- RCSLS		-	-	-	-	20,659	20,659
- ICULS		-	-	-	-	60,848	60,848
Issue of Warrants		-	-	-	-	6,261	6,261
At 31 December 2003		**116,855**	**(218,053)**	**15,595**	**-**	**87,768**	**2,165**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 RM'000	2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	**125,313**	(70,965)
Adjustments for:		
Gain on disposal of plant and equipment	**(75)**	(33)
Deposit written off	**2,304**	-
Depreciation of property, plant and equipment	**7,767**	8,632
Waiver of principal sum of loans	**(59,244)**	-
Waiver of interest expense	**(24,387)**	-
Interest expense	**16,863**	40,831
Interest income	**(287)**	(696)
Loss on disposal of a subsidiary company	**-**	87
Share of results of associates	**(482)**	-
Provision for diminution in value of stock of shares	**6**	-
Provision for bad and doubtful debts	**822**	2,813
Write back of provision for impairment loss on the carrying value of hydropower plant of a subsidiary company	**(36,000)**	-
Provision for impairment loss on the carrying value of hydropower plant of a subsidiary company	**-**	41,000
Provision for impairment losses on goodwill	**-**	5,081
Loss on disposal of plant and equipment	**17**	84
Write back of provision for bad and doubtful debts	**(522)**	(277)
Operating profit before working capital changes	**32,095**	26,557
Decrease/(increase) in assets segregated for customers	**463**	(416)
Increase in amounts due from associated companies	**(2,584)**	(222)
Increase/(decrease) in clients' trust accounts	**608**	(1,750)
(Decrease)/increase in payables	**(1,814)**	6,459
Increase in receivables	**(21,317)**	(6,303)
Increase in inventories	**(628)**	(394)
(Increase)/decrease in trust monies	**(1,098)**	2,286
Increase in amount due to joint venture partner of hydropower project	**10,534**	-
Cash generated from operations	**16,259**	26,217
Interest paid	**(3,481)**	(11,621)
Tax refundable	**4,472**	-
Tax paid	**(5,301)**	(1,418)
Interest income received	**243**	308
Net cash generated from operating activities	**12,192**	13,486

	2003 RM'000	2002 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash placed in Sinking Fund Accounts	**(657)**	-
Acquisition of subsidiary company net of cash and cash equivalents	**-**	35
Disposal of a subsidiary net of cash and cash equivalents	**-**	(95)
Additions to plantation development expenditure	**(8,545)**	(5,796)
Proceeds from disposal of plant and equipment	**145**	179
Proceeds from sale of timber	**-**	250
Purchases of plant and equipment	**(2,512)**	(2,017)
Purchase of preference shares from minority interests	**(1)**	(823)
Interest received	**44**	294
Decrease in fixed deposits	**50**	87
Net cash used in investing activities	**(11,476)**	(7,886)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in payables	**11,236**	-
Proceeds from issuance of shares	**26,313**	395
Payment of hire purchase liabilities	**(8)**	(26)
Repayment of bank borrowings	**(183)**	(2,079)
Interest paid	**(1,796)**	(6,379)
Net cash generated from/(used in) financing activities	**35,562**	(8,089)
Net increase/(decrease) in cash and cash equivalents	**36,278**	(2,489)
Cash and cash equivalents as at beginning of year	**3,916**	6,405
Cash and cash equivalents as at end of year	**40,194**	3,916
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents comprise the following balance sheet amounts:		
Cash and bank balances	**34,438**	3,986
Fixed deposits	**5,756**	7,300
Bank overdrafts	**-**	(7,370)
	40,194	3,916

Cash deposited in the designated Sinking Fund Accounts are not available for use by the Group as these amounts are reserved for the redemption of RCSLS and settlement of scheme creditors as stated in the DRA.

Fixed deposits include amounts totalling RM262,802 (2002: RM313,302) placed with licensed banks which are pledged and held under lien as securities for banking facilities granted to certain subsidiaries of the Group.

	2003 RM'000	2002 RM'000
Summary of the effects on acquisition of a subsidiary company:		
Equipment	-	395
Receivables	-	545
Cash and bank balances	-	35
Payables	-	(970)
Minority interest	-	(2)
Share of net assets acquired	-	3
Reserve on consolidation	-	(3)
Total purchase consideration	-	+-
Less: Cash and bank balances acquired from subsidiary company	-	(35)
Cash flow on acquisition, net of cash and cash equivalents acquired	-	(35)

Summary of the effects on disposal of a subsidiary company:		
Equipment	-	435
Receivables	-	931
Cash and bank balances	-	95
Payables	-	(1,285)
Minority interest	-	(86)
Reserve on consolidation	-	(3)
	-	87
Loss on disposal	-	(87)
Proceeds from disposal of subsidiary	-	+-
Less: Cash and bank balances from the disposal of subsidiary company	-	(95)
Cash flow on disposal, net of cash disposed	-	(95)

+ Represents RM2

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

Cash Flow Statement of the Company

FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 RM'000	2002 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	**61,598**	(58,310)
Adjustments for:		
Dividend income	**(11,300)**	(8,500)
Depreciation of property, plant and equipment	**66**	38
Interest expenses	**9,531**	26,984
Interest income	**(11)**	(222)
Waiver of principal sum of loans	**(59,244)**	-
Waiver of interest expense	**(19,799)**	-
Provision for diminution in value of investment in subsidiaries	**-**	1,895
Provision for doubtful debts	**17,381**	36,126
Operating loss before working capital changes	**(1,778)**	(1,989)
(Decrease)/increase in amounts due to subsidiaries	**(3,436)**	6,790
Increase in inventories	**(241)**	(131)
Increase in amount due from associated company	**(1)**	(222)
(Increase)/decrease in receivables	**(6,361)**	386
Increase in payables	**5,696**	1,039
Decrease in amounts due from subsidiaries	**2,410**	1,890
Cash (used in)/generated from operations	**(3,711)**	7,763
Interest income received	**11**	-
Interest paid	**(87)**	(3,916)
Tax paid	**(3,164)**	(2,380)
Tax refundable	**4,472**	-
Net cash (used in)/generated from operating activities	**(2,479)**	1,467
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash placed in Sinking Fund Accounts	**(657)**	-
Increase in fixed deposits	**-**	(3)
Dividend received	**11,300**	8,500
Additions to plantation development expenditure	**(8,437)**	(5,609)
Purchase of property and equipment	**(552)**	(20)
Proceeds from sale of timber	**-**	250
Interest received	**-**	222
Subscription of ordinary shares in a subsidiary	**(71)**	(201)
Purchase of preference shares from minority interests	**(1)**	(824)
Net cash generated from investing activities	**1,582**	2,315

	2003 RM'000	2002 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	**26,313**	-
Interest paid	**(1,498)**	(3,440)
Net cash generated from/(used in) financing activities	**24,815**	(3,440)
Net increase in cash and cash equivalents	**23,918**	342
Cash and cash equivalents as at beginning of year	**(4,446)**	(4,788)
Cash and cash equivalents as at end of year	**19,472**	(4,446)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following balance sheet amounts:

Cash and bank balances	**19,472**	554
Bank overdrafts	**-**	(5,000)
	19,472	(4,446)

Cash deposited in the designated Sinking Fund Accounts are not available for use by the Company as these amounts are reserved for the redemption of RCSLS and settlement of scheme creditors as stated in the DRA.

Fixed deposits include amounts totalling RM102,802 (2002: RM102,802) placed with licensed banks which are held under lien as securities for banking facilities granted to certain subsidiaries of the Company.

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

1. CORPORATE INFORMATION

The principal activities of the Company are the operation of an oil palm plantation and investment holding. The principal activities of the subsidiary and associated companies are stated in Note 10 and 11 to the financial statements respectively. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia under the Companies Act, 1965 and is listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). 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 number of employees of the Group and of the Company at the end of the financial year were 1,353 (2002: 1,234) and 11 (2002: 10) respectively.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 April 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with the historical cost convention unless otherwise indicated in the significant accounting policies, modified by revaluation of certain property, plant and equipment and investment in certain subsidiaries and comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

Certain 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, these assets can continue 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).

During the financial year ended 31 December 2003, the Group and the Company adopted the following MASB Standards for the first time:

MASB 25 - Income Taxes
MASB 27 - Borrowing Costs
MASB 29 - Employees Benefits

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation (continued)

The effect of adopting MASB 25 is summarised in the Statements of Changes in Equity and further information is disclosed in Note 32 to the financial statements. The adoption of MASB 27 and 29 have not given rise to any adjustments to the opening balances of accumulated losses of the prior and current year or to changes in comparatives.

(b) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

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

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interest is measured based on the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

(ii) Associates

Associates are those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits or losses of associates during the year is included in the consolidated income statement. The Group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless the costs cannot be recovered.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the carrying amount of investment in associates.

Goodwill arising on consolidation is not amortised.

(d) Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost and valuation less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p).

(i) 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 of the non-amortisation of the leasehold land and plantations is disclosed in Note 9 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 future 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 (continued)

(e) Property, Plant and Equipment and Depreciation (continued)

(ii) Other property, plant and equipment
Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

	%
Estate and mill buildings	7 - 10
Other buildings	2
Motor vehicles	20
Heavy equipment	20
Computer equipment	20
Oil mill	7
Hydropower plant	3.33
Renovations	5 - 20
Plant and machinery	10 - 20
Furniture, fittings, equipment and renovation	10 - 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 expenditure are recognised as an expense in the year in which they are incurred.

(iii) Assets under construction are stated at cost and are not depreciated until they are fully completed and ready for use.

(iv) Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

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

(f) Replanting Expenditure

Replanting expenditure is recognised in the income statement in the year in which the expenditure is incurred.

(g) 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.

(h) Property Development

Property development is stated at cost plus attributable profits less progress billings and impairment losses. Cost includes land cost, direct construction cost, attributable overheads and interest expenses incurred during the period of active development. The excess of progress billings over the cost of property development is disclosed under current liabilities.

(i) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25 Income Taxes on 1 January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 32 to the financial statements.

(j) Employee Benefits

(i) Short term benefits
Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans
As required by law, employers in Malaysia make contributions to the Employees Provident Fund. The Group's foreign subsidiary makes contributions to its country's statutory pension scheme. Such contributions are recognised as an expense in the income statement as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(l) Foreign Currencies

(i) Foreign currency transactions
Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at the exchange rate ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

(ii) Foreign entities
Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are included in the currency translation reserve in shareholders' equity.

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

The principal exchange rates used for every unit of foreign currency ruling at balance sheet date are as follows:

	2003 RM'000	2002 RM'000
United States Dollar	**3.795**	3.795
Renminbi (RMB)	**0.458**	0.458

(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) Leased Assets

(i) Finance leases
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 payables. 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.

(ii) Operating leases
Lease rental payments on operating leases are written off in the income statement in the year in which they are payable.

(o) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

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

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

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

(iv) Commission income
Commission income from futures and options contracts is recognised on an accrual basis upon the completion of the trading contract.

(v) Revenue from hydro-electric power operations
Revenue from sales of electricity is recognised on an accrual basis upon supplying of electricity to the customers.

(vi) Sales of properties
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 projects are determined by reference to the stage of completion.

(vii) Rental income
Rental income is recognised on an accrual basis.

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(o) Revenue Recognition (continued)

(viii) Interest income
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 1104.1 Schedule 7A of the Rules of Bursa Malaysia, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised upon receipt until all arrears have been paid.

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

(x) Investment income
Income earned from investments is taken to the income statement as and when received.

(p) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories and financial assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

(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 1104.1 Schedule 7A of the Rules of Bursa Malaysia whereby provisions shall be made for contra losses, overdue purchase contracts and overdue margin accounts calculated on the following basis:

(i) fifty per cent (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 one percent (1%) of total trade receivables.

(r) Segment Information

Segment information is presented in respect of the Group's business and geographical segments. The primary reporting segment information is in respect of business segments as the Group's risk and rates of return are affected predominantly by differences in the products it produces, while the secondary information is reported geographically.

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

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

(s) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(t) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

(i) Non-Current Investments
Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Trade Receivables
Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date. The policy for provision for bad and doubtful debts is in accordance with Note 2(q).

(iii) Trade Payables
Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Financial Instruments (continued)

(iv) Interest-bearing Borrowings

Interest-bearing bank overdrafts and other facilities are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition and construction of development properties and property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or for sale. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

(v) Convertible Loan Stocks

Convertible loan stocks are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible loan stocks. The differences between the proceeds of issue of the convertible loan stocks and the fair value assigned to the liability component, representing the conversion option is included in shareholders' equity. The liability component is subsequently stated at amortised cost using the effective interest rate method until extinguished on conversion or redemption whilst the value of the equity component is not adjusted in subsequent periods. Attributable transaction costs are apportioned and deductible directly from the liability and equity component based on their carrying amounts at the date of issue.

Under the effective interest rate method, the interest expense on the liability component is calculated by applying the prevailing market interest rate for a similar non-convertible loan stocks to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan stocks.

(vi) Equity Instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

3. SIGNIFICANT EVENTS

(a) On 15 January 2003, the Company acquired 22,100 ordinary shares in its subsidiary company, Innosabah Securities Berhad for a cash consideration of RM71,000, resulting in the latter becoming a wholly-owned subsidiary of the Company.

(b) On 28 January 2003, the Company obtained the sanction of the High Court of Sabah and Sarawak to implement the Capital Reconstruction as announced to the public.

(c) On 23 July 2003, the Company and two of its subsidiaries, Rising Resources Sdn. Bhd. ("Rising") and Jeffa Construction Sdn. Bhd. ("Jeffa"), entered into an Amendment Agreement relating to the Debt Restructuring Agreement ("DRA") dated 5 April 2002 to amend specific terms of the DRA pursuant to requests made by some of the Lenders.

(d) On 11 August 2003, the Company had issued the following to settle the debts and outstanding interest payable as at 30 September 2001 pursuant to the DRA:

(i) RM131,388,954 nominal value of Redeemable Convertible Secured Loan Stocks (RCSLS-A) 2003/2010 to settle the term loan of a subsidiary company and amount owing to certain financial institutions by the Company on the basis of every RM1.00 nominal value of RCSLS-A for every RM1.00 of the debt;

(ii) RM15,960,750 nominal value of Redeemable Convertible Secured Loan Stocks (RCSLS-A1) 2003/2006 to settle the term loan of a subsidiary company on the basis of every RM1.00 nominal value of RCSLS-A1 for every RM1.00 of the debt;

(iii) RM64,270,853 nominal value of Redeemable Convertible Secured Loan Stocks (RCSLS-B) 2003/2010 to settle the debts owing to certain financial institutions by the Company on the basis of every RM1.00 nominal value of RCSLS-B for every RM1.00 debt;

(iv) RM35,000,000 nominal value of Redeemable Convertible Secured Loan Stocks (RCSLS-C) 2003/2006 and RM53,865,000 1% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") 2003/2010 and a cash payment of RM164 to certain financial institutions to settle the debts of RM148,108,606 owing to them. The remaining balance of the debts amounting to RM59,243,442 was waived by the lenders of the novated debts; and

(v) RM33,541,000 nominal value of 1% Irredeemable Convertible Unsecured Loan Stocks ("ICULS") 2003/2010 and 31,305,000 Warrants at RM0.20 per Warrant together with cash payment of RM6,179,000 paid in December 2003 to various RCSLS holders as upfront interest payments on the RCSLS.

(e) On 3 December 2003, pursuant to the Rights Issue exercise, the Company issued 26,313,375 ordinary shares with free detachable warrants at RM1.00 each on the basis of one rights share with one free warrant for every two existing shares held.

(f) On 3 December 2003, the Company had issued 37,915,141 ordinary shares of RM1.00 each to certain Directors, shareholders and a third party to settle the amounts owing to them pursuant to the Shareholders' Settlement Agreement dated 23 July 2003.

(g) On 5 December 2003, Jeffa and Southcon Corporation (M) Sdn. Bhd. ("Southcon"), the Joint Venture partner for the Pusat Perdagangan Pandan Place project ("Pandan Place") mutually terminated the Joint Venture for the continued development of Pandan Place and in pursuance thereof the parties entered into a Settlement Agreement on the same date.

(h) On 5 December 2003, Jeffa, Southcon and certain creditors of Jeffa re-executed deeds of assignment upon termination of the Joint Venture Agreement to absolutely assign debts totalling RM4,181,301 owed by Jeffa to the creditors, to Southcon.

3. SIGNIFICANT EVENTS (continued)

(i) On 5 December 2003, Jeffa entered into a separate Settlement Agreement with one of its creditors to settle an amount of RM2,880,000 owed to it by 35 monthly instalments of a minimum amount of RM38,000 each. In consideration, Jeffa agreed to pay interest at 15% per annum on the outstanding balance to be calculated on a daily basis until full settlement of the said amount.

(j) On 19 December 2003, Rising entered into a conditional Equity Transfer Agreement with its joint venture partner to dispose of its entire 60% shareholding in Yunnan Dehong Husong He Power Development Co. Ltd. ("Yunnan") for a cash consideration of RMB57.9768 million (RM26.6 million).

On the same date, Rising entered into a Deed of Assignment with the joint venture partner and Yunnan to assign to the joint venture partner its rights to the repayment of a RMB132.165 million (RM60 million) loan by Yunnan for RMB102.0232 million (RM46.8 million) cash.

The proposed transfer of equity and assignment of debt are subject to the approvals from:

(i) the board of directors and shareholders of Rising;

(ii) shareholders of the Company; and

(iii) the Securities Commission to be obtained by the Company in respect of the disposal.

4. REVENUE

	GROUP		COMPANY	
	2003 RM'000	**2002 RM'000**	**2003 RM'000**	**2002 RM'000**
Revenue of the Group and of the Company consists of the following:				
Invoiced value of crude palm oil, palm kernel and bunch ash	**40,685**	34,558	**-**	-
Invoiced value of fresh fruit bunches	**79**	27	**980**	737
Management fees	**86**	60	**-**	-
Brokerage fees	**7,329**	5,206	**-**	-
Commissions from futures and options contracts	**246**	164	**-**	-
Electricity units sold	**18,496**	17,637	**-**	-
Gross dividend income received	**-**	-	**11,300**	8,500
Rental income	**2,160**	1,409	**-**	-
	69,081	59,061	**12,280**	9,237

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

5. PROFIT/(LOSS) FROM OPERATIONS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(i) This is stated after charging:				
Auditors' remuneration				
- current year	**126**	125	**25**	20
- under/(over) provision in prior year	**3**	8	**5**	(1)
- other services	**-**	197	**-**	197
Bad debts written off	**-**	1	**-**	-
Depreciation of property, plant and equipment (Note 9)	**7,767**	8,632	**66**	38
Directors' remuneration				
Directors of the Company				
- emoluments	**858**	1,336	**-**	-
- other benefits	**55**	31	**55**	31
Directors of subsidiaries				
- emoluments	**1,744**	1,109	**-**	-
- other benefits	**10**	2	**-**	-
Loss on disposal of plant and equipment	**17**	84	**-**	-
Loss on disposal of a subsidiary company	**-**	87	**-**	-
Oil palm replanting expenses	**1,929**	1,232	**-**	-
Provision for bad and doubtful debts	**822**	2,813	**17,381**	36,126
Provision for diminution in value of investment in subsidiary companies	**-**	-	**-**	1,895
Provision for diminution in value of stock of shares	**6**	-	**-**	-
Provision for impairment loss on the carrying value of hydropower plant of a subsidiary company	**-**	41,000	**-**	-
Provision for impairment losses on goodwill	**-**	5,081	**-**	-
Rental expenses	**536**	797	**22**	22
Deposit written off	**2,304**	-	**-**	-
Foreign exchange loss - realised	**5**	-	**-**	-

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

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
and crediting:				
Bad debts recovered	**272**	50	**-**	-
Equipment hire income	**2**	20	**-**	-
Gain on disposal of plant and equipment	**75**	33	**-**	26
Provision for bad and doubtful debts written back	**522**	287	**-**	-
Write back of provision for impairment loss on the carrying value of hydropower plant of a subsidiary company	**36,000**	-	**-**	-
Rental income	**119**	117	**-**	-
Interest income	**287**	696	**11**	222
Waiver of interest expense	**24,387**	-	**19,799**	-
Waiver of principal sum of loans	**59,244**	-	**59,244**	-
(ii) Staff costs:				
Wages and salaries	**11,885**	10,664	**659**	532
Employees Provident Fund contributions	**683**	645	**74**	64
SOCSO contributions	**51**	51	**5**	3
	12,619	11,360	**738**	599

Included in staff costs of the Group are executive directors' remuneration amounting to RM2,534,171 (2002: RM2,112,756).

6. FINANCE COSTS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Interest on:				
Bank overdrafts	**203**	578	**87**	386
Bank loans	**1,930**	6,167	**-**	-
Revolving credits	**2,006**	10,632	**2,006**	10,632
Novated debts	**1,396**	11,566	**1,396**	11,566
Loans from Directors	**3**	2,548	**3**	2,548
Loans from shareholders	**200**	1,738	**200**	1,738
Loan from a third party	**11**	114	**11**	114
Advances from joint venture partner	**5,211**	7,448	**-**	-
Hire purchase	**-**	6	**-**	-
Remisiers' deposits	**21**	23	**-**	-
Other charges	**54**	11	**-**	-
RCSLS	**5,732**	-	**5,732**	-
ICULS	**96**	-	**96**	-
	16,863	40,831	**9,531**	26,984

7. Income Tax

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000 (RESTATED)	2003 RM'000	2002 RM'000 (RESTATED)
Tax expense for the year:				
Malaysian income tax	**4,665**	4,138	**270**	-
Tax credit arising from dividends paid by subsidiary companies	**(3,110)**	(2,380)	**-**	-
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 31)	**(176)**	(278)	**(8)**	(103)
(Over)/underprovided in prior years:				
Malaysian income tax	**(35)**	146	**-**	-
	1,344	1,626	**262**	(103)

A reconciliation of income tax expense applicableto profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Profit/(loss) before taxation	**125,313**	(70,965)	**61,598**	(58,310)
Taxation at Malaysian statutory tax rate of 28%	**35,088**	(19,870)	**17,247**	(16,327)
Effect on income subject to tax rate of 20%*	**(52)**	-	**-**	-
Income not subject to tax	**(36,594)**	(2,615)	**(24,337)**	(2,380)
Exempt income from foreign subsidiaries	**(2,122)**	(204)	**-**	-
Expenses not deductible for tax purposes	**5,300**	23,359	**7,352**	18,604
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(331)**	-	**-**	-
Deferred tax assets not recognised during the year	**90**	810	**-**	-
(Over)/underprovided in prior years	**(35)**	146	**-**	-
Tax expense for the year	**1,344**	1,626	**262**	(103)

* The income tax rate applicable to the first RM100,000 of the chargeable income of the certain subsidiaries were subject to a lower tax rate of 20% as stipulated in paragraph 2A, schedule 1, part 1 of the Income Tax Act, 1967, as these subsidiaries are small and medium scale companies.

7. INCOME TAX (continued)

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unutilised tax losses and unabsorbed agriculture and capital allowances are analysed as follows:				
Tax savings recognised during the year arising from:				
Utilisation of current year tax losses	**692**	59	**692**	59
Utilisation of tax losses brought forward from previous years	**105**	-	**-**	-
Utilisation of current year unabsorbed agriculture and capital allowances	**33**	84	**-**	-
Utilisation of unabsorbed agriculture and capital allowances brought forward from previous years	**11**	10	**-**	-
Unutilised tax losses carried forward	**327,014**	326,942	**3,213**	3,213
Unabsorbed agriculture and capital allowances carried forward	**12,567**	7,881	**9,148**	3,471

8. EARNINGS/(LOSS) PER SHARE

During the year, the Company completed its Capital Reconstruction Exercise by cancelling RM0.50 of the par value of the existing 105,253,500 ordinary shares of RM1.00 each, after which, the resulting 105,253,500 shares of RM0.50 each were consolidated into 52,626,750 shares of RM1.00 each.

The comparative loss per share has been restated to take into account the effects of the change in accounting policy (Note 2 (a) and Note 32) on net loss for that year and the effect arising from the capital reconstruction during the current year.

Basic and diluted earnings/(loss) per share for the financial year under review is calculated as follows:

(a) Basic
Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2003	2002
Net profit/(loss) for the year (RM'000)	**116,381**	(62,355)
Weighted average number of ordinary shares in issue	**57,729,838**	52,626,750
Basic earnings/(loss) per share (sen)	**201.60**	(118.49)

8. EARNINGS/(LOSS) PER SHARE (continued)

(b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the effects of dilutive potential ordinary shares from conversion of the convertible loan stocks and the exercise of Warrants. The amount of net profit for the year is adjusted by the after-tax effects of interest expense recognised during the year which would have been saved on conversion of the outstanding convertible loan stocks into ordinary shares. The adjusted weighted average number of ordinary shares is the weighted average number of ordinary shares in issue during the financial year plus the weighted average number of ordinary shares which would be issued on the conversion of the outstanding convertible loan stocks and upon exercise of the Warrants into ordinary shares. The convertible loan stocks and Warrants are deemed to have been converted into ordinary shares at the date of the issue of the convertible loan stocks and Warrants.

(b) Diluted (continued)

	GROUP 2003
Net profit for the year (RM'000)	**116,381**
Adjustment for after-tax effects of interest on ICULS (RM'000)	**97**
Adjusted net profit for the year (RM'000)	**116,478**
Weighted average number of ordinary shares in issue	**57,729,838**
Adjustment for assumed conversion of weighted average number of ICULS	**34,243,995**
Adjustment for assumed conversion of weighted average number of RCSLS	**96,621,205**
Adjustment for assumed exercise of weighted average number of Warrants	**4,577,898**
Adjusted weighted average ordinary shares in issue and issuable	**193,172,936**
Diluted earnings per share (sen)	**60.30**

Comparative diluted loss per share has not been presented as there were no dilutive potential ordinary shares outstanding during the previous financial year.

9. PROPERTY, PLANT AND EQUIPMENT

	LONG LEASEHOLD LAND AND PLANTATIONS RM'000	SHORT LEASEHOLD LAND AND PLANTATIONS RM'000	LEASEHOLD LAND AND BUILDINGS RM'000	MOTOR VEHICLES RM'000
GROUP				
Cost/Valuation -				
At 1 January 2003	218,681	617	26,487	6,751
Additions	8,614	29	21	339
Disposals	(60)	-	-	(333)
Scrapped	-	-	-	(49)
Reclassifications	-	-	-	-
At 31 December 2003	**227,235**	**646**	**26,508**	**6,708**
Representing:				
At cost	37,123	302	14,608	6,708
At valuation	190,112	344	11,900	-
	227,235	646	26,508	6,708
Accumulated Depreciation -				
At 1 January 2003	-	74	16,955	5,990
Reclassifications	-	-	-	81
Charge for the year	-	7	904	312
Disposals	-	-	-	(333)
Scrapped	-	-	-	(49)
At 31 December 2003	**-**	**81**	**17,859**	**6,001**
Representing:				
At cost	-	-	10,067	6,001
At valuation	-	81	7,792	-
	-	81	17,859	6,001

HEAVY EQUIPMENT RM'000	COMPUTER EQUIPMENT RM'000	OIL MILL RM'000	HYDROPOWER PLANT RM'000	PLANT AND MACHINERY RM'000	FITTINGS, EQUIPMENT AND RENOVATIONS RM'000	CAPITAL WORK-IN-PROGRESS RM'000	TOTAL RM'000
3,322	10,193	17,953	155,572	2,256	10,384	50	452,266
185	217	18	879	534	101	120	11,057
-	-	-	-	(60)	(81)	-	(534)
(48)	(1,165)	-	-	-	(11)	-	(1,273)
-	-	-	-	50	-	(50)	-
3,459	**9,245**	**17,971**	**156,451**	**2,780**	**10,393**	**120**	**461,516**
3,459	9,245	17,971	156,451	2,780	10,393	120	259,160
-	-	-	-	-	-	-	202,356
3,459	9,245	17,971	156,451	2,780	10,393	120	461,516
2,660	9,439	16,090	22,177	1,946	7,739	-	83,070
-	-	-	-	(81)	-	-	-
217	284	236	4,954	91	762	-	7,767
-	-	-	-	(60)	(54)	-	(447)
(48)	(983)	-	-	-	(10)	-	(1,090)
2,829	**8,740**	**16,326**	**27,131**	**1,896**	**8,437**	**-**	**89,300**
2,829	8,740	16,326	27,131	1,896	8,437	-	81,427
-	-	-	-	-	-	-	7,873
2,829	8,740	16,326	27,131	1,896	8,437	-	89,300

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	LONG LEASEHOLD LAND AND PLANTATIONS RM'000	SHORT LEASEHOLD LAND AND PLANTATIONS RM'000	LEASEHOLD LAND AND BUILDINGS RM'000	MOTOR VEHICLES RM'000
GROUP				
Impairment Losses -				
At 1 January 2003	-	-	-	-
Reversal of impairment losses	-	-	-	-
At 31 December 2003	**-**	**-**	**-**	**-**
Net Book Value -				
At 31 December 2003				
At cost	37,123	302	4,541	707
At valuation	190,112	263	4,108	-
At 31 December 2003	**227,235**	**565**	**8,649**	**707**
At 31 December 2002				
At cost	28,509	274	4,842	761
At valuation	190,172	269	4,690	-
At 31 December 2003	**218,681**	**543**	**9,532**	**761**
Depreciation charge for 2002	-	7	1,142	351

HEAVY EQUIPMENT RM'000	COMPUTER EQUIPMENT RM'000	OIL MILL RM'000	HYDROPOWER PLANT RM'000	PLANT AND MACHINERY RM'000	FITTINGS, EQUIPMENT AND RENOVATIONS RM'000	CAPITAL WORK-IN-PROGRESS RM'000	TOTAL RM'000
-	-	-	41,000	-	-	-	41,000
-	-	-	(36,000)	-	-	-	(36,000)
-	**-**	**-**	**5,000**	**-**	**-**	**-**	**5,000**
630	505	1,645	124,320	884	1,956	120	172,733
-	-	-	-	-	-	-	194,483
630	**505**	**1,645**	**124,320**	**884**	**1,956**	**120**	**367,216**
662	754	1,863	92,395	310	2,645	50	133,065
-	-	-	-	-	-	-	195,131
662	**754**	**1,863**	**92,395**	**310**	**2,645**	**50**	**328,196**
180	667	239	4,949	66	1,031	-	8,632

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	LONG LEASEHOLD LAND AND PLANTATIONS RM'000	ESTATE BUILDINGS RM'000	PLANT AND MACHINERY RM'000	MOTOR VEHICLES RM'000	OFFICE EQUIPMENT AND FURNITURE RM'000	CAPITAL WORK-IN-PROGRESS RM'000	TOTAL RM'000
Company							
Cost/Valuation -							
At 1 January 2003	29,840	19	4	754	190	-	30,807
Additions	8,437	21	329	145	27	30	8,989
At 31 December 2003	**38,277**	**40**	**333**	**899**	**217**	**30**	**39,796**
Representing -							
At cost	34,677	40	333	899	217	30	36,196
At valuation	3,600	-	-	-	-	-	3,600
At 31 December 2003	**38,277**	**40**	**333**	**899**	**217**	**30**	**39,796**
Accumulated Depreciation -							
At 1 January 2003	-	3	1	717	131	-	852
Charge for the year	-	3	9	32	22	-	66
At 31 December 2003	**-**	**6**	**10**	**749**	**153**	**-**	**918**
Net Book Value -							
At 31 December 2003							
At cost	34,677	34	323	150	64	30	35,278
At valuation	3,600	-	-	-	-	-	3,600
At 31 December 2003	**38,277**	**34**	**323**	**150**	**64**	**30**	**38,878**
At 31 December 2002							
At cost	26,240	16	3	37	59	-	26,355
At valuation	3,600	-	-	-	-	-	3,600
At 31 December 2002	29,840	16	3	37	59	-	29,955
Depreciation charge for 2002	-	1	1	16	20	-	38

9. PROPERTY, PLANT AND EQUIPMENT (continued)

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 and impairment losses, the net book value of the revalued properties would have been as follows:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Long leasehold land and plantations	**45,921**	45,921	**2,039**	2,039
Short leasehold land and plantations	**86**	88	**-**	-
Leasehold land and buildings	**1,834**	1,854	**-**	-
	47,841	47,863	**2,039**	2,039

The net book value of property, plant and equipment pledged for borrowings as referred to in Note 24 and 28 are as follows:

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Long leasehold land and plantations	**226,260**	212,530	**38,277**	24,481
Leasehold buildings	**5,646**	5,789	**-**	-
	231,906	218,319	**38,277**	24,481

Certain leasehold lands and plantations of the Company and of the subsidiary companies were revalued by the Directors in 1996 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 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 and impairment losses.

The title deed to land costing RM19,815,958 (2002: 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)(i) is a decrease in amortisation charge for the Group and the Company of RM1,730,716 (2002: RM1,647,081) and RM335,089 (2002: RM271,647) respectively.

10. INVESTMENT IN SUBSIDIARY COMPANIES

	COMPANY	
	2003 RM'000	2002 RM'000
Unquoted shares		
- At valuation	**145,589**	145,589
- At cost	**360,694**	360,622
	506,283	506,211
Less: Provision for diminution in value	**(327,355)**	(327,355)
	178,928	178,856

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.

The 1994 revaluation was a one-off exercise. It has never been the Company'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 2003 are as follows:

SUBSIDIARY COMPANIES	PRINCIPAL ACTIVITIES	PERCENTAGE OF EQUITY HELD BY THE GROUP 2003	2002
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%

10. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

SUBSIDIARY COMPANIES	PRINCIPAL ACTIVITIES	PERCENTAGE OF EQUITY HELD BY THE GROUP 2003	2002
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%

10. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

SUBSIDIARY COMPANIES	PRINCIPAL ACTIVITIES	PERCENTAGE OF EQUITY HELD BY THE GROUP 2003	2002
Winpalm Development Sdn. Bhd	Cultivation of oil palm	**51%**	51%
Innosabah Capital Holdings Sdn. Bhd.	Investment holding	**100%**	100%
Innosabah Securities Berhad	Stock and share brokers and investment holding	**100%**	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	**100%**	99.9%
Innosabah Nominees (Tempatan) Sdn. Bhd.	Provision of services as nominees and agents	**100%**	99.9%
Innosabah Resources Sdn. Bhd.	Research and publication, provision and maintenance of stock market information dissemination system	**100%**	99.9%
Innosabah Equity Management Sdn. Bhd.	Dormant	**100%**	99.9%
Innosabah Nominees (Asing) Sdn. Bhd.	Dormant	**100%**	99.9%
Innosabah Properties Sdn. Bhd.	Dormant	**100%**	99.9%
Innosabah Ventures Sdn. Bhd.	Dormant	**100%**	99.9%

10. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

SUBSIDIARY COMPANIES	PRINCIPAL ACTIVITIES	PERCENTAGE OF EQUITY HELD BY THE GROUP 2003	2002
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 firm of auditors other than Ernst &Young

11. INVESTMENT IN ASSOCIATED COMPANIES

	GROUP	
	2003 RM'000	2002 RM'000
In Malaysia:		
Unquoted shares, at cost	**2,450**	2,450
Share of post acquisition retained profits		
At beginning of year	**(2,450)**	(2,450)
Addition	**429**	-
At end of year	**(2,021)**	(2,450)
	429	-
Represented by:		
Share of net assets	**254**	-
Share of goodwill in associates	**175**	-
	429	-

Details of the associated companies, which are incorporated in Malaysia, at 31 December 2003, are as follows:

NAME OF ASSOCIATES	PRINCIPAL ACTIVITIES	PERCENTAGE OF EQUITY HELD BY THE GROUP 2003 %	2002 %
Pantai Dalam Development Sdn. Bhd.	Property development	**49**	49
Pandan Place Development Sdn. Bhd.*	Development and management of retail market	**30**	-
Subsidiary company of Pandan Place Development Sdn. Bhd.			
Jeffa Market Technologies Sdn. Bhd.*	Management of wholesale market	**30**	-

* Audited by firm of auditors other than Ernst & Young

12. GOODWILL ON CONSOLIDATION

	GROUP	
	2003 RM'000	**2002 RM'000**
At 1 January, previously stated	**5,081**	5,081
Prior year adjustment	**7,344**	7,344
At 1 January, as restated	**12,425**	12,425
Add: Addition	**70**	-
Less: Impairment loss	**(5,081)**	(5,081)
At 31 December	**7,414**	7,344

13. INVESTMENTS

	GROUP	
	2003 RM'000	**2002 RM'000**
Unquoted preference shares, at cost, in Bursa Malaysia Derivatives Berhad		
1 unit of non-cumulative "A" preference share	**1,500**	1,500
1 unit of non-cumulative "C" preference share	**200**	200
	1,700	1,700

14. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

	COMPANY	
	2003 RM'000	**2002 RM'000**
Settlement of term loans on behalf of a subsidiary company by issuance of RCSLS	**76,843**	-
Current account balances	**131,474**	133,885
Less: Provision for doubtful debts	**(132,988)**	(115,607)
	75,329	18,278

Amounts due from subsidiary companies are unsecured, interest free and have no fixed term of repayment.

15. AMOUNTS DUE FROM ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Rental receivable	**2,590**	-	**-**	-
Interest-bearing advances	**3,646**	3,645	**3,646**	3,645
Less: Provision for doubtful debts	**(3,645)**	(3,645)	**(3,645)**	(3,645)
	2,591	-	**1**	-

Interest-bearing advances are unsecured with no fixed terms of repayment. Interest is charged at 10.68% per annum on the outstanding balance.

16. PROPERTY DEVELOPMENT

		GROUP	
		2003 RM'000	2002 RM'000
Development expenditure		**191,147**	191,147
Attributable profits		**1,024**	1,024
		192,171	192,171
Less:	Progress billings	**(57,413)**	(57,413)
	Provision for foreseeable losses	**(89,875)**	(89,875)
	Work-in-progress written off	**(259)**	(259)
		44,624	44,624

Included in property development are costs incurred for the construction of certain properties for a local authority in consideration for certain parcels of land alienated to a subsidiary company. These lands are charged to financial institutions as security for RCSLS-A1 and to a creditor as mentioned in Note 23 and 29 to the financial statements.

17. INVENTORIES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At cost				
Fresh fruit bunches	**-**	60	**-**	-
Crude palm oil and palm kernel	**997**	551	**-**	-
Stores, spares and consumable supplies	**2,393**	2,081	**-**	-
Chemicals and fertilizers	**485**	406	**503**	89
Oil palm seedlings	**1,438**	1,587	**1,143**	1,316
	5,313	4,685	**1,646**	1,405

There were no inventories stated at net realisable value as at 31 December 2003 and 2002.

18. RECEIVABLES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(i) Trade receivables				
- Amounts due from clients	**22,466**	11,447	**166**	-
- Others	**13,909**	7,099	**-**	-
(ii) Assets segregated for customers	**434**	897	**-**	-
(iii) Clients' trust monies	**8,323**	7,193	**-**	-
Remisiers' trust monies	**1,363**	1,395	**-**	-
(iv) Other receivables, deposits and prepayment	**4,945**	5,076	**59**	41
	51,440	33,107	**225**	41

18. RECEIVABLES (continued)

(i) Trade Receivables (continued)

	GROUP	
	2003	**2002**
	RM'000	**RM'000**
Amounts due from clients		
At 31 December		
- Non-performing accounts	**5,922**	5,133
- Performing accounts	**20,446**	9,707
	26,368	14,840
Less: Specific provision for bad debts	**1,692**	1,554
Provision for interest-in-suspense	**1,983**	1,774
General provision for doubtful debts	**227**	65
	3,902	3,393
	22,466	11,447

Detailed movements during the year:

Non-performing accounts:

At 1 January	**5,133**	4,459
Current year addition	**2,524**	1,740
Accrual for interest-in-suspense	**281**	269
Write back of provision/waiver of interest charged	**(72)**	(48)
Repayment	**(1,944)**	(1,287)
At 31 December	**5,922**	5,133

Less: Specific provision for bad debts

At 1 January	**1,554**	1,656
Current year provision	**660**	175
Reversal upon write back	**(522)**	(277)
At 31 December	**1,692**	1,554

18. RECEIVABLES (continued)

(i) Trade Receivables (continued)

	GROUP	
	2003 RM'000	**2002 RM'000**
Less: Provision for interest-in-suspense		
At 1 January	**1,774**	1,552
Current year provision	**281**	270
Write back of provision/waiver of interest charged	**(72)**	(48)
At 31 December	**1,983**	1,774
Less: General provision for doubtful debts		
At 1 January	**65**	48
Current year provision	**162**	17
At 31 December	**227**	65
	2,020	1,740
Performing accounts		
Outstanding amount	**20,446**	9,707
Total	**22,466**	11,447

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

The settlement term for amounts due from clients is transaction day plus three market days (T+3).

Trade receivables - others

These are stated after providing for doubtful debts of RM2,175,055 (2002: RM2,175,055).

The credit terms of other trade receivables range from 8 to 30 days.

18. RECEIVABLES (continued)

	GROUP	
	2003	**2002**
	RM'000	**RM'000**
(ii) Assets segregated for customers		
Deposits with Apex Futures Sdn. Bhd. ("AF")	**259**	237
Short term deposits	**160**	595
Bank balances	**15**	65
	434	897

Amounts received as securities for customers' margins have been segregated into separate trust bank accounts, as required by the Futures Industry Act, 1993 and the Business Rules of Bursa Malaysia Derivatives Berhad. All contracts executed by the futures broking subsidiary are cleared and settled through a clearing member, AF. The corresponding liabilities are included in amounts due to clients.

(iii) Clients' trust monies

	GROUP	
	2003	**2002**
	RM'000	**RM'000**
Deposit with licensed bank under repurchase agreements	**6,266**	6,498
Bank balances	**2,057**	695
	8,323	7,193

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 Bursa Malaysia. The corresponding liabilities are included in clients' trust accounts.

(iv) Other receivables, deposits and prepayments of the Group and of the Company are stated after providing for doubtful debts of RM3,050,359 (2002: RM3,050,359) and RM3,000,000 (2002: RM3,000,000) respectively.

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

19. Stock of Shares

	GROUP	
	2003 RM'000	2002 RM'000
Quoted in Malaysia, at cost		
Share held as trading stocks	**51**	96
Less: Provision for diminution in value	**(50)**	(89)
	1	7
Market value of shares held as trading stocks	**1**	7

20. Fixed Deposits

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	**2003 RM'000**	2002 RM'000
Short term placements with licensed banks	**5,081**	6,679	**-**	-
Fixed deposits with licensed banks	**938**	934	**103**	103
	6,019	7,613	**103**	103
Fixed deposits with licensed banks included:				
Fixed deposits pledged as security in favour of AF	**150**	210	**-**	-
Fixed deposits held under lien as security for banking facilities granted to the Company and certain subsidiaries	**100**	100	**100**	100
Fixed deposits held under lien as security for guarantees issued by bankers on behalf of the Group and Company	**13**	3	**3**	3
	263	313	**103**	103

21. AMOUNT DUE TO JOINT VENTURE PARTNER

	GROUP	
	2003 RM'000	2002 RM'000
Analysed as:		
Payable within 12 months		
- Interest free advances	**10,534**	-
Payable after 12 months		
- Interest bearing advances	**50,284**	50,284
	60,818	50,284

The interest free advances represent advances totalling RMB23 million contributed by the joint venture partner of the China hydropower project. They are unsecured and have no fixed term of repayment.

The interest bearing advances represent advances totalling RMB112 million (2002: RMB112 million) contributed by the joint venture partner of the China hydropower project. These advances bear interest at 10% per annum. They are unsecured and have no fixed term of repayment.

22. AMOUNTS DUE TO SUBSIDIARY COMPANIES

These amounts are unsecured, interest free and have no fixed term of repayment.

23. PAYABLES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade payables				
- Amounts due to clients	**18,244**	8,979	**-**	-
- Others	**4,220**	7,651	**695**	138
Other payables and accruals	**31,662**	22,800	**3,211**	2,021
Remisiers' accounts	**2,335**	1,694	**-**	-
Interest payable				
- Interest on loans from shareholders	**286**	3,526	**286**	3,526
- Interest on loans from directors	**450**	5,314	**450**	5,314
- Interest on loan from a third party	**11**	113	**11**	113
- Interest on credit facilities from bankers	**7,015**	24,569	**7,015**	15,656
- Interest on ICULS	**342**	-	**342**	-
	64,565	74,646	**12,010**	26,768

23. PAYABLES (continued)

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Analysed as				
Payable within 12 months	**55,420**	74,646	**12,010**	26,768
Payable after 12 months	**9,145**	-	**-**	-
	64,565	74,646	**12,010**	26,768

Included in other payables and accruals of the Group are amounts totalling RM11,281,478 (2002: Nil) which arose from settlement agreements entered into by Jeffa with Southcon Corporation (M) Sdn. Bhd., a former Joint Venture partner for Pusat Perdagangan Pandan Place ("Pandan Place") and a creditor as follows:

	GROUP	
	2003 RM'000	2002 RM'000
Contractor	**2,880**	-
Former Joint Venture partner for Pandan Place	**8,401**	-
	11,281	-

The amount due to the contractor bears interest at 15% per annum. It is secured by a corporate guarantee issued by the Company and is repayable by 35 monthly instalments of a minimum amount of RM38,000 each.

Included in the Former Joint Venture partner is an amount totalling RM2,677,105 on which interest is charged at 5% per annum while the balance bears interest at 15% per annum. It is to be secured by a legal charge over the Pandan Place's land title and is repayable within 5 years from the rental proceeds of the wholesale and retail markets of Pandan Place, which is currently being managed by the former Joint Venture partner.

The settlement term for amounts due to clients is transaction day plus three market days (T+3).

The other normal credit term granted to the Group range from 30 to 60 days.

24. SHORT TERM BORROWINGS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Secured:				
Bank overdrafts	**-**	7,370	**-**	5,000
Revolving credits	**-**	120,863	**-**	120,863
Bank loans	**394**	577	**-**	-
Loans from shareholders	**-**	13,500	**-**	13,500
Loans from Directors	**-**	19,500	**-**	19,500
Loan from a third party	**-**	1,000	**-**	1,000
	394	162,810	**-**	159,863
Unsecured:				
Revolving credits	**-**	3,500	**-**	3,500
Chinese Renminbi loans				
- No. 1	**2,748**	2,748	**-**	-
- No. 2	**1,374**	1,374	**-**	-
Current portion of long-term borrowings (Note 28)	**-**	149,057	**-**	112,513
	4,122	156,679	**-**	116,013
	4,516	319,489	**-**	275,876

The weighted average effective interest rates at the balance sheet date for short term borrowings, were as follows:

	GROUP		COMPANY	
	2003 %	2002 %	2003 %	2002 %
Chinese Renminbi loans	**5.14 to 7.72**	6.34 to 7.72	**-**	-
Bank overdrafts	**-**	7.65 to 8.15	**-**	7.65 to 8.15
Revolving credits	**-**	7.65 to 8.15	**-**	7.65 to 8.15
Bank loans	**8.50**	8.90	**-**	-
Loans from shareholders	**-**	9.75	**-**	9.75
Loans from Directors	**-**	9.75	**-**	9.75
Loan from a third party	**-**	9.75	**-**	9.75

24. SHORT TERM BORROWINGS (continued)

Bank loans are secured by a fixed charge over the property of a subsidiary company and corporate guarantee given by the Company.

Pursuant to the Debts Restructuring Agreement ("DRA"), the bank overdrafts and revolving credits together with outstanding interest thereof totalling RM134,778,247 were fully settled during the year by the issuance of Redeemable Convertible Secured Loan Stocks ("RCSLS") by the Company on the basis of RM1.00 nominal value of RCSLS for every RM1.00 of debt. The bank overdrafts and revolving credits were previously secured by fixed charges over the leasehold land and plantation of the Company and certain subsidiaries, debenture charges over fixed and floating assets of certain subsidiaries and guarantees given by the Company.

Pursuant to the Shareholders' Settlement Agreement, loans from shareholders, Directors and a third party together with the outstanding interest due thereon totalling RM37,915,141 were fully settled by the issuance of ordinary shares of RM1.00 each of the Company at par for every RM1.00 of debt. These loans previously bore interest at 4.61% per annum.

The Chinese Renminbi loan No. 1 of RMB 6 million (2002: RMB 6 million) is secured by a corporate guarantee given by the joint venture partner of the hydropower project.

The Chinese Renminbi loan No. 2 of RMB 3 million (2002: RMB 3 million) is secured by a corporate guarantee given by the joint venture partner of the hydropower project.

25. SHARE CAPITAL

	GROUP AND COMPANY	
	2003	**2002**
	RM'000	**RM'000**
Authorised:		
Ordinary shares of RM1.00 each		
At 1 January	**600,000**	250,000
Created during the year	**-**	350,000
At 31 December	**600,000**	600,000

25. SHARE CAPITAL (continued)

	GROUP AND COMPANY	
	2003	**2002**
	RM'000	**RM'000**
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At 1 January	**105,254**	105,254
Share capital reduction of RM0.50 for every RM1.00 ordinary share	**(52,627)**	-
Issued and paid-up during the year:		
- Issue pursuant to the Shareholders' Settlement Agreement	**37,915**	-
- Rights issue	**26,313**	-
At 31 December	**116,855**	105,254

(a) Capital Reconstruction

On 31 January 2003, pursuant to the Capital Reconstruction Exercise, 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 was reduced to RM52,626,750 comprising 105,253,500 ordinary shares of RM0.50 each by the cancellation of RM0.50 of the par value of each existing ordinary share of the Company. Subsequent to that, the entire paid-up share capital of 105,253,500 ordinary shares of RM0.50 each were consolidated into 52,626,750 ordinary shares of RM1.00 each.

(b) Paid-up Share Capital

Subsequent to the Capital Reconstruction Exercise, the issued and paid-up ordinary share capital of the Company was increased from RM52,626,750 to RM116,855,266 by way of:

(i) the issuance of 37,915,141 ordinary shares of RM1.00 each at par to settle the amounts owing to certain shareholders, Directors and a third party pursuant to the Shareholders' Settlement Agreement dated 23 July 2003; and

(ii) the issuance of 26,313,375 ordinary shares of RM1.00 each at par with 26,313,375 free detachable warrants to finance capital expenditure and for working capital purposes pursuant to the Rights Issue exercise.

The new ordinary shares rank pari passu in all respects with existing shares of the Company.

25. SHARE CAPITAL (continued)

(c) Warrants 2003/2008

During the year, the Company issued 57,618,375 Warrants in conjunction with the Rights Issue and the Debt Restructuring exercise.

The salient features of the Warrants are as follows:

(i) each Warrant entitles the registered holder at any time during the subscription period to subscribe for one new ordinary share of RM1.00 each at an exercise price of RM1.00 per ordinary share;

(ii) the subscription price may be adjusted, where appropriate under circumstances provided for in the Deed Poll;

(iii) the subscription period is five years from the date of issue;

(iv) the Warrant holder has no right to participate by virtue of the Warrants in any other share issue of any other company; and

(v) upon expiry of the subscription period, any unexercised rights will lapse and cease to be valid for any purposes.

26. RESERVES

	GROUP		COMPANY	
	2003 RM'000	**2002 RM'000 (RESTATED)**	**2003 RM'000**	**2002 RM'000 (RESTATED)**
(a) Non-distributable:				
Revaluation reserve	**53,073**	53,073	**15,595**	15,595
Share premium	**-**	81,995	**-**	81,995
Currency translation reserve	**8,444**	8,444	**-**	-
Capital reserves				
- RNPS	**39,351**	39,351	**-**	-
- RCSLS (Equity component)	**20,659**	-	**20,659**	-
- ICULS (Equity component)	**60,848**	-	**60,848**	-
- Warrants issued	**6,261**	-	**6,261**	-
	188,636	182,863	**103,363**	97,590
(b) Distributable:				
Accumulated losses	**(170,085)**	(421,088)	**(218,053)**	(414,011)
Total reserves:	**18,551**	(238,225)	**(114,690)**	(316,421)

26. RESERVES (continued)

The nature and purpose of each category of reserve are as follows:

(a) Revaluation Reserve

This reserve includes the cumulative net change in fair value of leasehold land, plantations and building and investment in subsidiary companies above their cost.

(b) Currency Translation Reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(c) Convertible Loan stocks - Equity Component

This reserve represents the fair value of the equity component of convertible loan stocks net of deferred tax as determined on the date of issue.

(d) Redeemable Non-convertible Preference Shares ("RNPS")

This reserve represents share premium which arose from the issuance of RNPS by a subsidiary company.

27. MINORITY INTERESTS

	GROUP	
	2003 RM'000	**2002 RM'000**
Redeemable Non-convertible Preference Shares	**3,053**	3,054
Minority interests' share of Group's equity	**9,892**	2,304
	12,945	5,358

28. LONG TERM BORROWINGS

	GROUP		COMPANY	
	2003 RM'000	**2002 RM'000**	**2003 RM'000**	**2002 RM'000**
Secured:				
Bank loans				
- No. 1	**-**	58,586	**-**	-
- No. 2	**-**	15,109	**-**	-
Novated debts	**-**	159,321	**-**	159,321
RCSLS (Note 29)	**177,679**	-	**177,679**	-
	177,679	233,016	**177,679**	159,321

28. LONG TERM BORROWINGS (continued)

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Unsecured:				
1% ICULS (Note 30)	**2,649**	-	**2,649**	-
Total	**180,328**	233,016	**180,328**	159,321
Less: Repayable within twelve months (Note 24)	**-**	(149,057)	**-**	(112,513)
Repayable after twelve months				
- not later than two years	**-**	47,060	**-**	28,787
- later than two years but not more than five years	**111,275**	36,899	**111,275**	18,021
- later than five years	**69,053**	-	**69,053**	-
	180,328	83,959	**180,328**	46,808

The weighted average effective interest rates at the balance sheet date for long term borrowings were as follows:

	GROUP		COMPANY	
	2003 %	2002 %	2003 %	2002 %
Bank loans	**-**	8.00 to 8.15	**-**	-
Novated debts	**-**	7.40	**-**	7.40
RCSLS	**8.00**	-	**8.00**	-
ICULS	**8.00**	-	**8.00**	-

Bank loan No. 1 was 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.

Bank loan No. 2 was secured by a negative pledge and first legal charge over "Pandan Place's" land titles, 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.

28. LONG TERM BORROWINGS (continued)

Interest rate for RCSLS and ICULS is assumed to be 8% arrived at after considering the market interest rate of equivalent non-convertible loan stocks prevailing at date of issue. This assumed rate of interest has been applied for the purposes of determining the liability portion of RCSLS and ICULS as referred to in Note 29 and 30 respectively to the financial statements.

The novated debts were secured by a first charge over the Company's shares in Innosabah Securities Berhad ("Innosabah"), and a debenture with fixed and floating charge over Innosabah's assets.

Pursuant to the DRA, the Bank loans No. 1 and No. 2 together with outstanding interest thereof totalling RM76,842,310 were fully settled by the issuance of RM60,881,560 nominal value of RCSLS-A and RM15,960,750 nominal value of RCSLS-A1 by the Company on the basis of RM1.00 nominal value of RCSLS-A and RCSLS-A1 for every RM1.00 of debts, whilst the novated debts inclusive of outstanding interest of RM148,108,606 were fully settled by the issuance of RM35,000,000 nominal value of RCSLS-C and RM53,865,000 nominal value of ICULS by the Company and a cash payment of RM 164. The balance of RM59,243,442 was waived by the lenders of the novated debts.

29. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS

On 11 August 2003, the Company pursuant to the DRA, issued RM246,620,557 nominal value of four classes of Redeemable Convertible Secured Loan Stocks ("RCSLS") and RM53,865,000 nominal value of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") in settlement of the term loans and outstanding interest owing to the lenders of the Company and two of its subsidiary companies. The RCSLS and ICULS were issued at a nominal value of RM1.00 each.

The four classes of RCSLS were issued:

CLASSES OF RCSLS	RM'000	ESTIMATED YIELD TO MATURITY (%)	MATURITY DATE
RCSLS-A	131,389	5.14	10 August 2010
RCSLS-A1	15,961	5.06	10 August 2006
RCSLS-B	64,271	4.98	10 August 2010
RCSLS-C	35,000	4.61	10 August 2006
	246,621		

The terms of the RCSLS are as follows:

(a) Conversion rights - the registered holders of RCSLS will have the option to convert the RCSLS at the conversion price into new ordinary shares of RM1.00 each in the Company in accordance with the individual redemption scheme subject to certain conditions as stipulated below.

29. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

(b) Conversion price - on the basis of 1 RCSLS for 1 new ordinary share of RM1.00 each in the Company.

(c) Redemption/Conversion Schedules

Redemption/Conversion of the four classes of RCSLS shall commence in November 2005 based on the following schedules:

CLASSES OF RCSLS	NOVEMBER 2005 RM'000	AUGUST 2006 RM'000	AUGUST 2007 RM'000	AUGUST 2008 RM'000	AUGUST 2009 RM'000	AUGUST 2010 RM'000	TOTAL RM'000
RCSLS-A	40,000	-	9,139	18,278	27,417	36,556	131,390
RCSLS-A1	15,961	-	-	-	-	-	15,961
RCSLS-B	-	6,427	6,427	12,854	19,281	19,281	64,270
RCSLS-C	35,000	-	-	-	-	-	35,000
	90,961	6,427	15,566	31,132	46,698	55,837	246,621

(i) RCSLS-A

The redemption of RM40 million of RCSLS-A shall be from the proceeds from the sale of Yunnan Dehong Husong He Power Development Corporation Co. Ltd. ("Yunnan").

In the event the proceeds from the sale of Yunnan is lower than RM40 million, the unredeemed balance of the RM40 million nominal value of RCSLS-A may be converted to new ordinary shares of the Company on/or after 10 August 2005 at the discretion of the RCSLS-A holders.

In the event the proceeds from the sale of Yunnan is higher than RM40 million, any surplus after the redemption of the scheduled RM40 million RCSLS-A shall be utilised to compensate the RCSLS-A holders as stated in the DRA for the yield they expect to receive under normal circumstances i.e. the difference between the agreed rate of 6.5% less 5.14% which represents the yield to maturity ("YTM") annually, on RM131.4 million RCSLS-A for the tenure of the RCSLS-A, taking into consideration the improvement in YTM arising from any accelerated redemption of the RCSLS-A. Any subsequent balance of surplus proceeds after redemption of the RM40 million RCSLS-A and compensation settlement will be made available for the accelerated redemption of the balance of unredeemed RCSLS-A.

29. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

(c) Redemption/Conversion Schedules (continued)

(i) RCSLS-A (continued)

All outstanding RCSLS-A not redeemed as mentioned above may be converted at the option of the RCSLS-A holders into new ordinary shares of the Company in accordance to the above redemption/ conversion schedule at the Conversion Price unless a resolution is passed via a meeting called by the RCSLS-A holder. In the event RCSLS-A cannot be redeemed as scheduled, the Company must submit to the RCSLS-A holders within 3 months after a particular period's redemption date a firm proposal to raise funds for the unredeemed portion, failing which a meeting may be called. Upon passing of the resolution, the RCSLS-A holders will be able to dispose the securities for the purpose of redeeming the entire RCSLS-A issued and unredeemed. Such meeting will be held only if it is called by RCSLS-A holders holding at least 20% of the outstanding RCSLS-A. In addition, the said resolution shall be passed subject to approval by RCSLS-A holders holding at least 75% of the outstanding RCSLS-A.

(ii) RCSLS-A1

Redemption of RCSLS-A1 shall be from the sale proceeds of Pandan Place's land in Jeffa Construction Sdn. Bhd. ("Secured Asset A1").

In the event the proceeds from the sale of the Secured Asset A1 is higher than RM15.961 million, any surplus proceeds after the redemption of the RCSLS-A1 will be utilised to compensate RCSLS-A1 holders as stated in the DRA for the yield they expect to receive under normal circumstances on their RM15.961 million loan as if the conversion to RCSLS-A1 had not occurred. The basis of computation will be 6.5% less YTM of 5.06% annually on RM15.961 million RCSLS-A1 for the tenure of the RCSLS-A1 taking into consideration the improvement in YTM arising from any accelerated redemption of the RCSLS-A1.

29. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

(c) Redemption/Conversion Schedules (continued)

(ii) RCSLS-A1 (continued)

RCSLS-A1 can only be converted after 10 November 2005 pursuant to the above redemption/conversion schedule. All outstanding RCSLS-A1 not redeemed on Maturity Date may be converted at the option of the RCSLS-A1 holders into new ordinary shares of the Company at the Conversion Price subject to the following:

- in the event of a shortfall in proceeds arising from the disposal of Secured Assets A1, any unredeemed RCSLS-A1 after 10 November 2005 will be automatically converted into new ordinary shares of the Company Shares

- in the event the disposal of Secured Assets-A1 is not completed as scheduled, the RCSLS-A1 may be converted into new ordinary shares of the Company after 10 November 2005 unless a resolution is passed via a meeting called by RCSLS-A1 holders 14 days after the scheduled redemption date. Upon passing of the resolution, the RCSLS-A1 holders will be able to dispose the securities for the purpose of redeeming the RCSLS-A1 issued. Any unredeemed RCSLS-A1 due to any shortfall from the disposal proceeds will be converted into new ordinary shares of the Company on maturity date.

(iii) RCSLS-B

The redemption of RCSLS-B shall commence in August 2006 until maturity in August 2010.

All outstanding RCSLS-B not redeemed as mentioned above may be converted at the option of the RCSLS-B holders into ordinary shares of the Company in accordance to the above redemption/conversion schedule at the Conversion Price unless a resolution is passed via a meeting called by the RCSLS-B holders. In the event the RCSLS-B cannot be redeemed as scheduled, the Company must submit to the RCSLS-B holders within 3 months after a particular period's redemption date a firm proposal to raise funds for the unredeemed portion, failing which a meeting may be called. Upon passing of the resolution, the RCSLS-B holders will be able to dispose the securities for the purpose of redeeming the entire RCSLS-B issued and unredeemed. Such meeting will be held only if it is called by RCSLS-B holders holding at least 20% of the outstanding RCSLS-B. In addition, the said resolution shall be passed subject to approval by RCSLS-B holders holding at least 75% of the outstanding RCSLS-B.

29. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

(c) Redemption/Conversion Schedules (continued)

(iv) RCSLS-C

Redemption of RCSLS-C of RM35 million shall be from the proceeds from the disposal of Innosabah Securities Berhad ("Innosabah"). The RCSLS-C will be redeemed by an amount being the sum of the nominal value of the RCSLS-C and the redemption premium.

In the event the disposal of Innosabah is completed by 10 November 2005 and there is a shortfall in proceeds arising from the disposal of Innosabah, the RCSLS-C holders have the option to convert any unredeemed RCSLS-C after 10 November 2005.

In the event the disposal of Innosabah is not completed by 10 November 2005:

(i) Upon passing a resolution via a meeting called by the RCSLS-C holders 14 days after the scheduled redemption date, the RCSLS-C holders will be able to dispose the securities for the purpose of redeeming the RCSLS-C issued. Any unredeemed RCSLS-C due to any shortfall from the disposal proceeds will be converted into new ordinary shares of the Company on maturity date.

(ii) If the RCSLS-C holders opt to convert the RCSLS-C into new ordinary shares in the Company instead of exercising their rights mentioned above, the shortfall (calculated as the difference between RM1.00 and the weighted average market price of the Company's ordinary shares for the five days preceding the date of conversion) will be compensated from the disposal or liquidation of Innosabah provided that the proceeds from the disposal or liquidation of Innosabah are received by August 2010.

Any unredeemed RCSLS-C after 10 November 2005 will be automatically converted into new ordinary shares of the Company on maturity date.

The early redemption of RCSLS-A, RCSLS-A1 and RCSLS-B are linked to the Crude Palm Oil ("CPO") price. In the event the CPO price reaches RM1,500 per metric ton or higher (for the period commencing August 2003 to August 2010), 50% of the difference between actual CPO price and the projected base CPO prices as stipulated in the DRA, arising from the Group's plantation division's own CPO produced that is sold and delivered will be placed in the Sinking Fund which will subsequently be distributed proportionately between the three classes of RCSLS for the accelerated redemption of each class of RCSLS. No amount need to be placed in the Sinking Fund Account if the CPO price falls below RM1,500 per metric ton.

The amounts placed in the Sinking Fund Account after full redemption of RCSLS-A, RCSLS-A1 and RCSLS-B, will be distributed to RCSLS-C as stated in the DRA up to a maximum amount of RM59,314,000 being their waiver of debts, within a period of 7 years from the issue date.

29. REDEEMABLE CONVERTIBLE SECURED LOAN STOCKS (continued)

(d) Securities:

RCSLS-A is secured by a legal charge on certain leasehold plantation land and buildings of the Group and the Company and debenture over the assets of one of its subsidiary, Rising Resources Sdn. Bhd. and debenture over the assets of certain plantations subsidiaries.

RCSLS-A1 is secured by a legal charge on Pandan Place's land titles as stated in Note 16 to the financial statements.

RCSLS-B is secured by legal charges on certain leasehold lands, plantations and buildings of the Group and of the Company.

RCSLS-C is secured against the debenture over assets of Innosabah Securities Berhad and Memorandum of Deposit on Innosabah Securities Berhad's shares.

(e) The new ordinary shares to be allotted and issued upon conversion of the RCSLS will rank pari passu in all respects with the existing ordinary shares of the Company.

The proceeds received from the issue of the RCSLS have been split between the liability component and the equity component, representing the fair value of the conversion option. The RCSLS are accounted for in the balance sheets of the Group and of the Company as follows:

	RM'000
Nominal value of RCSLS	246,620
Upfront interest repayment	(45,981)
Equity component, net of deferred tax (Note 26)	(20,659)
Deferred tax liabilities (Note 31)	(8,033)
Liability component at date of issue	171,947
Interest expense (Note 6)	5,732
Liability component as at 31 December (Note 28)	177,679

Interest expense on the RCSLS is calculated on the effective yield basis by applying a coupon interest rate of 8% which is assumed to be equivalent to the prevailing market interest rate for non-convertible loan stocks at the date of issue.

30. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

On 11 August 2003, the Company pursuant to the DRA, issued RM87,406,000 nominal value of Irredeemable Convertible Unsecured Loan Stocks ("ICULS"). The terms of ICULS are as follows:

(a) Conversion rights - the registered holders of ICULS will have the option after fourth year from the date of issue to convert the ICULS at the conversion price into new ordinary shares of RM1.00 each in the Company.

(b) Conversion price - on the basis of 1 ICULS for 1 new ordinary share of RM1.00 in the Company.

(c) Conversion period - period commencing from the beginning of the fifth year from the date of issue and up to the end of the seventh year. Any nominal value of ICULS not converted by 10 August 2010 will be automatically converted into new ordinary shares of the Company on the maturity date.

(d) The ICULS bear interest which is payable semi-annually in arrears at 1% per annum from 11 August 2003 until the date of conversion or maturity, whichever is earlier.

(e) The new ordinary shares to be allotted and issued upon conversion of the ICULS will rank pari passu in all respects with the existing ordinary shares of the Company.

The proceeds received from the issue of the ICULS have been split between the liability component and the equity component, representing the fair value of the conversion option. The ICULS are accounted for in the balance sheets of the Group and of the Company as follows:

	RM'000
Nominal value of ICULS	87,406
Equity component, net of deferred tax (Note 26)	(60,848)
Deferred tax liability (Note 31)	(23,663)
Liability component at date of issue	2,895
Interest expense (Note 6)	96
Interest paid	(342)
Liability component as at 31 December (Note 28)	2,649

Interest expense on the ICULS is calculated on the effective yield basis by applying a coupon interest rate of 8% which is assumed to be equivalent to the prevailing market interest rate for non-convertible loan stocks at the date of issue.

31. DEFERRED TAX

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000 (RESTATED)	2003 RM'000	2002 RM'000 (RESTATED)
At 1 January, previously stated	**396**	438	**-**	-
Prior year adjustment	**29,128**	29,364	**14,092**	14,195
At 1 January, as restated	**29,524**	29,802	**14,092**	14,195
Transfer from income statement (Note 7)	**(176)**	(278)	**(8)**	(103)
Charged to equity	**31,696**	-	**31,696**	-
At 31 December	**61,044**	29,524	**45,780**	14,092
Presented after offsetting:				
Deferred tax assets	**(9)**	(1)	**-**	-
Deferred tax liabilities	**61,053**	29,525	**45,780**	14,092
	61,044	29,524	**45,780**	14,092

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

	ACCELERATED CAPITAL AND AGRICULTURE ALLOWANCES RM'000	REVALUATION OF ASSETS RM'000	CONVERTIBLE LOAN STOCKS RM'000	TOTAL RM'000
Deferred tax liabilities:				
Group				
At 1 January 2003	14,264	17,843	-	32,107
Recognised in the income statement	2,031	(22)	(562)	1,447
Charged to equity	-	-	31,696	31,696
At 31 December 2003	**16,295**	**17,821**	**31,134**	**65,250**

31. DEFERRED TAX (continued)

	ACCELERATED CAPITAL AND AGRICULTURE ALLOWANCES RM'000	REVALUATION OF ASSETS RM'000	CONVERTIBLE LOAN STOCKS RM'000	TOTAL RM'000
Deferred tax liabilities:				
Company				
At 1 January 2003	1,242	14,721	-	15,963
Recognised in the income statement	2,144	-	(562)	1,582
Charged to equity	-	-	31,696	31,696
At 31 December 2003	**3,386**	**14,721**	**31,134**	**49,241**

	UNABSORBED CAPITAL AND AGRICULTURE ALLOWANCES RM'000	UNUTILISED TAX LOSSES RM'000	TOTAL RM'000
Deferred tax assets:			
Group			
At 1 January 2003	(1,589)	(994)	(2,583)
Recognised in the income statement	(1,608)	(15)	(1,623)
At 31 December 2003	**(3,197)**	**(1,009)**	**(4,206)**
Deferred tax assets:			
Company			
At 1 January 2003	(972)	(899)	(1,871)
Recognised in the income statement	(1,590)	-	(1,590)
At 31 December 2003	**(2,562)**	**(899)**	**(3,461)**

31. DEFERRED TAX (continued)

Deferred tax assets have not been recognised in respect of the following items:

	GROUP	
	2003	**2002**
	RM'000	**RM'000**
Unutilised tax losses	**(99,709)**	(100,033)
Unabsorbed capital allowances	**(583)**	(902)
	(100,292)	(100,935)

The unutilised tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as there may not be available future taxable profits in the said subsidiaries against which the unutilised tax losses and unabsorbed capital allowances can be utilised.

32. CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENT

(a) Change in Accounting Policy

During the financial year, the Group and the Company applied three new MASB standards, which became effective from 1 January 2003, and this resulted in modification of the accounting policy on deferred taxation so as to be in compliance with MASB 25 whereby deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences except where it was thought reasonably probable that the tax effects of such deferrals would continue in the foreseeable future. In addition, the Group and the Company have commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, no deferred tax assets were recognised in respect of unutilised tax losses and timing differences unless it could be demonstrated that these benefits could be realised in the foreseeable future.

32. CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENT (continued)

(b) Prior Year Adjustment

The change in accounting policy has been applied retrospectively and comparatives have been restated. The effects of the change in accounting policy are as follows:

	GROUP		COMPANY	
	2003 RM'000	**2002 RM'000**	**2003 RM'000**	**2002 RM'000**
Effect on accumulated losses:				
At 1 January, as previously stated	**(424,894)**	(362,303)	**(414,202)**	(355,892)
Effect of adopting MASB 25	**3,806**	3,570	**191**	88
At 1 January, as restated	**(421,088)**	(358,733)	**(414,011)**	(355,804)
Effect on revaluation reserves:				
At 1 January, as previously stated	**65,149**	65,149	**29,878**	29,878
Effect of adopting MASB 25	**(12,076)**	(12,076)	**(14,283)**	(14,283)
At 1 January, as restated	**53,073**	53,073	**15,595**	15,595
Effects on (negative goodwill)/ goodwill on consolidation:				
At 1 January, as previously stated	**(13,514)**	(13,514)	**-**	-
Effect of adopting MASB 25	**20,858**	20,858	**-**	-
At 1 January, as restated	**7,344**	7,344	**-**	-
Effects on net profit/(loss) for the year:				
Profit/(loss) before changes in accounting policy	**116,205**	(62,591)	**61,328**	(58,310)
Effect of adopting MASB 25	**176**	236	**8**	103
Net profit/(loss) for the year	**116,381**	(62,355)	**61,336**	(58,207)

32. CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENT (continued)

Comparative amounts as at 31 December 2002 have been restated as follows:

	PREVIOUSLY STATED RM'000	ADJUSTMENTS RM'000	RESTATED RM'000
Group			
Goodwill on consolidation	13,514	(20,858)	(7,344)
Deferred tax assets	-	(1)	(1)
Revaluation reserves	65,149	(12,076)	53,073
Accumulated losses	(424,894)	3,806	(421,088)
Deferred tax liabilities	396	29,129	29,525
Company			
Revaluation reserves	29,878	(14,283)	15,595
Accumulated losses	(414,202)	191	(414,011)
Deferred tax liabilities	-	14,092	14,092

33. NET TANGIBLE ASSETS/(LIABILITIES) PER SHARE

The net tangible assets/(liabilities) per share is calculated by dividing the shareholders' equity/(deficit), after deducting goodwill arising on consolidation and equity portion of ICULS and RCSLS by 116,855,266 (2002: 105,253,500) ordinary shares of the Company in issue as at 31 December 2003.

34. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Secured				
Legal charge over the leasehold land and plantation for banking facilities granted to a subsidiary company	**-**	-	**-**	57,700
Unsecured				
Litigation against the Company by the vendors of Innosabah	**-**	33,800	**-**	33,800
Guarantees for banking and leasing facilities of subsidiaries	**-**	-	**1,200**	22,009
Guarantees to contractors of a subsidiary company	**-**	-	**6,037**	15,409
	-	33,800	**7,237**	71,218
Total	**-**	33,800	**7,237**	128,918

35. SEGMENTAL INFORMATION

(i) Business Segment

The Group's operations comprise the following business segments:

Plantation and mill	- Cultivation and sale of oil palm products
Stockbroking and related services	- Stock and shares broking and futures broking
Property development	- Property development
Hydropower	- Operation of hydropower station
Investment holding	- Investment holding

2003

	PLANTATION AND MILL RM'000	STOCK BROKING AND RELATED SERVICES RM'000	PROPERTY DEVELOPMENT RM'000	HYDRO-POWER RM'000	INVESTMENT HOLDING RM'000	CONSO-LIDATED RM'000
Revenue						
External sales	**40,850**	**7,575**	**2,160**	**18,496**	**-**	**69,081**
Results						
Segment results (External)	**15,431**	**(279)**	**674**	**48,934**	**76,713**	**141,473**
Unallocated corporate expenses						**(66)**
Operating profits						**141,407**
Interest income						**287**
Finance costs						**(16,863)**
Share of results of associates						**482**
Tax expense						**(1,344)**
Profit from ordinary activities						**123,969**
Minority interests						**(7,588)**
Net profit for the year						**116,381**

35. SEGMENTAL INFORMATION (continued)

(i) Business Segment (continued)

2003

	PLANTATION AND MILL RM'000	STOCK BROKING AND RELATED SERVICES RM'000	PROPERTY DEVELOPMENT RM'000	HYDRO-POWER RM'000	INVESTMENT HOLDING RM'000	CONSO-LIDATED RM'000
Segment assets and liabilities						
Segment assets	**251,514**	**46,468**	**48,529**	**154,646**	**20,261**	**521,418**
Investment in associated company						**429**
Unallocated corporate assets						**10,240**
						532,087
Segment liabilities	**5,277**	**28,327**	**23,366**	**65,510**	**190,183**	**312,663**
Unallocated corporate liabilities						**71,073**
						383,736
Other information						
Capital expenditure	**9,893**	**279**	**-**	**880**	**4**	
Depreciation	**1,591**	**1,012**	**44**	**5,096**	**20**	
Non-cash expense other than depreciation	**1**	**847**	**-**	**2,304**	**17,381**	

35. SEGMENTAL INFORMATION (continued)

(i) Business Segment (continued)

2002

	PLANTATION AND MILL RM'000	STOCK BROKING AND RELATED SERVICES RM'000	PROPERTY DEVELOPMENT RM'000	HYDRO-POWER RM'000	INVESTMENT HOLDING RM'000	CONSO-LIDATED RM'000
Revenue						
External sales	34,645	5,370	-	17,637	1,409	59,061
Results						
Segment results (External)	14,409	(1,835)	(1,163)	(39,656)	(2,533)	(30,778)
Unallocated corporate expenses						(52)
Operating loss						(30,830)
Interest income						696
Finance costs						(40,831)
						(70,965)
Tax expense						(1,626)
Loss from ordinary activities						(72,591)
Minority interests						10,236
Net loss for the year						(62,355)

35. SEGMENTAL INFORMATION (continued)

(i) Business Segment (continued)

2002

	PLANTATION AND MILL RM'000	STOCK BROKING AND RELATED SERVICES RM'000	PROPERTY DEVELOPMENT RM'000	HYDRO-POWER RM'000	INVESTMENT HOLDING RM'000	CONSO-LIDATED RM'000
Segment assets and liabilities						
Segment assets	234,980	40,776	47,764	99,665	8,070	431,255
Investment in associated company						-
Unallocated corporate assets						11,878
						443,133
Segment liabilities	4,104	29,522	12,669	59,569	25,429	131,293
Unallocated corporate liabilities						439,453
						570,746
Other information						
Capital expenditure	6,703	474	-	309	65	
Depreciation	1,798	1,651	45	5,094	42	
Non-cash expense other than depreciation	1	(85)	87	48,400	302	

35. SEGMENTAL INFORMATION (continued)

(ii) Geographical Segments

In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of assets.

	REVENUE		TOTAL ASSETS		CAPITAL EXPENDITURE	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Malaysia	**50,585**	41,424	**367,201**	331,590	**10,177**	7,242
People's Republic of China	**18,496**	17,637	**154,646**	99,665	**880**	309
	69,081	59,061	**521,847**	431,255	**11,057**	7,551
Unallocated assets			**10,240**	11,878		
			532,087	443,133		

36. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Amounts approved and contracted for				
- Property, plant and equipment	**428**	7,008	**68**	-
Amounts approved but not contracted for				
- Property, plant and equipment	**6,960**	5,120	**4,724**	1,024
- Plantation development expenditure	**122**	17,434	**-**	17,401
	7,082	22,554	**4,724**	18,425
	7,510	29,562	**4,792**	18,425

37. COMMITMENTS

	GROUP		COMPANY	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Approved commitment to acquire				
- Ordinary shares in a subsidiary	**-**	-	**-**	71
Approved and contracted for				
- Disposal of shares in a subsidiary	**73,400**	-	**-**	-
Approved but not contracted for				
- Disposal of shares in a subsidiary	**28,764**	40,000	**-**	-
- Disposal of shares in a subsidiary or assets and business undertaking of a subsidiary	**35,000**	35,000	**35,000**	35,000
	63,764	75,000	**35,000**	35,000

38. RELATED PARTY TRANSACTIONS

	2003		2002	
	AMOUNT OF TRANSACTIONS RM'000	OUTSTANDING AMOUNTS RM'000	AMOUNT OF TRANSACTIONS RM'000	OUTSTANDING AMOUNTS RM'000
Group				
Transactions with a company of which Mr. Lim Nyuk Sang @ Freddy Lim is a director:				
Purchase of fresh fruit bunches				
- Abedon Sdn. Bhd.	**364**	**-**	233	-
Transactions with companies of which Mr. Fong King Fun is director:				
Purchase of fresh fruit bunches				
- Allok Sdn. Bhd.	**104**	**-**	-	-
- Pyon Estate Sdn. Bhd.	**12**	**-**	-	-
- Quality Estate (Sabah) Sdn. Bhd.	**11**	**-**	-	-

38. RELATED PARTY TRANSACTIONS (continued)

	2003		2002	
	AMOUNT OF TRANSACTIONS RM'000	OUTSTANDING AMOUNTS RM'000	AMOUNT OF TRANSACTIONS RM'000	OUTSTANDING AMOUNTS RM'000
Group				
Transactions with a company in which a former director of a subsidiary company had interest:				
Suria Asset Management Sdn. Bhd.				
- Brokerage income earned	**-**	**-**	11	-
- Rental received	**-**	**-**	1	-
- Brokerage commission paid	**-**	**-**	19	-
Transactions with a spouse of a former director of a subsidiary company:				
- Brokerage income earned	**-**	**-**	11	-
Interest on loans granted by Shareholders				
- Chan Saik Chuen Sdn. Bhd.	**13**	**13**	259	259
- Chan Saik Chuen	**6**	**6**	129	129
- Fong Kin Wui	**15**	**15**	327	327
- Fong Tham Yu	**6**	**6**	129	129
- Khai Leang Sdn. Bhd.	**13**	**13**	258	258
- Santraprise Sdn. Bhd.	**25**	**25**	373	373
- Seah Tee Sui Sdn. Bhd.	**13**	**13**	258	258
	91	**91**	1,733	1,733

38. RELATED PARTY TRANSACTIONS (continued)

	2003		2002	
	AMOUNT OF TRANSACTIONS RM'000	OUTSTANDING AMOUNTS RM'000	AMOUNT OF TRANSACTIONS RM'000	OUTSTANDING AMOUNTS RM'000
Group				
Interest on loans given by Directors				
- Fong King Fun	**31**	**31**	718	718
- Lim Nyuk Sang @ Freddy Lim	**60**	**60**	1,298	1,298
- Seah Sen Leang	**26**	**26**	531	531
	117	**117**	2,547	2,547
Interest income from an associated company				
- Pantai Dalam Development Sdn. Bhd.	**247**	**247**	222	222
Company				
Transactions with subsidiary companies:				
Income				
Sales of fresh fruit bunches				
- Syarikat Kretam Mill Sdn. Bhd.	**980**	**980**	737	737
Gross dividend income received				
- Syarikat Kretam Mill Sdn. Bhd.	**500**	**-**	500	-
- Timberwood Sdn. Bhd.	**200**	**-**	200	-
- Syarikat Capakaya Sdn. Bhd.	**500**	**-**	400	-
- Bintang Angkasa Sdn. Bhd.	**1,300**	**-**	1,000	-
- Syarikat Kretam Plantations Sdn. Bhd.	**2,800**	**-**	1,400	-
- Syarikat Kretam Ladang Sdn. Bhd.	**2,500**	**-**	2,000	-
- KM Plantations Sdn. Bhd.	**3,500**	**-**	3,000	-
	11,300	**-**	8,500	-

38. RELATED PARTY TRANSACTIONS (continued)

	2003		2002	
	AMOUNT OF TRANSACTIONS RM'000	OUTSTANDING AMOUNTS RM'000	AMOUNT OF TRANSACTIONS RM'000	OUTSTANDING AMOUNTS RM'000
Company				
Transactions with subsidiary companies: (continued)				
Expenses				
Office rental				
- KHB Realty Sdn. Bhd.	**4**	**4**	4	4
Data processing fee				
- KHB Telecommunications Sdn. Bhd.	**4**	**4**	4	4
Management fees				
- Kretam Management Sdn. Bhd.	**-**	**-**	1	1
Purchase of plant and equipment				
- Syarikat Kretam Ladang Sdn. Bhd.	**40**	**40**	-	-
Conversion of term loans to RCSLS				
- Jeffa Construction Sdn. Bhd.	**15,961**	**15,961**	-	-
- Rising Resources Sdn. Bhd.	**60,882**	**60,882**	-	-
Purchase of furniture and equipment				
- Innosabah Securities Berhad	**-**	**-**	15	15

38. RELATED PARTY TRANSACTIONS (continued)

	2003		2002	
	AMOUNT OF TRANSACTIONS RM'000	OUTSTANDING AMOUNTS RM'000	AMOUNT OF TRANSACTIONS RM'000	OUTSTANDING AMOUNTS RM'000
Company				
Interest on loans granted by Shareholders				
- Chan Saik Chuen Sdn. Bhd.	**13**	**13**	259	259
- Chan Saik Chuen	**6**	**6**	129	129
- Fong Kin Wui	**15**	**15**	327	327
- Fong Tham Yu	**6**	**6**	129	129
- Khai Leang Sdn. Bhd.	**13**	**13**	258	258
- Santraprise Sdn. Bhd.	**25**	**25**	373	373
- Seah Tee Sui Sdn. Bhd.	**13**	**13**	258	258
	91	**91**	1,733	1,733
Interest on loans given by Directors				
- Fong King Fun	**31**	**31**	718	718
- Lim Nyuk Sang @ Freddy Lim	**60**	**60**	1,298	1,298
- Seah Sen Leang	**26**	**26**	531	531
	117	**117**	2,547	2,547
Interest income from an associated company				
- Pantai Dalam Development Sdn. Bhd.	**247**	**247**	222	222

The Directors are of the opinion that all related party transactions were entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the Group's business operations whilst managing its commodity price, interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

(a) Commodity price risk

The Group's earnings are affected by changes in the prices of its raw materials and manufactured products.

(b) Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debts. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been placed in such investments which yield better returns than cash at bank.

The information on maturity dates and effective interest rates of financial liabilities are disclosed in their respective notes.

(c) Foreign Exchange Risk

The Group has a significant overseas subsidiary, Yunnan Dehong Husong He Power Development Co. Ltd. which operates in the People's Republic of China and whose revenue and expenses are denominated exclusively in Chinese Renminbi.

The net unhedged financial assets of the Group that are not denominated in their functional currencies are as follows:

	RM
Cash and bank balances	
Chinese Renminbi	11,872,483

(d) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

(e) Credit risk

Credit risk is managed by the application of credit approvals, credit limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value

The aggregate net fair value of financial assets and financial liabilities which are not carried at fair value on the balance sheet of the Group and of the Company are represented as follows:

	NOTE	2003 CARRYING AMOUNT RM'000	2003 FAIR VALUE RM'000	2002 CARRYING AMOUNT RM'000	2002 FAIR VALUE RM'000
Group					
Financial Assets					
Investment	13	**1,700**	*****	1,700	*
Amounts due from associated companies	15	**2,591**	**+**	-	-
Financial Liability					
Novated debts^	28	**-**	**-**	159,321	100,078
Company					
Financial Assets					
Amounts due from subsidiary companies	14	**75,329**	**+**	18,278	+
Amounts due from associated companies	15	**1**	**+**	-	-
Financial Liabilities					
Amounts due to subsidiary companies	22	**84,780**	**+**	88,217	+
Novated debts^	28	**-**	**-**	159,321	100,078

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value (continued)

* It is not practical to estimate the fair value of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable values.

\+ It is also not practical to estimate the fair values of amounts due to/from subsidiary companies due principally to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

^ The fair value of novated debts in previous years was arrived at after taking into consideration the financial effects of the Debt Restructuring. Pursuant to the Debt Restructuring the novated lenders have waived the repayment of a sum of RM59,243,442 due to them.

The nominal amount and fair value of the contingent liabilities of the Company not recognised in the balance sheet as at 31 December were as follows:

	2003 RM'000	2002 RM'000
Nominal amount of contingent liabilities	**7,237**	128,918
Fair value of contingent liabilities	**3,274**	81,633

The following methods and assumptions are used to estimate values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings
The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

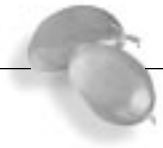
(ii) Marketable Securities
The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(iii) Borrowings
The carrying amounts of borrowings as reflected in the balance sheet approximate to its fair value. The fair value of convertible loan stocks are estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

40. COMPARATIVES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been adjusted as a result of a change in accounting policy as disclosed in Note 32 to the financial statements.

List of Properties



	LOCATION OF PROPERTY	TENURE	LAND AREA	DESCRIPTION	NET BOOK VALUE AS AT 31.12.2003 RM'000	YEAR REVALUED(R)/ ACQUIRED(A)
1.	Bode Estate Mile 44 Sandakan - Lahad Datu Highway	Leasehold, expiring in 2887	2,074 hectares	Oil palm plantation	42,245	R : 1996
2.	Masang Estate Off Mile 44 Sandakan - Lahad Datu Highway	Leasehold, expiring in 2887	2,400 hectares	Oil palm plantation	40,603	R : 1996
3.	Sapagaya Estate Mile 60 Sandakan - Sukau Road	Leasehold, - expiring in 2078 - expiring in 2041	 2,026 hectares 14 hectares 2,040 hectares	Oil palm plantation	42,516	R : 1996
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 - expiring in 2098 - expiring in 2100 Sublease, - expiring in 2096 - expiring in 2099	 32 hectares 456 hectares 261 hectares 45 hectares 57 hectares 41 hectares 200 hectares 76 hectares 127 hectares 44 hectares 3 hectares 13 hectares 11 hectares 1,366 hectares 24 hectares 43 hectares 1,433 hectares	Oil palm plantation	28,391	 R : 1996 R : 1996 R : 1996 R : 1996 R : 1996 A : 1997 R : 1996 R : 1996 R : 1996 R : 1996 A : 2000 A : 2002 A : 2003 A : 1997 A : 2000
5.	Bintang Estate Mile 60 Sandakan - Sukau Road	Leasehold, - expiring in 2078	1,010 hectares	Oil palm plantation	25,206	R : 1996

	LOCATION OF PROPERTY	TENURE	LAND AREA	DESCRIPTION	NET BOOK VALUE AS AT 31.12.2003 RM'000	YEAR REVALUED(R)/ ACQUIRED(A)
6.	Capakaya Estate Mile 44 Sandakan - Lahad Datu Highway	Leasehold, - expiring in 2077 - expiring in 2082	274 hectares 8 hectares 282 hectares	Oil palm plantation	5,834	R : 1996
7.	Timberwood Estate Mile 44 Sandakan - Lahad Datu Highway	Leasehold, - expiring in 2077	139 hectares	Oil palm plantation	2,873	R : 1996
8.	Block J Estate Off Mile 44 Sandakan - Lahad Datu Highway	Leasehold, - expiring in 2071	182 hectares	Oil palm plantation	3,600	R : 1996
9.	Silimpopon Estate I & II Km 128 Tawau - Kalabakan Highway	Leasehold, - expiring in 2096	8,090 hectares	Oil palm plantation	34,711	A : 1998
10.	Winpalm Estate Off Mile 44 Sandakan - Lahad Datu Highway	Sublease, - expiring in 2098 - expiring in 2032	69 hectares 39 hectares 108 hectares	Oil palm plantation	1,033	A : 1999 A : 2002
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	3,639	R : 1996
12	Lots 75 and 76, Block K Sadong Jaya Karamunsing Kota Kinabalu	Leasehold, - expiring in 2901	2,398 sq. feet	4-storey commercial building	1,296	A : 1992
13	Lots 54 & 55 Block H Sadong Jaya- Karamunsing Kota Kinabalu	Leasehold, expiring in 2901	2,298 sq. feet	4-storey commercial building	1,268	A : 1996

	LOCATION OF PROPERTY	TENURE	LAND AREA	DESCRIPTION	NET BOOK VALUE AS AT 31.12.2003 RM'000	YEAR REVALUED(R)/ ACQUIRED(A)
14	Lot 57, Block H Sadong Jaya Karamunsing Kota Kinabalu	Leasehold, - expiring in 2901	1,149 sq. feet	4-storey commercial building	517	A : 1993
15	Lot 59, Block I Sadong Jaya Karamunsing Kota Kinabalu	Leasehold - expiring in 2901	1,250 sq. feet	4-storey commercial building	596	A : 1993

Shareholding Statistics

AS AT 30 APRIL 2004

Authorised Capital	:	RM600,000,000
Issued and Paid-Up	:	RM116,855,266
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 99	47	0.67	2,250	0.01
100 to 1000	3,452	49.48	2,356,265	2.02
1001 to 10,000	2,952	42.31	10,239,625	8.76
10,001 to 100,000	440	6.31	13,361,280	11.43
100,001 to less than 5% of issued shares	83	1.19	64,155,261	54.90
5% and above of issued shares	3	0.04	26,740,585	22.88
Total	6,977	100.00	116,855,266	100.00

LIST OF TOP 30 SHAREHOLDERS

		NO. OF SHARES HELD	PERCENTAGE (%)
1.	Lim Nyuk Sang @ Freddy Lim	11,561,204	9.89
2.	Santraprise Sdn Bhd	8,712,381	7.46
3.	Universal Trustee (Malaysia) Berhad	6,467,000	5.53
4.	DB (Malaysia) Nominee (Tempatan) Sdn Bhd - *Pledged Securities Account for Lim Nyuk Sang @ Freddy Lim*	5,162,250	4.42
5.	Nasalim Sdn Bhd	5,131,383	4.39
6.	Cimsec Nominees (Asing) Sdn Bhd - *Beneficial Owner: Jarsuma Investments Ltd*	3,594,000	3.08
7.	Lim Nyuk Foh	3,000,000	2.57
8.	HSBC Nominees (Asing) Sdn Bhd - *Beneficial Owner: Hartlane Enterprises Inc*	2,600,250	2.23
9.	DB (Malaysia) Nominee (Asing) Sdn Bhd - *Beneficial Owner: Contend Investments Ltd*	2,473,500	2.12
10.	JMF Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Fong Kin Wui*	2,370,000	2.03
11.	OSK Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Kwan Tack Chiong*	2,262,050	1.94

		NO. OF SHARES HELD	PERCENTAGE (%)
12.	Lai Ai Fong	2,189,150	1.87
13.	Seah Sen Leang	2,000,000	1.71
14.	HDM Nominees (Asing) Sdn Bhd - *Beneficial Owner: Great Forest Ltd*	1,968,350	1.68
15.	Thong & Kay Hian Nominees (Asing) Sdn Bhd - *Beneficial Owner: Everbright Corporation*	1,638,250	1.40
16.	UOBM Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Far Concepts Sdn Bhd*	1,637,000	1.40
17.	Eng Nominees (Asing) Sdn Bhd - *Beneficial Owner: Everbright Corporation*	1,548,250	1.32
18.	Hee Chul Johng	1,538,600	1.32
19.	JMF Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Fong King Fun*	1,508,749	1.29
20.	HSBC Nominees (Asing) Sdn Bhd - *Beneficial Owner: Appollo Express Inc*	1,432,500	1.23
21.	Fong King Fun	1,274,250	1.09
22.	Seah Tee Sui Sdn Bhd	1,166,750	1.00
23.	Chan Saik Chuen Sdn Bhd	841,700	0.72
24.	RHB Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Ta Jin Kiat*	805,500	0.69
25.	JMF Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Seah Sen Leang*	750,000	0.64
26.	JMF Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Vun Yun Lau @ Vun Yun Liew*	728,500	0.62
27.	Eng Nominees (Asing) Sdn Bhd - *Beneficial Owner: Weismann Investments Ltd*	709,000	0.61
28.	S T L Holdings Sdn Bhd	708,650	0.61
29.	Osamu Tateishi	700,000	0.60
30.	JMF Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Seah Tee Sui Sdn Bhd*	664,000	0.57

SUBSTANTIAL SHAREHOLDERS

	DIRECT		INDIRECT	
	NO. OF SHARES HELD	PERCENTAGE (%)	NO. OF SHARES HELD	PERCENTAGE (%)
Lim Nyuk Sang @ Freddy Lim	18,621,243	15.94	14,411,111*	12.33
Santraprise Sdn Bhd	9,279,728	7.94	-	-
Seah Sen Leang	3,606,395	3.09	3,004,706#	2.57

* Deemed interest through Santraprise Sdn Bhd and Nasalim Sdn Bhd

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

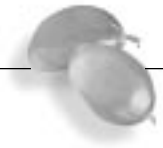
DIRECTORS' SHAREHOLDINGS

	DIRECT		INDIRECT	
	NO. OF SHARES HELD	PERCENTAGE (%)	NO. OF SHARES HELD	PERCENTAGE (%)
Dato' Abd. Aziz Bin Haji Sheikh Fadzir	318,939	0.27	-	-
Lim Nyuk Sang @ Freddy Lim	18,621,243	15.94	14,411,111*	12.33
Lim Kun Kim	1,500	-	-	-
Wong Len Kee	42,750	0.04	-	-
Richard Christopher Barnes	-	-	-	-
Lee Hock Leang	-	-	-	-

* Deemed interest through Santraprise Sdn Bhd and Nasalim Sdn Bhd

Warrants Holding Statistics

AS AT 30 APRIL 2004



No. Of Warrants Issued	:	57,618,375
Exercise Price of Warrants	:	The Exercise Price of each warrant is RM1.00 for one new ordinary share of RM1.00 each in the Company
Exercise Period of Warrants	:	3 December 2003 to 3 December 2008
Exercise Rights	:	Each warrant entitles the holder to subscribe for one new ordinary share of RM1.00 each in the Company during the Exercise Period
Voting Rights	:	None until converted into ordinary shares of RM1.00 each in the Company

ANALYSIS OF WARRANT 2003/2008 HOLDINGS

GROUP	WARRANTHOLDERS		WARRANTHOLDINGS	
	NUMBER	%	NUMBER	%
1 to 99	28	1.32	1,377	0.00
100 to 1000	397	18.68	313,475	0.54
1001 to 10,000	1,273	59.91	5,693,400	9.88
10,001 to 100,000	356	16.75	11,628,491	20.18
100,001 to less than 5% of issued Warrants	70	3.29	36,540,132	63.42
5% and above of issued Warrants	1	0.05	3,441,500	5.97
Total	2,125	100.00	57,618,375	100.00

LIST OF TOP 30 WARRANTHOLDERS

		NO. OF WARRANTS HELD	PERCENTAGE (%)
1.	DB (Malaysia) Nominee (Tempatan) Sdn Bhd - *Pledged Securities Account for Lim Nyuk Sang @ Freddy Lim*	3,441,500	5.97
2.	Thong & Kay Hian Nominees (Asing) Sdn Bhd - *Beneficial Owner: Everbright Corporation*	2,825,500	4.90
3.	HDM Nominees (Asing) Sdn Bhd - *Beneficial Owner: Great Forest Ltd*	2,552,500	4.43
4.	Cimsec Nominees (Asing) Sdn Bhd - *Beneficial Owner: Jarsuma Investments Ltd*	2,396,000	4.16
5.	Eng Nominees (Asing) Sdn Bhd - *Beneficial Owner: Everbright Corporation*	2,365,500	4.11
6.	Lai Ai Fong	2,314,500	4.02
7.	HSBC Nominees (Asing) Sdn Bhd - *Beneficial Owner: Hartlane Enterprises Inc*	1,733,500	3.01
8.	DB (Malaysia) Nominee (Asing) Sdn Bhd - *Beneficial Owner: Contend Investments Ltd*	1,649,000	2.86

		NO. OF WARRANTS HELD	PERCENTAGE (%)
9.	JMF Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Fong Kin Wui*	1,580,000	2.74
10.	Santraprise Sdn Bhd	1,498,500	2.60
11.	Kenanga Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Ooi Seok Hean*	1,200,000	2.08
12.	Hee Chul Johng	1,045,000	1.81
13.	JMF Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Fong King Fun*	1,005,832	1.75
14.	Seah Sen Leang	1,000,000	1.74
15.	HDM Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Leou Thiam Lai*	1,000,000	1.74
16.	HSBC Nominees (Asing) Sdn Bhd - *Beneficial Owner: Appollo Express Inc*	955,000	1.66
17.	Fong King Fun	849,500	1.47
18.	Seah Sen Leang	520,000	0.90
19.	Christina Loh Yoke Lin	490,000	0.85
20.	Ho Swee Hwa	400,000	0.69
21.	Citicop Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Lim Kwong Hon*	400,000	0.69
22.	Ng Chooi Guan	374,400	0.65
23.	S T L Holdings Sdn Bhd	356,350	0.62
24.	Southern Investment Bank Bhd - *Beneficial Owner: Teoh Cheng Guan*	351,500	0.61
25.	United Overseas Nominees (Tempatan) Sdn Bhd - *Pledged Securities Account for Gan Kong Hiok*	295,000	0.51
26.	Saw Guat Choo	290,000	0.50
27.	Am Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Kumpulan Wang Simpanan Guru-Guru*	276,000	0.48
28.	See Boon Wah	250,000	0.43
29.	Yong Yoon Fook	250,000	0.43
30.	Am Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Lembaga Tabung Angkatan Tentera*	242,500	0.42

SUBSTANTIAL WARRANTHOLDERS

	DIRECT		INDIRECT	
	NO. OF WARRANTS HELD	PERCENTAGE (%)	NO. OF WARRANTS HELD	PERCENTAGE (%)
Lim Nyuk Sang @ Freddy Lim	3,441,500	5.97	1,498,500*	2.60

* Deemed interest through Santraprise Sdn Bhd

DIRECTORS' WARRANTHOLDINGS

	DIRECT		INDIRECT	
	NO. OF WARRANTS HELD	PERCENTAGE (%)	NO. OF WARRANTS HELD	PERCENTAGE (%)
Dato' Abd. Aziz Bin Haji Sheikh Fadzir	-	-	-	-
Lim Nyuk Sang @ Freddy Lim	3,441,500	5.97	1,498,500*	2.60
Lim Kun Kim	1,000	-	-	-
Wong Len Kee	43,000	0.07	-	-
Richard Christopher Barnes	-	-	-	-
Lee Hock Leang	-	-	-	-

* Deemed interest through Santraprise Sdn Bhd.

Irredeemable Convertible Unsecured Loan Stocks (ICULS) Holding Statistics

AS AT 30 APRIL 2004

Nominal value of ICULS Issued	:	RM87,406,000
Conversion Price of ICULS	:	The Conversion Price of each ICULS is RM1.00 for one new ordinary share of RM1.00 each in the Company
Conversion Period / Convertibility of ICULS	:	12 August 2007 to 10 August 2010 (maturity date). Any nominal value of ICULS not converted by the maturity date will be automatically converted into new ordinary shares of the Company on maturity date
Conversion Rights	:	The equivalent nominal value of ICULS amounting RM1.00 may be converted to one new ordinary share of the Company
Voting Rights	:	None until converted into ordinary shares of RM1.00 each in the Company

ANALYSIS OF ICULS 2003/2010 HOLDINGS

GROUP	ICULS HOLDERS		ICULS HOLDINGS	
	NUMBER	%	NUMBER	%
1 to 99	8	0.96	400	0.00
100 to 1000	501	60.14	345,600	0.39
1001 to 10,000	285	34.21	810,725	0.93
10,001 to 100,000	17	2.04	320,250	0.37
100,001 to less than 5% of issued ICULS	16	1.92	25,289,361	28.93
5% and above of issued ICULS	6	0.72	60,639,664	69.38
Total	833	100.00	87,406,000	100.00

LIST OF TOP 30 ICULS HOLDERS

		NOMINAL VALUE OF ICULS HELD (RM)	PERCENTAGE (%)
1.	PAB Nominee (Tempatan) Sdn Bhd - *Beneficial Owner: Affin Bank Berhad (Loan Recovery)*	20,250,815	23.17
2.	Mayban Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: RHB Sakura Merchant Bankers Berhad*	15,341,225	17.55
3.	Bumiputra-Commerce Bank Berhad	8,233,992	9.42
4.	Danaharta Managers Sdn Bhd	7,706,423	8.82
5.	Mayban Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: RHB Bank Berhad*	4,715,885	5.40
6.	UOBM Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: United Overseas Bank (Malaysia) Bhd*	4,391,324	5.02
7.	RHB Capital Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: RHB Bank Berhad*	4,205,784	4.81
8.	Pengurusan Danaharta Nasional Berhad	2,730,685	3.12

		NOMINAL VALUE OF ICULS HELD (RM)	PERCENTAGE (%)
9.	Mayban Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: RHB Bank Berhad*	2,643,552	3.02
10.	EB Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: EON Bank Berhad*	2,555,002	2.92
11.	Mayban Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Sabah Development Bank Berhad*	2,461,806	2.82
12.	Mayban Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Malayan Banking Berhad*	2,112,187	2.42
13.	Sabah Development Bank Berhad - *As Beneficial Owner*	1,907,812	2.18
14.	Mayban Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Aseambankers Malaysia Berhad*	1,643,591	1.88
15.	Mayban Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Ambank Berhad*	1,585,641	1.81
16.	Mayban Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: RHB Bank Berhad*	1,507,538	1.72
17.	Public Bank Berhad - *As Beneficial Owner*	682,493	0.78
18.	Ah Moi @ Teo Hui Bee	452,400	0.52
19.	Mayfin Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Mayban Finance Berhad*	339,770	0.39
20.	HSBC Nominees (Asing) Sdn Bhd - *Beneficial Owner: Greenwich International Ltd*	191,000	0.22
21.	RHB Capital Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Hiew Kat Kee*	143,900	0.16
22.	Mayban Securities Nominees (Asing) Sdn Bhd - *Beneficial Owner: Wong Chuin Ping Victor*	126,200	0.14
23.	RHB Capital Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Lu Lip Lai*	51,000	0.06
24.	Tan Yuen Ching	27,000	0.03
25.	Mayban Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: Liew Pak Chin*	23,000	0.03
26.	Lo Lie Meng	21,000	0.02
27.	Pang Yuen Ping @ Angely Pang	20,550	0.02
28.	Chuah Hock Seng @ Chuah Teong Kok	20,000	0.02
29.	Hiew Phei Howe	18,000	0.02
30.	Loo Seng Soon	15,200	0.02

SUBSTANTIAL ICULS HOLDERS

		DIRECT		INDIRECT	
		NOMINAL VALUE OF ICULS HELD (RM)	PERCENTAGE (%)	NOMINAL VALUE OF ICULS HELD (RM)	PERCENTAGE (%)
1.	PAB Nominee (Tempatan) Sdn Bhd - *Beneficial Owner:* *Affin Bank Berhad (Loan Recovery)*	20,250,815	23.17	-	-
2.	Mayban Nominees (Tempatan) Sdn Bhd - *Beneficial Owner:* *RHB Sakura Merchant Bankers Berhad*	15,341,225	17.55	-	-
3.	Bumiputra-Commerce Bank Berhad	8,233,992	9.42	-	-
4.	Danaharta Managers Sdn Bhd	7,706,423	8.82	-	-
5.	Mayban Nominees (Tempatan) Sdn Bhd - *Beneficial Owner: RHB Bank Berhad*	4,715,885	5.40	-	-
6.	UOBM Nominees (Tempatan) Sdn Bhd - *Beneficial Owner:* *United Overseas Bank (Malaysia) Bhd*	4,391,324	5.02	-	-

DIRECTORS' INTEREST IN ICULS 2003/2010

	DIRECT		INDIRECT	
	NOMINAL VALUE OF ICULS HELD (RM)	PERCENTAGE (%)	NOMINAL VALUE OF ICULS HELD (RM)	PERCENTAGE (%)
Dato' Abd. Aziz Bin Haji Sheikh Fadzir	-	-	-	-
Lim Nyuk Sang @ Freddy Lim	100	-	-	-
Lim Kun Kim	-	-	-	-
Wong Len Kee	-	-	-	-
Richard Christopher Barnes	-	-	-	-
Lee Hock Leang	-	-	-	-

KRETAM HOLDINGS BERHAD

(Company No : 168285-H)

Form of Proxy

CDS Account No.	

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 Sixteenth 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, 18 June 2004 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 2003		
2.	To re-elect Mr Richard Christopher Barnes as Director in accordance with Article 80 of the Company's Articles of Association		
3.	To re-elect Mr Wong Len Kee as Director in accordance with Article 86 of the Company's Articles of Association		
4.	To re-elect Mr Lee Hock Leang as Director in accordance with Article 86 of the Company's Articles of Association		
5.	To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration		
6.	**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		
7.	**Special Business** Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature		

No of ordinary shares held	

(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 _____ 2004

_____

Signature(s) of Member

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. 6 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 7, further information on the Proposed Renewal of Recurrent Related Parties transactions Mandate is set out in the Appendix 1 attached to the 2003 Annual Report of the Company.

FOLD HERE

FOLD HERE

STAMP

KRETAM HOLDINGS BERHAD
Lot 6, Block 44, Leboh Tiga
90000 Sandakan
Sabah