

Contents

2	Notice of Annual General Meeting
4	Statement Accompanying Notice of Annual General Meeting
5	Corporate Information
6	Board of Directors and Profiles
8	Chairman's Statement
11	Statement on Corporate Governance
16	Directors' Responsibility Statement
17	Additional Compliance Information
18	Audit Committee Report
21	Statement on Internal Control
24	Financial Statements
71	Shareholding Statistics
74	List of Properties
	Form of Proxy

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of the Company will be held at Magibah Room, Nexus Resort Karambunai, Off Jalan Sepangar Bay, Kota Kinabalu, Sabah, on 29 June 2005 at 10.30 am to transact the following business:

AGENDA

ORDINARY BUSINESS

- | | | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 1. | To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2004 and the Reports of the Directors and Auditors thereon. | Resolution 1 |
| 2. | To declare a final gross dividend of 3 sen per share less 28% Malaysian income tax in respect of the financial year ended 31 December 2004. | Resolution 2 |
| 3. | To re-elect the following Directors retiring in accordance with Article 93 of the Company's Articles of Association: | |
| | a) Lim Ted Hing | Resolution 3 |
| | b) Dr Edmond Fernandez | Resolution 4 |
| 4. | To approve the payment of Directors' fees of RM91,200 for the financial year ended 31 December 2004. | Resolution 5 |
| 5. | To re-appoint Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration. | Resolution 6 |

SPECIAL BUSINESS

- | | | |
|----|-------------------------------------------------------------------|--------------|
| 6. | To consider and if thought fit, to pass the following resolution: | Resolution 7 |
|----|-------------------------------------------------------------------|--------------|

Ordinary Resolution

Authority to issue shares pursuant to Section 132D, Companies Act, 1965

"THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from the relevant statutory and regulatory authorities, where such approvals are necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional new ordinary shares to be issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF ANNUAL GENERAL MEETING (contd.)

7. To transact any other business of the Company of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board
NPC Resources Berhad

Dorothy Luk Wei Kam
Tan Yun Su
Company Secretaries

Kota Kinabalu, Sabah
Date: 7 June 2005

Notes:

- a) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but does not need to be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 need not be complied with.
- b) Where a member appoints two (2) or more proxies to attend and vote at the same Meeting, such appointment shall be invalid unless the member specifies the proportion of his (her) holdings to be represented by each proxy.
- c) The instrument appointing a proxy shall be in writing or if such appointor is a corporation either under its Common Seal or the hands of its officers or attorney duly authorized.
- d) The instrument appointing a proxy shall be deposited at the Registered Office of the Company at Lot 8 & 9, T3, Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

Explanatory Notes On Special Business

Ordinary Resolution Pursuant To The Proposed Authority To Directors To Issue New Shares Under Section 132D Of The Companies Act, 1965

The proposed Ordinary Resolution under item 6 above, if passed, shall give power to the Directors to issue ordinary shares in the capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being. This authority unless revoked or varied at a general meeting will expire at the next Annual General Meeting.

STATEMENT ACCOMPANYING

Notice of Annual General Meeting

1. The date, time and place of the Fifth Annual General Meeting:

Date	Time	Place
29 June 2005	10.30 am	Magibah Room Nexus Resort Karambunai, Off Sepangar Bay, Kota Kinabalu, Sabah

2. The names of individuals who are standing for election or re-election are:

- (a) Lim Ted Hing
(b) Dr Edmond Fernandez

3. The details of attendance of Directors at Board Meetings:

Five (5) board meetings were held during the financial year from 1 January 2004 to 31 December 2004

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
1. Loo Ngin Kong	5	5
2. Tengku Datuk Dr. Zainal Adlin Bin Tengku Mahamood	3	5
3. Dato' Loo Pang Kee	4	5
4. Wong Siew Ying	5	5
5. Lim Ted Hing	5	5
6. Dr. Edmond Fernandez	5	5
7. Wong Tet Jung @ Aquinas Wong	5	5

4. Further details of individuals who are standing for re-election as Directors:

Please refer to the Directors' Profile appearing on pages 6 to 7 and their securities holdings in the company on page 73 of this Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Loo Ngin Kong	(Executive Chairman)
Tengku Datuk Dr Zainal Adlin Bin Tengku Mahamood	(Independent Non-Executive Deputy Chairman)
Dato' Loo Pang Kee	(Executive Director/Group Managing Director)
Wong Siew Ying	(Executive Director)
Wong Tet Jung @ Aquinas Wong	(Executive Director)
Lim Ted Hing	(Independent Non-Executive Director)
Dr Edmond Fernandez	(Independent Non-Executive Director)

AUDIT COMMITTEE

Lim Ted Hing	(Chairman)
Dr Edmond Fernandez	(Member)
Dato' Loo Pang Kee	(Member)

COMPANY SECRETARIES

Dorothy Luk Wei Kam	(MAICSA 7000414)
Tan Yun Su	(MIA 8095)

REGISTERED OFFICE

Lot 8 & 9, T3
Taman Tshun Ngen
Mile 5, Jalan Labuk
90000 Sandakan, Sabah
Tel : 089-274488
Fax : 089-226711

PRINCIPAL BANKERS

RHB Bank Berhad
Bumiputra-Commerce Bank Berhad
Alliance Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad
Southern Bank Berhad

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 26, Menara Multi Purpose
Capital Square, No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2721 2222
Fax : 03-2721 2530/1

SOLICITORS

M.F. Poon, Hiew & Associates
Advocates & Solicitors
Mezzanine Floor, Lot 1 & 2,
Block B, Taman Grandview,
Jalan Buli Sim-Sim.
90000 Sandakan, Sabah

AUDITORS

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

STOCK EXCHANGE LISTING

Main Board of the
Bursa Malaysia Securities Berhad

DIRECTORS' PROFILES

LOO NGIN KONG, a Malaysian citizen, aged 68, was appointed as Executive Chairman of NPC on 31 January 2002. He has over 30 years' experience in the fields of oil palm plantation and palm oil milling. He started his business venture in the plantation industry in the 1960s and 1970s when he was involved in oil palm cultivation and contracting works for Federal Land Development Authority ("FELDA") in Pahang Darul Makmur and Low Nam Hui Sdn. Bhd. and its subsidiaries and Johor Tenggara Development Authority in Johor Darul Takzim. He expanded his business to Sabah in 1981 when he acquired Growth Enterprise Sdn. Bhd., now a subsidiary of the Company. He also sits on the Board of various private limited companies. He is the father of Dato' Loo Pang Kee, a director and a substantial shareholder of the Company and the husband of Wong Siew Ying, a director and a deemed substantial shareholder of the Company. The details of his related party transactions can be found in note 32 to the Financial Statements. He has never been convicted for any offence within the past 10 years. He attended all the five (5) board meetings held during the financial year from 1 January 2004 to 31 December 2004.

TENGKU DATUK DR. ZAINAL ADLIN BIN TENGKU MAHAMOOD, a Malaysian citizen, aged 65, was appointed as Non-Executive Deputy Chairman of NPC on 31 January 2002. He was redesignated as Independent Non-Executive Deputy Chairman on 12 July 2004. He obtained his Advanced Course in Local Government Administration Certificate from the University of Birmingham, United Kingdom and Institute of Local Government Studies, Sigtuna, Sweden in 1967. In 1981, he obtained the Top Management Programme Certificate from the Asian Institute of Management and in 1995, obtained his Doctor of Philosophy (Hon.) from University Kebangsaan Malaysia. He began his career as a professionally trained pilot from 1959 to 1960. He subsequently served in the Kelantan Civil Service and the Malaysian Home and Diplomatic Service in the capacity of Assistant District Officer, acting District Officer and Assistant State Secretary of Kelantan from 1961 to 1967 and was seconded to the Sabah State Government for five (5) years from 1968 to 1973 in the capacity of Chief Executive Officer of the Sabah State Housing Commission. From 1974 to prior to retirement from Government service in 1996, he served the Yayasan Sabah in various capacities including Group Projects Development Manager, Deputy Director and Corporate Advisor. At present, he is the Executive Chairman of Lintasan Mayang Sdn. Bhd., Lintasan Mayang Development Sdn. Bhd. and Triomac Engineering Sdn. Bhd. and the Chairman of Karambunai Corp Bhd (previously known as FACB Resorts Berhad). He is the appointed Chairman of the Sabah Tourism Board by the Sabah State Government since May 2000. He is also the Chairman of the World Wide Fund for Nature (WWF) Malaysia. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended three (3) out of five (5) board meetings held during the financial year from 1 January 2004 to 31 December 2004.

DATO' LOO PANG KEE, a Malaysian citizen, aged 36, was appointed as Group Managing Director of NPC on 31 January 2002. He currently sits on the Audit Committee. He joined the Group after the completion of his education in Singapore. He has over fifteen (15) years of working experience in the field of plantation-based activities. His exposure in oil palm cultivation and plantation development work was greatly enhanced over the last decade as he was involved directly in the estate development and rapid expansion of the Natural Plantation Sdn Bhd ("Natural") group of companies' land bank. His experience in the palm oil milling activities started in the late 1980s when the Natural group of companies ventured into palm oil milling business in 1989 through Berkat Setia Sdn. Bhd. His responsibilities include overseeing the overall management activities of the Group, and the formulation and implementation of the Group's business strategies. He is the son of Loo Ngin Kong, a director and a substantial shareholder of the Company. The details of his related party transactions can be found in note 32 to the Financial Statements. He has never been convicted for any offence within the past 10 years. He attended four (4) out of five (5) board meetings held during the financial year from 1 January 2004 to 31 December 2004.

WONG SIEW YING, a Malaysian citizen, aged 51, was appointed as Executive Director of NPC on 31 January 2002. She has played an instrumental role in the expansion of the Natural group of companies over the last 20 years and her areas of responsibility include managing the Group's financial affairs, project funding requirements and credit management. She is the wife of Loo Ngin Kong, a director and a substantial shareholder of the Company. The details of her related party transactions can be found in note 32 to the Financial Statements. She has never been convicted for any offence within the past 10 years. She attended all the five (5) board meetings held during the financial year from 1 January 2004 to 31 December 2004.

DIRECTORS' PROFILES (contd.)

LIM TED HING, a Malaysian citizen, aged 50, was appointed as the Independent Non-Executive Director of NPC on 25 February 2002. He currently sits on the Audit Committee, Remuneration Committee and Nomination Committee. He is a member of the Malaysian Institute of Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW"). He obtained his Fundamentals of Accounting from the North East London Polytechnic in 1977. Upon completion, he joined Malvern & Co., a firm of public accountants based in London, as an Articled Clerk during which he completed the ICAEW professional examinations in 1983. He joined Ernst & Young in 1985 and was the Senior Manager of its office in Sandakan prior to joining Syarikat Tekala Sdn. Bhd. in 1994 as the Group Financial Controller. Later in June 1996, he was appointed as an Executive Director/Chief Operating Officer of Tekala Corporation Berhad, a company listed on the Main Board of Bursa Malaysia, and its subsidiaries. Other than his business interest in Tekala Group, he also sits on the board of Borneo Golf Resort Berhad as well as several other private limited companies. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended all the five (5) board meetings held during the financial year from 1 January 2004 to 31 December 2004.

DR. EDMOND FERNANDEZ, a Malaysian citizen, aged 50, was appointed as the Independent Non-Executive Director of NPC on 25 February 2002. He currently sits on the Audit Committee, Remuneration Committee and Nomination Committee. He graduated in 1981 from the University of Mysore, India. He started his medical practice in 1982 as a Medical Officer in Queen Elizabeth Hospital, Kota Kinabalu, Sabah and later in 1984, he was posted to Sandakan Health Department, Sabah as the Area Medical Officer. From 1988 onwards, he practised as a Private Medical Practitioner with Klinik Elopura Sdn. Bhd. ("KESB") and he was appointed as the Director of KESB in 1995. In 2001, he obtained his Licentiate of the Faculty of Occupational Medicine from Ireland and he was also appointed as a committee member of the Sandakan Water Watch Committee. He is the founding President of the Sandakan Toastmaster Club. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended all the five (5) board meetings held during the financial year from 1 January 2004 to 31 December 2004.

WONG TET JUNG @ AQUINAS WONG, a Malaysian citizen, aged 36, was appointed as the Executive Director of NPC on 15 September 2003. He is also the Group's Chief Operations Officer. He has over 16 years of experience in the plantation industry specialising in Nursery and Plantation Development and Management of Oil Palm and Cocoa plantations. He has been a member of the Incorporated Society of Planter, Malaysia since 1989, serving as the Secretary for the Sabah-North East Branch in 1991 and is also a member of the Malaysian Oil Scientist and Technologist Association. He obtained his Bachelor of Science in Agricultural Botany (Hons) from the University of Reading, United Kingdom in 1989. Since then he attended the "Kursus Kelapa Sawit" organized by PORIM (now MPOB) in 1990, the "Young Managers Program" at the National University of Singapore in 1993, Stephen Covey's "Seven Habits of Highly Effective People" and numerous other seminars/courses. He is also the Executive Chairman of the AQW group of Companies which is involved in the provision of Agricultural Management Services, packing of Cooking Oil and trading in Sundry goods. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 10 years. He attended all the five (5) board meetings held during the financial year from 1 January 2004 to 31 December 2004.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and the Audited Financial Statements for the Group and also the Company for the financial year ended 31 December 2004.

BACKGROUND

NPC RESOURCES BERHAD is principally an investment holding company while its subsidiaries are involved in investment holding, provision of management services, operation of oil palm plantations and palm oil mills, trading of fresh fruit bunches ("FFB"), and provision of transportation services. The Company was listed on the Main Board of the Kuala Lumpur Stock Exchange on 7 May 2002.

The Group currently operates approximately 8,481 hectares of plantation land and two palm oil processing mills which have a combined production capacity of 120 tonnes of FFB per hour, all of which are located in the state of Sabah. The palm oil processing mills owned by the Group are located at Kilometre 87, Sandakan-Lahad Datu Highway, Segaliud Lokan in the district of Kinabatangan ("SROPP mill") and at Kilometre 70, Sandakan-Telupid-Kota Kinabalu Highway in the district of Labuk-Sugut ("Berkat mill"). The SROPP mill has increased its processing capacity to 60 tonnes of FFB per hour during the year. The Berkat mill currently has a processing capacity of 60 tonnes of FFB per hour.

INDUSTRY TREND AND DEVELOPMENT

The Malaysian oil palm industry recorded an impressive performance in 2004. The industry continued to contribute significantly to the country's economic development and foreign exchange earnings. Export earnings of oil palm products rose to a commendable RM 30.41 billion despite facing strong competition from other palm oil producing countries and unfavourable tariff treatment in some markets.

The total oil palm planted area increased by 1.9% or 73,000 hectares to 3.87 million hectares in 2004, mainly in Sabah and Sarawak. Sabah remained the largest oil palm planted state with 1.2 million hectares.

The production of crude palm oil soared to the highest level in the Malaysian oil palm industry's history, increasing by 4.7% or 0.63 million tonnes to 13.98 million tonnes from 13.35 million tonnes in 2003. The increase was mainly attributed to the large expansion in matured areas, as well as improvement in the oil extraction rate from 19.75% in 2003 to 20.03% in 2004. However, the production of crude palm kernel oil was down marginally by 0.1% to 1.64 million tonnes. Likewise, the fresh fruit bunches yield per hectare also declined, by 2.1% to 18.60 tonnes from 18.99 tonnes in 2003 due to the dry period encountered in the early part of 2004, coupled with lower yield from newly replanted areas coming into maturity.

The average prices of oil palm products sustained its upward trend in 2004, influenced mainly by supply tightness, especially during the first half of the year, moderate export growth and strength of soyabean oil prices in the world market. The average CPO price increased by 4.3% or RM 66 to RM1,610 as against RM1,544 the previous year. The highest and lowest CPO monthly average prices were recorded in March and December at RM 2,000 and RM 1,420 respectively. The highest CPO daily traded price was RM 2,030 in March, while the lowest was RM1,380 in late December. The average price of palm kernel and crude palm kernel oil performed even better, rising by 45% to RM 1,063 and RM 2,306 respectively owing to supply tightness and higher lauric oil prices in the world market. The average price of FFB at 1% OER increased by 10.5% or RM 1.64 to RM 17.26 from RM15.62 the previous year, thus improving the income of smallholders and estates.

The projected slow growth in domestic production and steady export demand is expected to reduce the impact of a slight recovery in world oils and fats supply situation and higher local palm oil carry-over stocks. This is expected to mitigate the pressure on local CPO price in 2005. On the production front, CPO production is projected to increase marginally to 14.24 million tonnes.

(Source: Overview of the Malaysian Oil Palm Industry 2004 by the MPOB)

CHAIRMAN'S STATEMENT (contd.)

GROUP PERFORMANCE

For the financial year ended 2004, the average CPO price realised by the Group was RM1,524 per tonne representing a 1% increase as compared to RM1,516 per tonne realised in 2003 and the average palm kernel (PK) price realised was RM951 per tonne, representing a 40% increase as compared to RM678 per tonne realised in 2003. The Group achieved total CPO production of 114,185 tonnes and PK production of 26,903 tonnes for the financial year ended 2004 as compared to the CPO production of 105,643 tonnes and PK production of 25,445 tonnes in 2003. The total FFB processed by the Group for 2004 was 541,582 tonnes as compared to 509,167 tonnes in previous financial year. The higher prices and productions achieved contributed to a higher Group turnover of RM195,094,227 for 2004 as compared to RM175,090,110 for 2003.

The CPO and PK extraction rates of the Group for 2004 were 21.08% and 4.97% as compared to 20.75% and 5.00% respectively for 2003. The increase in CPO extraction rate and FFB production from the Group's plantations contributed to higher profit after tax of RM10,454,361 recorded for 2004 as compared to RM10,080,283 recorded for 2003.

SIGNIFICANT EVENTS

- (a) On 2 January 2004, the Group undertook an asset rationalization exercise and consequently sale and purchase agreements to effect the acquisitions and disposals of leasehold plantations were entered into between subsidiary companies pursuant to the asset rationalization exercise.
- (b) Pursuant to a Board of Directors' Resolution dated 24 May 2004, the Group undertook an internal restructuring exercise through inter-company transfer of shares of subsidiary companies. The internal restructuring exercise has no effect on the results and the net tangible assets of the Group as the transfer of shares of subsidiary companies were entered between the companies within the Group.
- (c) On 27 May 2004, its subsidiary company, Intan Ramai Sdn. Bhd. entered into a conditional sale and purchase agreement to acquire a leasehold plantation for a cash consideration of RM7,000,000. The acquisition is still pending for the fulfillment of conditions precedent.
- (d) On 16 September 2004, the Company completed the Proposed Bonus Issue of 40,000,000 new NPC ordinary shares of RM1.00 each to be credited as fully paid-up shares on the basis of one (1) Bonus Share for every two (2) existing NPC ordinary shares of RM1.00 each. The Bonus Issue is intended to reward the existing shareholders for their continuing support and enhance the marketability and liquidity of NPC Shares;
- (e) On 15 July 2004, its subsidiary company, Mature Land Sdn. Bhd. entered into a sale and purchase agreement to dispose of its leasehold plantation for a cash consideration of RM5,501,430. The disposal was completed on 9 October 2004.
- (f) On 29 October 2004, its subsidiary company, Ladang Zupakeja Sdn. Bhd. entered into a sale and purchase agreement to dispose of its leasehold plantation for a cash consideration of RM4,994,000. The disposal was completed on 7 March 2005.



CHAIRMAN'S STATEMENT (contd.)

DIVIDEND

The Company had paid an interim first dividend of 2.0 sen per share less 28% Malaysian income tax amounting to RM1.728 million for the financial year ended 31 December 2004 on 7 January 2005. The Board of Directors has proposed a final dividend of 3.0 sen per share less 28% Malaysian income tax amounting to RM2.592 million for the financial year ended 31 December 2004.

GROUP PROSPECTS

The future prospects of the Group are expected to be reasonably good mainly due to the following reasons:-

- (a) 94.58% of the Group's current 6,958 hectares of planted oil palms are matured (have been planted for four (4) years or more). Its oil palm plantations are relatively young with approximately 68.86% of the trees planted aged between four (4) to less than twelve (12) years old, whilst the remaining 5.42% are immature (planted for less than four (4) years). The oil palms normally reach their peak in terms of yield and oil extraction rate at the age of between seven (7) to fifteen (15) years old. It is expected that in view of the progressive maturity of the plantations, it will pave the way for higher growth when most of the trees reach maturity; and
- (b) the continuing efforts by the management to improve the operating efficiency of its plantations and palm oil processing mills through enhancement of yield and extraction productivity with the implementation of effective human resource management, close supervision of its oil palm plantations and effective cost control policy. These measures are aimed to sustain high profitability beyond 2004.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our sincere gratitude to the management and valued employees of the Group who have continued with their commitment, dedication and co-operation during the year.

I would also like to express our sincere appreciation for the long-standing support, co-operation and guidance of our valued customers, suppliers, business associates, bankers and regulatory authorities.

Lastly, to the shareholders of the Company, we thank you for your faith in us and for your continuous support to the Group.

Thank you.

Loo Ngin Kong
Chairman



STATEMENT ON CORPORATE GOVERNANCE

A. BOARD OF DIRECTORS

Board responsibilities

The Board and Management are committed to ensuring good corporate governance are observed throughout the Group. The Board views corporate governance as synonymous with three key concepts; namely transparency, accountability as well as corporate performance.

The Board of Directors plays a primary role in corporate governance by setting out the strategic direction of the Group, establishing goals and monitoring the achievement of the goals. A Strategic Plan has been adopted as one of the key policies in ensuring that the Group crystallises its future plans and provides a clear direction for the Board and Officers of the Group. A structured risk management process has also been established to better identify, formalise, monitor within the various operating units and manage the business risks functions affecting the Group.

Board Committees

The Board has three standing committees; the Audit Committee, the Remuneration Committee and Nomination Committee. The Board of Directors delegates certain responsibilities to the Audit Committee in order to enhance business and operational efficiency as well as efficacy. The Chairman of the Audit Committee reports back to the Board the outcome of the Committee meetings. The membership and Terms of Reference of the Committee are as stated on pages 18 to 20 of this Annual Report.

Board Balance

The Board of Directors comprises seven members comprising four Executive Directors and three Independent Non-executive Directors. The Board is of the view that the interest of shareholders of the Company are fairly represented through the current composition. The Board recognizes the importance and contribution of its independent non-executive directors. They represent the element of objectivity, impartiality and independent judgement of the Board. This ensures that there is sufficient check and balance at the Board level.

The Directors combined in them expertise and experience in various fields such as palm oil industry, investment, public services and accounting. Their expertise, experience and background result in thorough examination and deliberations of the various issues and matters affecting the Group. The profile of each Director is presented on pages 6 to 7 of this Annual Report. In addition, all the members of the Board have attended the Mandatory Accreditation Program as required and prescribed by the Bursa Malaysia Securities Berhad ("Bursa Malaysia").

Pursuant to best practices, Mr. Lim Ted Hing has been identified and appointed as the Senior Independent Non-Executive Director, to whom any concerns pertaining to the Group may be conveyed.

STATEMENT ON CORPORATE GOVERNANCE (contd.)

The Board had held 5 meetings during the financial year ended 31 December 2004. Details of the attendance of the Directors at the Board Meetings are as follows:

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
1. Loo Ngin Kong	5	5
2. Tengku Datuk Dr. Zainal Adlin Bin Tengku Mahamood	3	5
3. Dato' Loo Pang Kee	4	5
4. Wong Siew Ying	5	5
5. Lim Ted Hing	5	5
6. Dr. Edmond Fernandez	5	5
7. Wong Tet Jung @ Aquinas Wong	5	5

In the interval between Board meetings, for matters requiring urgent Board decisions, Board approvals were sought via circular resolutions which were attached with sufficient information required for an informed decision.

Supply of information

The Company Secretaries, in consultation with the Executive Chairman and the Group Managing Director, issues formal agenda for each meeting. All Directors have access to the advice and services of the Company Secretaries together with all information within the Group. The appointment and removal of Company Secretaries are matters for the Board as a whole. The Board recognises that the Executive Chairman is entitled to the strong and positive support of the Company Secretaries who are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Directors are informed and aware they may take independent professional advice, if necessary and appropriate in furtherance of their duties, at the expense of the Group.

Appointments

In compliance with the Listing Requirements, a Nomination Committee was established by the Board on 22 November 2002. The Committee comprises two Independent Non-Executive Directors. The members as at the date of this Annual Report are:

1. Mr. Lim Ted Hing (Independent Non-Executive Director) - Chairman
2. Dr. Edmond Fernandez (Independent Non-Executive Director)

The Committee is entrusted to formally and transparently review annually the Board structure, size and composition; to nominate candidates to fill vacancies; and recommend for re-election of Directors who are retiring. All Directors will be subject to the same assessment criteria and process. The appointment of an Executive Director during the financial year was evaluated and recommended by this Committee. The Board through this Committee ensures that there is an appropriate induction and training programme for new Board members.

The Committee met once during the financial year.

STATEMENT ON CORPORATE GOVERNANCE (contd.)

Re-election

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the remaining Directors be subject to re-election by rotation at each Annual General Meeting.

B. DIRECTOR'S REMUNERATION

The Level and Make -Up of Remuneration

In compliance with the Listing Requirements, a Remuneration Committee was established by the Board on 22 November 2002. The Committee comprises two Independent Non-Executive Directors. The members as at the date of this Annual Report are:

1. Mr. Lim Ted Hing (Independent Non-Executive Director)
2. Dr. Edmond Fernandez (Independent Non-Executive Director)

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

Procedure

The Committee is delegated with the following duties in accordance with its approved terms of reference:

- to annually review in a formal and transparent manner, the remuneration packages of all the Executive Directors and make recommendations therewith; and
- to recommend to the Board the Company's framework for retaining and rewarding the Executive Directors

The Committee shall ensure that the Company attracts and retains the Directors needed to run the Group successfully. The Executive Directors are to be appropriately rewarded giving due regard to the performance of the Directors and business, whilst the Non-executive Directors are to be rewarded to reflect their experience and level of responsibilities.

The Committee met once during the financial year.

Disclosure

The details of the remuneration for the Directors of the Company during the financial year ended 31 December 2004 are as follows:

Directors' Remuneration	Executive Directors RM	Non-Executive Directors RM
Fees	-	91,200
Emoluments	1,835,214	-
Benefits-in-kind	76,251	-
Total	1,911,465	91,200

STATEMENT ON CORPORATE GOVERNANCE (contd.)

The number of Directors whose remuneration during the financial year ended 31 December 2004 falls within the following bands is as follows:

Directors' Remuneration	Number of Directors	
	Executive	Non-Executive
RM'000		
Below 50	-	3
50 to 100	-	-
101 to 150	-	-
151 to 200	-	-
201 to 250	-	-
251 to 300	-	-
301 to 350	2	-
351 to 400	-	-
401 to 450	-	-
451 to 500	1	-
501 to 550	-	-
551 to 600	-	-
601 to 650	-	-
651 to 700	-	-
701 to 750	-	-
751 to 800	1	-

C. SHAREHOLDERS

Dialogue between Companies and Investors

The Board believes in clear and regular communication with its shareholders and institutional investors. Besides the various announcements made during the financial year and release of financial results on a quarterly basis, the Board anticipates through its Third Annual Report to provide shareholders with an overview of the Group's performance and its business activities.

In all circumstances, the Board is cautious not to provide undisclosed material information about the Group. The Board recognises the importance of timely and equal dissemination of information to shareholders. As such, it strictly adheres to the disclosure requirements of the Bursa Malaysia.

Annual General Meeting ("AGM")

The Board understands that the AGM is the principal forum for dialogue with shareholders. Hence opportunities will be made for shareholders to raise questions pertaining to the business activities of the Group. The Executive Chairman and where appropriate, the Group Managing Director will be responding to the shareholders' questions during the coming meeting. Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved. In respect of re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding Directors who are retiring and who are willing to serve if re-elected.

STATEMENT ON CORPORATE GOVERNANCE (contd.)

D. ACCOUNTABILITY AND AUDIT

Financial Reporting

In presenting the annual financial statements and quarterly announcements to the shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 28 of this annual report.

Internal Control

The Directors acknowledge their responsibilities for maintaining a sound system of internal control which is necessary to safeguard the Group's assets and shareholders' investment. In this respect, the Board affirms its overall responsibility for the Group's internal control system, which encompasses risk management practices as well as financial, operational and compliance controls. Information on the Group's internal control system is presented in the Statement on Internal Control laid out on pages 21 to 22 of this annual report.

Relationship with Auditors

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 18 to 20 of this annual report. A summary of the activities of the Audit Committee during the year, including the evaluation of the internal audit process, is set out in the Audit Committee Report on page 20 of this annual report.

Compliance statement

The Group had substantially complied with the Best Practices of the Code throughout the financial year.

DIRECTORS' RESPONSIBILITY STATEMENT

in respect of the preparation of the audited financial statements

The Directors are required by the Companies Act, 1965 to ensure that financial statements prepared for each financial year give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the financial year. The Directors consider that in presenting the financial statements, the Group has used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors have a general responsibility for ensuring the Group and the Company keep accounting records and financial statements, which disclose with reasonable accuracy the financial position of the Group and of the Company. The Directors have taken steps to ensure that such financial statements comply with the Companies Act, 1965, approved accounting standards in Malaysia and other regulatory provisions.

The Directors are also responsible for taking steps that are reasonably open to them to safeguard the assets of the Group and prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

The following additional information is provided in compliance with the Listing Requirement of the Bursa Malaysia Securities Berhad:-

1. Utilisation of Proceeds Raised From Corporate Proposals

This was not applicable during the financial year.

2. Share Buybacks

During the financial year, there were no share buybacks by the Company.

3. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued during the financial year.

4. American Deposit Receipt ('ADR') or Global Deposit Receipt ('GDR') Programme

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

5. Imposition of Sanctions/Penalties

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

6. Non-Audit Fees

The amount of non-audit fees paid to an associate of the auditors are disclosed in note 6 to the financial statements.

7. Profit Estimate, Forecast or Projection

No material variance arose between the audited results for the financial year and the unaudited results previously announced. There were no profit estimate, forecast or projection for the financial year ended 31 December 2004.

8. Profit Guarantee

During the financial year, there were no profit guarantee given by the Company.

9. Material Contracts

There were no material contracts entered into by the Company and/or its subsidiaries which involve Directors' and major shareholders' interest either still subsisting at the end of the financial year.

10. Revaluation Policy on Landed Properties

Landed properties of the Company are not revalued and are stated at cost less accumulated depreciation.

11. Recurrent Related Party Transactions

The details of the related party transactions are set out in note 32 to the financial statements.

AUDIT COMMITTEE

COMPOSITION, TERMS OF REFERENCE AND FUNCTIONS

COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee and their respective designations are as follows:-

NAME	DESIGNATION	DIRECTORSHIP
(a) Lim Ted Hing	Chairman	Independent Non-Executive Director
(b) Dr. Edmond Fernandez	Member	Independent Non-Executive Director
(c) Dato' Loo Pang Kee	Member	Group Managing Director

The Audit Committee was formed by the Board of Directors on 19 March 2002.

The Chairman of the Audit Committee, Mr. Lim Ted Hing is a Chartered Accountant with the Malaysian Institute of Accountants (MIA).

TERMS OF REFERENCE

The Audit Committee is governed by the following terms of reference:

1. COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee shall be appointed by the Board of Directors from among their numbers and shall comprise at least three directors, the majority of whom shall be independent of senior management and operating executives and unencumbered by any relationships that might, in the opinion of the Board of Directors, be considered conflict of interest. The members of the Audit Committee shall elect a chairman from among themselves who shall be an independent director.

At least one member of the audit committee:-

- (a) must be a member of the Malaysian Institute of Accountants (MIA); or
- (b) if he is not a member of the MIA, he must have at least 3 years' working experience and:-
 - (i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - (ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - (iii) fulfills such other requirements as prescribed by Bursa Malaysia.

No alternate director shall be appointed as a member of the audit committee.

2. AUTHORITY

The Audit Committee is authorised by the Board of Directors to:

- (a) investigate any activities within its terms of reference;
- (b) have the resources required to perform its duties;
- (c) have full and unrestricted access to any information and documents relevant to its activities;
- (d) have direct communication channels with the internal and external auditors and senior management of the Group;
- (e) 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; and
- (f) be able to convene meetings with the external auditors, excluding the attendance of the executive member of the Committee, whenever deemed necessary.

AUDIT COMMITTEE (contd.)

3. DUTIES

The duties of the Committee should include the following:

- (a) to consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;
- (b) to discuss with the external auditors before audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- (c) to review the assistance given by the Company and its officers to the external and internal auditors;
- (d) to review the adequacy and the integrity of the Group's internal control systems and management information systems with the external auditors;
- (e) to review the quarterly and year-end financial statements of the Company prior to the approval by the Board; focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) significant adjustments arising from the audit;
 - (iii) the going concern assumption;
 - (iv) compliance with applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB") and other legal requirements;
- (f) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- (g) to review the external auditors' audit report, management letter and management's response;
- (h) to perform the following in respect of the internal audit function:
 - (i) review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - (ii) review the internal audit program, processes and results of the internal audit process and where necessary ensure that appropriate actions taken on the recommendations of the internal auditors;
 - (iii) review any appraisal or assessment of the performance of the internal audit function;
 - (iv) approve any appointment or termination of internal auditors; and
 - (v) inform itself of resignation of internal auditors and provide the resigning internal auditors an opportunity to submit reasons for resigning;
- (i) to consider any related party transactions 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;
- (j) to consider the major findings of internal investigations and management's response; and
- (k) to consider other topics as defined by the Board

4. QUORUM AND PROCEDURES FOR MEETINGS

The Audit Committee meetings shall not be less than four times a year. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

Representatives of external auditors may be required to be in attendance at meetings where matters relating to the audit of the statutory accounts are to be discussed. However, at least once a year, the Audit Committee shall meet with the external auditors without any executive Board Members present, if deemed necessary.

The Committee shall meet at least annually with the internal auditors to discuss the internal audit findings for the financial year without any executive Board Members present, if deemed necessary.

Other appropriate officers of the Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the Chairman of the Audit Committee.

The quorum for the meeting shall be any two members, one of whom shall be an independent director.

The Company Secretaries shall be Secretaries to the Audit Committee. The Secretaries in conjunction with the Chairman, shall draw up agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

Minutes of each meeting shall be kept and distributed to each member of the Audit Committee. The Audit Committee Chairman shall report on each meeting to the Board of Directors.

AUDIT COMMITTEE (contd.)

5. Retirement and resignation

In the event of any vacancy in an audit committee resulting in the non-compliance of subparagraphs 15.10(1) of Bursa Malaysia Securities Berhad Listing Requirements, the vacancy must be filled within 3 months.

6. Review of the audit committee

The Board of Directors must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether such audit committee and members have carried out their duties in accordance with their terms of reference.

INTERNAL AUDIT

The Company has outsourced its internal audit function to a reputable international accounting firm. The areas covered by the internal auditors include internal audit functions, review on the compliances with Malaysian Code on Corporate Governance and review of the Group's Risks Profile and Management. The results of the internal audit function are set out in the Statement of Internal Control.

MEETINGS AND SUMMARY OF ACTIVITIES

The Committee had held five meetings during the financial year. The attendance record of the Audit Committee members in each of the meetings is as follows:

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
Lim Ted Hing	5	5
Dr. Edmond Fernandez	5	5
Dato' Loo Pang Kee	4	5

The main activities undertaken by the Committee were as follows:

- reviewed the unaudited Quarterly Financial Results of the Company and its disclosure requirements before recommending them for the Board's approval;
- reviewed the year end financial statements of the Company prior to submission to the Board for their consideration and approval. This review was to ensure that the financial statements were drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable accounting standards approved by MASB;
- reviewed the audit plans and service charter presented by the external auditors; and
- reviewed the internal audit program, processes and results of the internal audit processes.

STATEMENT ON INTERNAL CONTROL

RESPONSIBILITY

The Board recognises that it is responsible for the Group's system of internal control and for reviewing its adequacy and integrity.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, present throughout the financial year under review and up to date of approval of the annual report and financial statements, and is in accordance with the guidance as contained in the publication – Statement on Internal Control Guidance for Directors of Public Listed Companies.

As with any internal control system, controls can only provide reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

RISK MANAGEMENT FRAMEWORK AND CONTROL SELF - ASSESSMENT

The Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives. The risk management framework has been formalised in compliance with Bursa Malaysia Securities Berhad Listing Requirements with emphasis on compliance with the Corporate Governance and Internal Control. The Board reviews the risk management framework annually and the management has been entrusted to continuously monitor the principal risks of the Group identified, evaluate existing controls and formulate the necessary action plans with its respective process owners. The Executive Directors are tasked with the responsibility of continuous monitoring and reviewing strategic directions and significant operational matters of the Group.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Scheduled meetings at head office and operation sites were held to identify, discuss and resolve business and operational issues. The Board was aware of, and involved in, when necessary in resolving, any significant issue identified at those meetings. The Executive Directors are actively involved in the day-to-day operations of the Group.

The Group has a clear management structure that clearly defines lines of accountability and delegated authority. There is also proper segregation of duties to ensure safe custody of the Group's assets. The Group's organisation chart includes the Central Working Committee, headed by an Executive Director / Chief Operations Officer. The central working committee meets monthly at head office to discuss and review Group's operations and ensures that they are carried out in accordance with standards set and expected by the Board. There is a structured and formal employee appraisal system that ensures employees are remunerated based on their performance.

The Board has reviewed the Group's budget for the current financial year. The budgeting process includes the preparation of budgets by individual operating units, which are approved at management level and ultimately by the Board. Actual performance and results are monitored against budgets, with reasons for significant variances identified and highlighted to management and the Board for the appropriate corrective measures.

STATEMENT ON INTERNAL CONTROL (contd.)

INTERNAL AUDIT FUNCTION

The Board remains committed towards continuous improvement and enhancement of its internal controls to ensure that there is increased certainty of the achievement of business objectives, thus enhancing shareholder value.

The Group has outsourced its Internal Audit function to a reputable international accounting firm, which reports to the Audit Committee. The internal audit was carried out based on the Internal Audit plan that was reviewed by the Audit Committee and approved by the Board of Directors.

The risk based internal audit approach has examined, evaluated and ensured compliance with the Group's policies, procedures and system of controls. It has also evaluated the effectiveness of the internal control system and assessed the consequences of any potential risks and suggested any improvements required.

A number of minor internal control weaknesses were identified during the year, all of which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a disclosure in the Group's Annual Report. 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.