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DIRECTORS' REPORT

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 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiary companies are stated in Note 13 to the financial statements. There have been no significant changes in the nature of these activities during the financial year under review.

RESULTS

	Group RM	Company RM
Profit after taxation	10,454,361	6,456,334
Minority interests	(928,436)	-
Net profit for the year	<u>9,525,925</u>	<u>6,456,334</u>

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.

SHARE CAPITAL

During the year, the issued and paid-up ordinary share capital of the Company was increased from RM80,000,000 to RM120,000,000 by way of a bonus issue of 40,000,000 new ordinary shares of RM1 each through capitalisation of RM29,193,432 and RM10,806,568 from the share premium account and retained profits respectively on the basis of one new ordinary share of RM1 each for every two existing ordinary shares of RM1 each held.

The new ordinary shares rank pari passu with the then existing ordinary shares of the Company.

DIVIDENDS

- (a) During the financial year, the Company declared an interim dividend of 2% less 28% taxation, paid on 7 January 2005 amounting to RM1,728,000 in respect of the financial year ended 31 December 2004.
- (b) At the forthcoming Annual General Meeting, a final dividend of 3% less 28% taxation, amounting to RM2,592,000 in respect of the financial year ended 31 December 2004 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2005.

DIRECTORS' REPORT (contd.)

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 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.
- (e) 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.

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:

Loo Ngin Kong
 Tengku Datuk Dr. Zainal Adlin Bin Tengku Mahamood
 Dato' Loo Pang Kee
 Wong Siew Ying
 Wong Tet Jung @ Aquinas Wong
 Lim Ted Hing
 Dr. Edmond Fernandez

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.

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 7 to the financial statements or the fixed salary of a full-time employee of 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 32 to the financial statements.

DIRECTORS' REPORT (contd.)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	NUMBER OF ORDINARY SHARES OF RM1 EACH				
	AT 1.1.2004	BONUS ISSUE	BOUGHT	SOLD	AT 31.12.2004
THE COMPANY					
DIRECT INTEREST					
Loo Ngjin Kong	5,307,816	2,653,908	-	-	7,961,724
Tengku Datuk Dr. Zainal Adlin					
Bin Tengku Mahamood	20,001	-	-	(20,000)	1
Dato' Loo Pang Kee	6,619,657	3,309,849	-	-	9,929,506
Wong Siew Ying	3,748,456	1,874,228	-	-	5,622,684
Lim Ted Hing	20,000	135,000	295,000	-	450,000
Dr. Edmond Fernandez	20,000	10,000	-	-	30,000
INDIRECT INTEREST					
Dato' Loo Pang Kee	25,600,000	12,800,000	-	-	38,400,000
Wong Siew Ying	25,600,000	12,800,000	-	-	38,400,000
Wong Tet Jung @Aquinas Wong	310,000	108,000	706,000	(300,000)	824,000

The Directors, Loo Ngjin Kong, Dato' Loo Pang Kee and Wong Siew Ying, by virtue of their interests in shares in the Company, are also deemed to have interest in shares in all of its related companies to the extent the Company has an interest.

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 satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

DIRECTORS' REPORT (contd.)

- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) it necessary to write off any 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 would 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 and 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 and of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
 - (i) no contingent 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 and of the Company to meet its obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and 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.

LOO NGIN KONG
Sandakan, Malaysia
22 April 2005

WONG SIEW YING

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, **LOO NGIN KONG** and **WONG SIEW YING**, being two of the Directors of **NPC RESOURCES BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 30 to 70 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2004 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.

LOO NGIN KONG

Sandakan, Malaysia
22 April 2005

WONG SIEW YING

STATUTORY DECLARATION Pursuant to Section 169(16) of the Companies Act, 1965

I, **TAN VUN SU**, being the Officer primarily responsible for the financial management of **NPC RESOURCES BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 30 to 70 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 **TAN VUN SU** at
Sandakan in the State of Sabah
on 22 April 2005

TAN VUN SU

Before me

REPORT OF THE AUDITORS

to the Members of NPC RESOURCES BERHAD

We have audited the financial statements set out on pages 30 to 70. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 MASB 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 2004 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 Companies Act, 1965 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 subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies 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 subsidiary companies were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174 (3) of Act.

ERNST & YOUNG

AF: 0039
Chartered Accountants

CHONG YEW HOONG

1502/04/05 (J)
Partner

Sandakan, Malaysia
22 April 2005

INCOME STATEMENTS

For the Year Ended 31 December 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Revenue	5	195,094,227	175,090,110	11,926,806	10,793,055
Cost of sales		(174,433,581)	(156,464,120)	-	-
Gross profit		20,660,646	18,625,990	11,926,806	10,793,055
Other operating income		2,341,785	1,084,471	131,909	68,129
Other operating expenses		(183,117)	(441,772)	-	-
Distribution costs		(1,239,492)	(1,220,521)	-	-
Administrative expenses		(4,831,251)	(3,279,762)	(3,542,988)	(459,824)
Profit from operations	6	16,748,571	14,768,406	8,515,727	10,401,360
Finance costs	8	(3,364,895)	(2,443,808)	(1,193,809)	(67,441)
Profit before taxation		13,383,676	12,324,598	7,321,918	10,333,919
Taxation	9	(2,929,315)	(2,244,315)	(865,584)	(2,939,976)
Profit after taxation		10,454,361	10,080,283	6,456,334	7,393,943
Minority interests		(928,436)	(1,071,672)	-	-
Net profit for the year		9,525,925	9,008,611	6,456,334	7,393,943
Net dividend per share in respect of the year (sen):	10	3.6	-	3.6	-
Earnings per share (sen)					
- basic	11	7.94	7.51		
- diluted	11	-	-		

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	211,694,252	210,655,579	81,887	-
Investments in subsidiary companies	13	-	-	296,228,297	83,682,498
Goodwill on consolidation	14	3,870,399	3,587,913	-	-
Deferred tax assets	29	159,521	1,068,276	-	-
		<u>215,724,172</u>	<u>215,311,768</u>	<u>296,310,184</u>	<u>83,682,498</u>
CURRENT ASSETS					
Amounts due from subsidiary companies	15	-	-	817,318	41,834,902
Inventories	16	11,561,161	10,369,977	-	-
Trade receivables	17	4,317,701	5,191,579	-	-
Other receivables	18	10,341,534	9,824,861	90,767	80,686
Tax refundable		763,000	348,648	271,147	2,159
Fixed deposits placed with licensed banks	19	74,938	4,266,701	-	-
Cash and bank balances	20	1,855,646	2,356,608	100,513	11,597
		<u>28,913,980</u>	<u>32,358,374</u>	<u>1,279,745</u>	<u>41,929,344</u>
CURRENT LIABILITIES					
Amounts due to subsidiary companies	21	-	-	165,109,344	216,976
Borrowings	22	31,643,626	33,862,626	8,000,512	8,067,441
Trade payables	24	12,544,145	13,965,676	-	-
Other payables	25	4,715,200	6,736,972	814,219	124,971
Dividend payable		1,728,000	-	1,728,000	-
Provision for taxation		451,040	916,381	-	-
		<u>51,082,011</u>	<u>55,481,655</u>	<u>175,652,075</u>	<u>8,409,388</u>
Net Current (Liabilities)/ Assets		<u>(22,168,031)</u>	<u>(23,123,281)</u>	<u>(174,372,330)</u>	<u>33,519,956</u>
		<u>193,556,141</u>	<u>192,188,487</u>	<u>121,937,854</u>	<u>117,202,454</u>

BALANCE SHEETS (contd.)

As at 31 December 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
FINANCED BY:					
Share capital	26	120,000,000	80,000,000	120,000,000	80,000,000
Retained profits	27	13,502,164	16,510,807	1,930,788	8,009,022
Share premium	28	-	29,193,432	-	29,193,432
Shareholders' equity		133,502,164	125,704,239	121,930,788	117,202,454
Minority interests		11,919,462	11,212,383	-	-
Borrowings	22	18,872,094	27,711,403	-	-
Deferred tax liabilities	29	29,262,421	27,560,462	7,066	-
Non-current liabilities		48,134,515	55,271,865	7,066	-
		193,556,141	192,188,487	121,937,854	117,202,454
NET TANGIBLE ASSETS PER SHARE	30	1.08	1.02		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2004

	Note	Share Capital RM	Non- Distributable Share Premium RM	Distributable Retained Profits RM	Total RM
GROUP					
At 1 January 2003		80,000,000	29,193,432	10,382,196	119,575,628
Net profit for the year		-	-	9,008,611	9,008,611
Dividend	10	-	-	(2,880,000)	(2,880,000)
At 31 December 2003		80,000,000	29,193,432	16,510,807	125,704,239
Issuance of bonus shares		40,000,000	(29,193,432)	(10,806,568)	-
Net profit for the year		-	-	9,525,925	9,525,925
Dividend	10	-	-	(1,728,000)	(1,728,000)
At 31 December 2004		120,000,000	-	13,502,164	133,502,164
COMPANY					
At 1 January 2003		80,000,000	29,193,432	3,495,079	112,688,511
Net profit for the year		-	-	7,393,943	7,393,943
Dividend	10	-	-	(2,880,000)	(2,880,000)
At 31 December 2003		80,000,000	29,193,432	8,009,022	117,202,454
Issuance of bonus shares		40,000,000	(29,193,432)	(10,806,568)	-
Net profit for the year		-	-	6,456,334	6,456,334
Dividend	10	-	-	(1,728,000)	(1,728,000)
At 31 December 2004		120,000,000	-	1,930,788	121,930,788

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

For the year ended 31 December 2004

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	13,383,676	12,324,598	7,321,918	10,333,919
Adjustments for:				
Depreciation of property, plant and equipment	5,675,395	5,270,812	8,364	-
Equipment scrapped	-	4	-	-
Finance costs	3,364,895	2,443,808	1,193,809	67,441
Loss on disposal of property, plant and equipment	-	66,599	-	-
Interest income	(101,326)	(15,818)	(131,909)	(68,129)
Dividend income	-	-	(8,626,806)	(10,493,055)
Gain on disposal of investment	-	(294,260)	-	-
Gain on disposal of property, plant equipment and	(1,283,359)	(233,086)	-	-
Operating profit/(loss) before working capital changes	21,039,281	19,562,657	(234,624)	(159,824)
Decrease/(increase) in amounts due from subsidiary companies	-	-	-	(12,476,770)
Increase in inventories	(1,191,184)	(2,832,572)	-	-
Decrease/(increase) in receivables	357,495	1,609,330	(10,081)	(60,686)
(Decrease)/increase in amounts due to subsidiary companies	-	-	(6,635,847)	209,640
(Decrease)/increase in payables	(3,726,080)	3,130,185	689,248	(112,668)
Net cash generated from/(used in) operations	16,479,512	21,469,600	(6,191,304)	(12,600,308)
Income tax paid	(1,221,065)	(2,052,882)	(1,127,507)	(2,938,055)
Tax refunded	22,772	66,359	-	-
Interest paid	(948,389)	(641,504)	(448,637)	(67,441)
Net cash generated from/(used in) operating activities	14,332,830	18,841,573	(7,767,448)	(15,605,804)

CASH FLOW STATEMENTS (contd.)

For the year ended 31 December 2004

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease/(increase) in fixed deposits	11,763	(6,986)	-	-
Dividend income	-	-	8,626,806	10,493,055
Interest income	101,326	15,818	131,910	68,129
Balance of proceeds from sale of leasehold plantation released/(withheld) by purchaser's solicitors placed in				
- Fixed deposit accounts	4,180,000	(4,180,000)	-	-
- Current account	1,093,760	(1,093,760)	-	-
Acquisition of subsidiary companies, net of cash and cash equivalents acquired	-	(10,487,609)	-	(64,108)
Acquisition of shares from minority shareholders	-	(210,000)	-	-
Proceeds from disposal of investment	-	504,260	-	-
Proceeds from disposal of property, plant and equipment	5,482,791	9,710,600	-	-
Purchase of property, plant and equipment and additions to plantation development expenditure (Note 31)	(9,453,929)	(12,318,658)	(90,251)	-
Interest capitalised under plantation development expenditure (Note 31)	(382,358)	(1,955,122)	-	-
Real Property Gains tax paid	-	(2,593)	-	-
Net cash generated from/ (used in) investing activities	1,033,353	(20,024,050)	8,668,465	10,497,076

CASH FLOW STATEMENTS (contd.)

For the year ended 31 December 2004

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	(2,880,000)	-	(2,880,000)
Dividend paid to minority interests	(221,357)	(691,203)	-	-
Proceeds from drawdown of term loans	6,400,000	14,846,556	-	-
Proceeds from drawdown of bankers' acceptances	40,999,000	27,736,000	-	-
Proceeds from drawdown of revolving credit	4,000,000	8,000,000	2,000,000	8,000,000
Repayment of term loans	(17,438,580)	(13,759,708)	-	-
Repayment of bankers' acceptances	(39,770,000)	(26,863,000)	-	-
Repayment of leasing liabilities	(26,880)	(77,456)	-	-
Repayment of hire purchase liabilities	(2,327,986)	(2,620,524)	-	-
Repayment of revolving credit	(2,000,000)	-	(2,000,000)	-
Interest paid on advances	-	-	(812,101)	-
Interest paid on hire purchase	(348,595)	(389,660)	-	-
Interest paid on leasing	(984)	(5,986)	-	-
Interest paid on term loans	(1,812,748)	(1,080,753)	-	-
Interest paid on bankers' acceptances	(321,108)	(325,905)	-	-
Net cash (used in)/generated from financing activities	(12,869,238)	1,888,361	(812,101)	5,120,000
Net increase in cash and cash equivalents	2,496,945	705,884	88,916	11,272
Cash and cash equivalents at beginning of year	(4,920,261)	(5,626,145)	11,597	325
Cash and cash equivalents at end of year (Note 31)	(2,423,316)	(4,920,261)	100,513	11,597

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2004

1. CORPORATE INFORMATION

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiary companies are stated in Note 13 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Bursa Malaysia Securities Berhad. The financial statements of the Group and of the Company are expressed in Ringgit Malaysia.

The registered office and principal place at which business are carried out are located at Lot 8 & 9, T3 Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah.

The number of employees of the Group and of the Company at the end of the financial year was 1,451 (2003: 1,054) and 51 (2003: 4) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 April 2005.

2. FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing borrowings. The Group had no substantial long term interest-bearing assets as at 31 December 2004. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits, marketable securities or occasionally, in short term commercial papers.

The Group monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates.

(b) Liquidity Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, 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.

(c) Credit Risk

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

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

2. FINANCIAL RISK MANAGEMENT POLICIES (Contd.)

(d) Fair Value

There is no disclosure of fair value for investment in subsidiary companies and borrowings under the basis of Islamic principles as these are excluded from MASB 24 - Financial Instruments: Disclosure and Presentation.

It is not practical to estimate the fair values of amounts due from/to subsidiary companies due principally to a lack of fixed repayment terms entered by the parties involved. However, the Company does not anticipate the carrying amounts recorded in the balance sheet to be significantly different from the value that would eventually be received or settled.

The nominal amount and fair value of the contingent liabilities of the Company as disclosed in Note 34 to the financial statements not recognised in the balance sheet as at 31 December 2004 are RM61,385,178 (2003: RM54,880,178) and RM37,269,465 (2003: RM29,413,130) respectively.

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

(i) Cash and Cash Equivalents, Trade and Other Receivables/Payables

The carrying amounts approximate fair values due to the relatively short maturity term of these financial instruments.

(ii) Borrowings

The carrying amounts of borrowings as reflected in the balance sheets approximate to their fair value.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the significant accounting policies.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the financial 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 the subsidiary companies are measured at their fair values at the date of acquisition. 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 costs cannot be recovered.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m). Goodwill arising on the acquisition of subsidiary companies is presented separately in the balance sheet and is not amortised.

(d) Investments in Subsidiary Companies

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

Shares in subsidiary companies are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m).

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 on consolidation which were not previously recognised in the consolidated income statement.

(e) Property, Plant and Equipment, and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m).

Long leasehold lands (with remaining lease period of more the 50 years) are stated at cost and not amortised. The effect on the non-amortisation of the long term leases is disclosed in Note 12 to the financial statements.

Short leasehold land is amortised over the remaining period of the lease.

New planting expenditure incurred on land clearing and upkeep of palms to maturity is capitalised under plantation development expenditure.

No amortisation on plantation development expenditure is considered necessary as the plantations' estimated useful lives are maintained through replanting programmes.

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

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:

Buildings	2% - 10%
Mill structure	5%
Oil mill plant and machinery	8% - 20%
Heavy equipment	8% - 20%
Motor vehicles	8% - 20%
Furniture, fittings and equipment	10% - 20%

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.

Capital work-in-progress is not depreciated until it is completed and ready for use.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(f) Inventories

All categories of inventories are valued at the lower of cost and net realisable value.

Costs of crude palm oil and milled oil palm produce consist of direct material cost, direct labour cost, other direct charges and an appropriate proportion of factory overheads and are determined on the monthly weighted average basis.

Costs of fresh fruit bunches, consumable stores and culverts consist of purchase cost and expenses in bringing them into stores and are determined on the weighted average basis.

Cost of oil palm nurseries is computed using the weighted average cost method and includes the actual cost of seedlings and upkeep expenses.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

(g) 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.

(h) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

(i) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is consistent with that for depreciable property, plant and equipment as described in Note 3(e).

(ii) Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(i) Provision 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.

(j) 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 tax 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 debited or credited directly to equity.

(k) 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. Such contributions are recognised as an expense in the income statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(l) Revenue Recognition

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

Revenue from sales of fresh fruit bunches, crude palm oil and palm kernel are recognised upon delivery of goods to customers.

Dividend from subsidiary companies is recognised when the right to receive payment is established.

(m) 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 that those assets have suffered an impairment loss. 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 written off to the income statement immediately, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(n) 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. Financial instruments are offset when the company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) 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.

(ii) 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.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Contd.)

(iii) Interest-Bearing Borrowings

Interest-bearing bank overdrafts and other facilities are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs directly attributable to the acquisition and development of plantation are capitalised as part of the cost of the plantations, until such time as the plantation attain maturity. All other borrowing costs are recognised in the income statement as an expense in the period in which they are incurred.

(iv) Equity Instruments

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

4. 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 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.
- (e) 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.

5. REVENUE

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Sales of crude palm oil	169,078,094	157,283,116	-	-
Sales of palm kernel	24,767,234	17,262,690	-	-
Sales of fresh fruit bunches	1,150,307	467,851	-	-
Management fees	-	-	3,300,000	300,000
Dividend	-	-	8,626,806	10,493,055
Transportation income	98,592	76,453	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	195,094,227	175,090,110	11,926,806	10,793,055

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

6. PROFIT FROM OPERATIONS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
This is stated after charging/(crediting):				
Auditors' remuneration				
- statutory audit	95,495	104,300	15,000	15,000
- special audit	-	600	-	-
- other services	35,000	29,000	35,000	29,000
- underprovision in respect of prior year	400	1,800	-	500
Other non-audit fees paid/payable to an associate of auditors	86,364	37,400	24,200	1,500
Depreciation of property, plant and equipment (Note 12)	5,675,395	5,270,812	8,364	-
Non-executive Directors' remuneration (Note 7)	91,200	91,200	91,200	91,200
Equipment scrapped	-	4	-	-
Land rental	113,950	117,281	-	-
Loss on disposal of property, plant and equipment	-	66,599	-	-
Management fees	-	-	6,140	-
Equipment hire income	(38,617)	-	-	-
Gain on disposal of investment	-	(294,260)	-	-
Gain on disposal of property, plant and equipment	(1,283,359)	(233,086)	-	-
Interest income	(42,097)	(3,861)	(131,909)	(68,129)
Interest income on fixed deposits	(59,229)	(11,957)	-	-
Management fees received	(6,140)	(7,500)	-	-
Rental income	(35,050)	(19,623)	-	-
Staff costs	12,877,151	11,165,843	2,873,945	200,960
Detailed analysis of staff costs are as follows:				
Salaries and wages	13,085,773	11,767,274	2,562,349	182,000
Employees' Provident Fund contributions	619,287	333,062	302,570	18,960
SOCSO contributions	42,584	29,087	9,026	-
	13,747,644	12,129,423	2,873,945	200,960
Staff costs are taken up in the financial statements as follows:				
Capitalised under plantation development expenditure	870,493	963,580	-	-
Recognised in income statement	12,877,151	11,165,843	2,873,945	200,960
	13,747,644	12,129,423	2,873,945	200,960

Included in staff costs of the Group and of the Company are Executive Directors' remuneration of RM1,883,672 (2003: RM1,660,177) and RM1,883,672 (2003: RM109,760) respectively as further disclosed in Note 7.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

7. DIRECTORS' REMUNERATION

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Directors of the Company				
Executive - emoluments	1,835,214	1,620,179	1,835,214	109,760
Non-Executive - fees	91,200	91,200	91,200	91,200
Director of Subsidiary Companies				
Executive - emoluments	48,458	39,998	48,458	-
Total	1,974,872	1,751,377	1,974,872	200,960
Directors' remuneration is taken up in the financial statements as follows:				
Capitalised under plantation development expenditure	-	755,209	-	-
Recognised in income statement	1,974,872	996,168	1,974,872	200,960
	1,974,872	1,751,377	1,974,872	200,960

Other than the Directors' remuneration stated above, the value of benefits-in-kind provided to the Executive Directors of the Group amounted to RM85,120 (2003: RM24,252).

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

8. FINANCE COSTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Interest on:				
Advances from subsidiary companies	-	-	812,101	-
Bankers' acceptances	321,108	325,905	-	-
Bank overdrafts	427,024	533,380	-	-
Bank loans	1,812,748	1,080,753	-	-
Hire purchase	348,595	389,660	-	-
Leasing	984	5,986	-	-
Revolving credit	404,314	67,441	381,518	67,441
Others	50,122	40,683	190	-
	<u>3,364,895</u>	<u>2,443,808</u>	<u>1,193,809</u>	<u>67,441</u>

9. TAXATION

Income tax:				
Malaysian income tax	3,417,430	10,287,524	869,471	2,939,855
Tax credit arising from dividends paid by subsidiary companies	(3,446,273)	(8,411,677)	-	-
Under/(Over)provision of income tax in prior years	74,872	(66,109)	(10,953)	121
	<u>46,029</u>	<u>1,809,738</u>	<u>858,518</u>	<u>2,939,976</u>
Deferred tax (Note 29):				
Relating to origination and reversal of temporary differences	3,067,240	296,984	7,066	-
Overprovision of deferred tax in prior years	(456,526)	-	-	-
	<u>2,610,714</u>	<u>296,984</u>	<u>7,066</u>	<u>-</u>
Real Property Gains Tax	272,572	137,593	-	-
Tax expense for the year	<u>2,929,315</u>	<u>2,244,315</u>	<u>865,584</u>	<u>2,939,976</u>

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

9. TAXATION (Contd.)

A reconciliation of income tax expense applicable to profit 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	
	2004 RM	2003 RM	2004 RM	2003 RM
Profit before taxation	13,383,676	12,324,598	7,321,918	10,333,919
Tax expense at Malaysian statutory tax rate of 28%	3,747,429	3,450,887	2,050,137	2,893,497
Effect of income subject to tax rate of 20%*	(119,893)	(195,197)	-	-
Income not subject to tax	(654,739)	(368,086)	(1,288,000)	-
Effect of expenses not deductible for tax purposes	672,357	352,267	114,400	46,358
Reversal of deferred tax liabilities on revaluation surplus of land disposed	(106,822)	-	-	-
Utilisation of current year reinvestment allowance	(167,119)	(235,351)	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(332,816)	-	-	-
Utilisation of previously unrecognised unutilised reinvestment allowance	-	(23,727)	-	-
Overprovision of deferred tax in prior years	(456,526)	-	-	-
Deferred tax not recognised	-	(807,962)	-	-
Under/(over)provision of tax expense in prior years	74,872	(66,109)	(10,953)	121
Real Property Gains Tax	272,572	137,593	-	-
Tax expense for the year	2,929,315	2,244,315	865,584	2,939,976

* Pursuant to Paragraph 2A, Schedule 1, Part 1 of the Income Tax Act, 1967, the income tax rate applicable to the first RM500,000 (2003: RM100,000) of the chargeable income of certain subsidiary companies in respect of the financial year ended 31 December 2004 is 20% as they are considered small and medium scale companies.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

9. TAXATION (Contd.)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Unutilised tax losses are analysed as follows:				
Tax savings recognised during the year arising from:				
Utilisation of tax losses brought forward	1,036,016	455,038	-	-
Unutilised tax losses carried forward	10,282,133	14,076,838	-	-
Unabsorbed capital and agriculture allowances are analysed as follows:				
Tax savings recognised during the year arising from:				
Utilisation of unabsorbed capital and agriculture allowances brought forward from previous years	2,160,969	1,015,663	-	-
Unabsorbed capital and agriculture allowances carried forward	13,557,556	15,987,252	-	-

10. DIVIDENDS

	Group	
	2004 RM	2003 RM
In respect of financial year ended		
- 31 December 2002		
Final dividend of 5% less 28% taxation, paid on 30 September 2003	-	2,880,000
- 31 December 2004		
Interim dividend of 2% less 28% taxation, paid on 7 January 2005	1,728,000	-
	1,728,000	2,880,000
Final dividend of 3% less 28% taxation	2,592,000	-

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

10. DIVIDENDS (Contd.)

At the forthcoming Annual General Meeting, a final dividend of 3% less 28% taxation, amounting to RM2,592,000 in respect of the financial year ended 31 December 2004 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2005.

11. EARNINGS PER SHARE - GROUP

(a) Basic

The basic earnings per share is calculated by dividing the Group's net profit for the year with the weighted average ordinary shares in issue during the financial year.

	Group	
	2004	2003
	RM	RM
Net profit for the year	9,525,925	9,008,611
Weighted average number of ordinary shares in issue	120,000,000	120,000,000
Basic earnings per ordinary share (Sen)	7.94	7.51

The comparative basic earnings per share has been restated to take into account the effect of the bonus issue during the financial year as stated in Note 26 to the financial statements.

(b) Diluted

The Group has no potential ordinary shares in issue as at balance sheet date and therefore, diluted earnings per share has not been presented.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

12. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings RM	Mill structure RM	Plantation development expenditure RM	Oil mill plant and machinery RM	Heavy equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Capital work-in-progress* RM	Total RM
Cost									
At 1 January 2004	72,279,063	22,705,164	104,118,439	27,898,931	12,991,944	3,541,775	3,691,219	1,159,841	248,386,376
Additions	956,497	7,209	6,785,099	598,193	1,786,650	171,700	414,769	376,060	11,096,177
Disposals	(2,036,586)	-	(2,142,734)	-	(21,001)	(29,000)	(17,420)	-	(4,246,741)
Reclassifications	-	-	-	702,341	-	-	-	(702,341)	-
At 31 December 2004	71,198,974	22,712,373	108,760,804	29,199,465	14,757,593	3,684,475	4,088,568	833,560	255,235,812
Accumulated Depreciation									
At 1 January 2004	4,526,893	9,587,325	-	12,864,077	7,266,767	1,261,004	2,224,731	-	37,730,797
Charge for the year	504,809	1,134,270	-	2,061,423	1,484,560	317,901	355,109	-	5,858,072
Disposals	(18,630)	-	-	-	(2,363)	(25,449)	(867)	-	(47,309)
At 31 December 2004	5,013,072	10,721,595	-	14,925,500	8,748,964	1,553,456	2,578,973	-	43,541,560
Net Book Value									
At 31 December 2004	66,185,902	11,990,778	108,760,804	14,273,965	6,008,629	2,131,019	1,509,595	833,560	211,694,252
At 31 December 2003	67,752,170	13,117,839	104,118,439	15,034,854	5,725,177	2,280,771	1,466,488	1,159,841	210,655,579
Depreciation charge for 2003									
	460,741	1,126,357	-	2,019,734	1,493,996	194,618	319,854	-	5,615,300

*Capital work-in-progress of the Group consist of mills plant and machinery, estate labour quarters and collection centre under construction.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

Company

	Furniture fittings and equipment RM
Cost	
At 1 January 2004	-
Additions	90,251
At 31 December 2004	<u>90,251</u>
Accumulated Depreciation	
At 1 January 2004	-
Charge for the year	8,364
At 31 December 2004	<u>8,364</u>
Net Book Value	
At 31 December 2004	<u>81,887</u>
At 31 December 2003	-
Depreciation charge for 2003	<u>-</u>

Leasehold land and buildings comprise:

Group	Long leasehold land RM	Short leasehold land RM	Buildings RM	Total RM
Cost				
At 1 January 2004	62,144,887	1,054,400	9,079,776	72,279,063
Additions	-	-	956,497	956,497
Disposals	(1,922,801)	-	(113,785)	(2,036,586)
At 31 December 2004	<u>60,222,086</u>	<u>1,054,400</u>	<u>9,922,488</u>	<u>71,198,974</u>
Accumulated Depreciation				
At 1 January 2004	-	273,246	4,253,647	4,526,893
Depreciation charge for the year	-	19,507	485,302	504,809
Disposals	-	-	(18,630)	(18,630)
At 31 December 2004	<u>-</u>	<u>292,753</u>	<u>4,720,319</u>	<u>5,013,072</u>
Net Book Value				
At 31 December 2004	<u>60,222,086</u>	<u>761,647</u>	<u>5,202,169</u>	<u>66,185,902</u>
At 31 December 2003	<u>62,144,887</u>	<u>781,154</u>	<u>4,826,129</u>	<u>67,752,170</u>
Depreciation charge for 2003	<u>-</u>	<u>19,506</u>	<u>441,235</u>	<u>460,741</u>

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

(i) Depreciation of property, plant and equipment is taken up in the financial statements as follows:

	Group	
	2004 RM	2003 RM
Recognised in income statement	5,675,395	5,270,812
Capitalised under plantation development expenditure	182,677	344,488
	5,858,072	5,615,300

(ii) Plantation development expenditure capitalised during the financial year included the following:

	Group	
	2004 RM	2003 RM
Management fees	323,400	-
Depreciation of property, plant and equipment	182,677	344,488
Directors' remuneration (Note 7)	-	755,209
Interest on term loans	369,562	1,869,117
Interest on bank overdrafts	-	29,335
Interest on hire purchase	12,616	49,328
Interest on leasing	-	858
Other interest	180	6,484

(iii) The net book values of property, plant and equipment held under hire purchase and finance lease arrangements are as follows:

	Group	
	2004 RM	2003 RM
Oil mill machinery	651,341	2,098,095
Heavy equipment	2,989,223	3,686,218
Motor vehicles	1,891,937	2,062,002
Furniture, fittings and equipment	-	40,633
	5,532,501	7,886,948

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

12. PROPERTY, PLANT AND EQUIPMENT (Contd.)

(iv) The net book value of property, plant and equipment pledged for borrowings as referred to in Note 22 are as follows:

	Group	
	2004 RM	2003 RM
Long leasehold land	18,069,157	19,990,417
Buildings	10,597,252	10,265,136
Plantation development expenditure	44,958,006	62,339,594
Mill structures	3,577,310	4,070,862
	77,201,725	96,666,009

(v) The financial effect of non-amortisation of long leasehold lands as stated in Note 3(e) on the financial results of the Group, is a decrease in amortisation charge of RM769,377 (2003: RM767,351).

13. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2004 RM	2003 RM
Unquoted shares - at cost	296,228,297	83,682,498

On 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.

The particulars of subsidiary companies which are incorporated in Malaysia, at 31 December 2004 are:

Subsidiary companies	Principal activities	Effective interest held by the Group	
		2004 %	2003 %
Natural Plantation Sdn. Bhd.	Ceased operation during the financial year	100	100
Growth Enterprise Sendirian Berhad	Operation of an oil palm plantation	100	*100
Intan Ramai Sdn. Bhd.	Operation of oil palm plantations	100	*100

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

13. INVESTMENTS IN SUBSIDIARY COMPANIES (Contd.)

Subsidiary companies	Principal activities	Effective interest held by the Group	
		2004 %	2003 %
Seraya Plantation Sdn. Bhd.	Operation of an oil palm plantation	100	*100
Kian Merculaba Sdn. Bhd.	Operation of an oil palm plantation	100	*100
Transglobe Enterprise Sdn. Bhd.	Operation of an oil palm plantation	100	*100
Sinar Ramai Sdn. Bhd.	Operation of an oil palm plantation which is currently under development	100	*100
Agrisa Trading Sdn. Bhd.	Operation of an oil palm plantation	100	*100
Syarikat Sofrah Sdn. Bhd.	Operation of an oil palm plantation	100	*100
Berkat Setia Sdn. Bhd.	Operation of an oil palm plantation which is currently under development and palm oil mill	100	*100
Sungai Ruku Oil Palm Plantation Sdn. Bhd.	Operation of palm oil mill	100	^100
Kidat Sendirian Berhad	Provision of transportation services	100	*100
Wenow Enterprise Sdn. Bhd.	Trading of fresh fruit bunches	100	*100
Dat Soon Trading Sendirian Berhad	Trading of fresh fruit bunches	100	^100
Syarikat Emashijau Sdn. Bhd.	Provision of management services on purchasing of consumable stores	100	*100
Ballerina Sdn. Bhd.	Ceased operation during the financial year	100	*100

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

13. INVESTMENTS IN SUBSIDIARY COMPANIES (Contd.)

Subsidiary companies	Principal activities	Effective interest held by the Group	
		2004 %	2003 %
Bintang Kinabalu Plantation Sdn. Bhd.	Ceased operation during the financial year	100	*100
Miasa Plantation Sdn. Bhd.	Ceased operation during the financial year	100	*100
Mature Land Sdn. Bhd.	Ceased operation during the financial year	100	*100
Sungai Kenali Sdn. Bhd.	Ceased operation during the financial year	100	*100
Permata Alam Sdn. Bhd.	Ceased operation during the financial year	100	*100
Soon Tai Enterprise Sdn. Bhd.	Ceased operation during the financial year	100	*100
Syarikat Jejco Sdn. Bhd.	Ceased operation during the financial year	100	*100
Sebuda Sdn. Bhd.	Ceased operation during the financial year	100	*100
Deltafort Sdn. Bhd.	Ceased operation during the financial year	100	*100
Ngin Kong Holdings Sdn. Bhd.	Ceased operation during the financial year	100	*100
Subsidiary Company of Natural Plantation Sdn. Bhd.			
Summer Focus Sdn. Bhd.	Dormant	100	100
Subsidiary Company of Growth Enterprise Sendirian Berhad			
Telupid Kelapa Sawit Sdn. Bhd.	Investment holding	70	70

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

13. INVESTMENTS IN SUBSIDIARY COMPANIES (Contd.)

Subsidiary companies	Principal activities	Effective interest held by the Group	
		2004 %	2003 %
Subsidiary company of Telupid Kelapa Sawit Sdn. Bhd.			
Bonus Indah Sdn. Bhd.	Operation of oil palm plantations	70	70
Subsidiary company of Sungai Ruku Oil Palm Plantation Sdn. Bhd.			
Ladang Zupakeja Sdn. Bhd.	Operation of an oil palm plantation	73.5	73.5

* These subsidiary companies were previously held by Natural Plantation Sdn. Bhd.

These subsidiary companies were previously held by Growth Enterprise Sendirian Berhad

^ These subsidiary companies were previously held by Ngin Kong Holdings Sdn. Bhd.

Acquisitions in 2003

(a) Acquisitions of Subsidiary Companies

In previous year, a subsidiary company, Growth Enterprise Sendirian Berhad acquired the entire interest of the following companies for a total acquisition cost of RM10,549,306:

	Purchase consideration RM	Assignment of debts RM	Incidental cost RM	Cost of acquisition RM
Permata Alam Sdn. Bhd.	4,250,000	(137,034)	93,595	4,206,561
Sungai Kenali Sdn. Bhd.	4,250,000	(689,570)	93,601	3,654,031
Kian Merculaba Sdn. Bhd.*	2,583,544	-	105,170	2,688,714
	11,083,544	(826,604)	292,366	10,549,306

*Kian Merculaba Sdn. Bhd. was acquired for a cash consideration of RM2,583,544 and assumption of liabilities totalling RM5,593,470.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

13. INVESTMENTS IN SUBSIDIARY COMPANIES (Contd.)

(b) Effects of the Acquisitions

- (i) The acquisitions had the following effect on the Group's financial results for the previous financial year:

	2003 RM
Revenue	3,845,558
Operating cost	(1,774,824)
Profit before taxation	2,070,734
Taxation	(326,232)
Profit after taxation	1,744,502
Minority interests	-
Increase in net profit of the Group	<u>1,744,502</u>

- (ii) The acquisitions had the following effect on the financial position of the Group as at the end of previous financial year:

	2003 RM
Property, plant and equipment	16,959,476
Trade receivables	428
Other receivables	1,479
Cash and bank balances	17,904
Trade payables	(115)
Other payables	(10,774)
Provision for taxation	(138,250)
Deferred taxation	(136,838)
Increase in Group's net assets	<u>16,693,310</u>

- (c) The fair values of assets and liabilities assumed from the acquisitions of subsidiary companies in previous year were as follows:

	2003 RM
Property, plant and equipment	16,762,949
Amounts due from Directors	194,136
Receivables	85,582
Cash and bank balances	61,697
Amounts due to bankers	(5,580,000)
Payables	(1,043,812)
Deferred taxation	(30,606)
Fair value of net assets acquired	10,449,946
Add: Goodwill	99,360
Amount satisfied by cash payment	10,549,306
Cash and bank balances acquired from subsidiary companies	(61,697)
Cash flow on acquisition, net of cash and cash equivalents acquired	<u>10,487,609</u>

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

14. GOODWILL ON CONSOLIDATION

	Group	
	2004 RM	2003 RM
At 1 January	3,587,913	4,392,187
Arising from acquisition of subsidiary companies during the year	-	99,360
Arising from acquisition of an additional equity interest held by minority	-	(903,634)
Adjustment for additional stamp duty on the acquisition of subsidiary companies in prior years pursuant to the listing exercise	282,486	-
	<hr/>	<hr/>
At 31 December	3,870,399	3,587,913

15. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

	Company	
	2004 RM	2003 RM
Settlement of purchase consideration on behalf of subsidiary companies for acquisition of their subsidiary companies by way of issuance of shares in the Company	-	21,358,167
Balances arising from ordinary business activities	817,318	-
Advances	-	20,476,735
	<hr/>	<hr/>
	817,318	41,834,902

The amounts are unsecured, interest-free and have no fixed terms of repayment.

16. INVENTORIES

	Group	
At cost	2004 RM	2003 RM
Crude palm oil and palm kernel	10,194,794	8,689,115
Consumable stores	956,056	1,311,077
Oil palm nurseries	211,066	274,039
Culverts	160,045	57,668
Live stocks	39,200	-
Fresh fruit bunches	-	38,078
	<hr/>	<hr/>
	11,561,161	10,369,977

There were no inventories stated at net realisable value as at 31 December 2004 and 2003.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

17. TRADE RECEIVABLES

The Group's normal trade credit term is within 14 days.

The Group's concentration of credit risk arises mainly from exposures to a few debtors.

18. OTHER RECEIVABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Sundry deposits	622,876	609,694	81,977	80,686
Prepayments	159,038	155,474	-	-
Balance of proceeds from disposal of leasehold plantation receivable	460,155	185,000	-	-
Interest-bearing advance given to a fresh fruit bunches supplier	2,515,925	-	-	-
Sundry receivables	6,659,224	8,950,377	8,790	-
	10,417,218	9,900,545	90,767	80,686
Less: Provision for doubtful debts	(75,684)	(75,684)	-	-
	10,341,534	9,824,861	90,767	80,686

The interest-bearing advance is unsecured and attracts interest at 1.5% above the bank's base lending rate and is recoverable from FFB supply over 10 monthly instalments commencing February 2005.

The other amounts are unsecured, interest-free and have no fixed terms of repayment.

19. FIXED DEPOSITS PLACED WITH LICENSED BANKS

Fixed deposits of the Group amounting to RM74,938 (2003: RM86,701) are held under lien to secure bank guarantees issued in favour of third parties on behalf of the Group.

Included in previous year's fixed deposits was an amount of RM4,180,000 being the balance of proceeds from disposal of a parcel of leasehold land by a subsidiary company pending release by its solicitors upon completion of certain formalities which were completed during the year. The amount which was placed in the client's account of the solicitors' firm of the purchaser was accordingly released to the subsidiary company concerned.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

20. CASH AND BANK BALANCES

Included in previous year's cash and bank balances was an amount of RM1,093,760 being the balance of proceeds from disposal of a parcel of leasehold land by a subsidiary company pending release by its solicitors upon completion of certain formalities which were completed during the year. The amount which was placed in the client's account of the solicitors' firm of the purchaser was accordingly released to the subsidiary company concerned.

21. AMOUNTS DUE TO SUBSIDIARY COMPANIES

	Company	
	2004 RM	2003 RM
Balances arising from Group internal restructuring exercise	143,063,002	-
Others	22,046,342	216,976
	165,109,344	216,976

The amounts are unsecured and have no fixed terms of repayment. Included in others are amounts totalling RM15,115,675 subject to an interest charge at a rate equal to the cost of funds of the respective subsidiary companies.

22. BORROWINGS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Short Term Borrowings				
Secured:				
Bank overdrafts	4,278,962	6,183,109	-	-
Revolving credit	10,000,512	8,067,441	8,000,512	8,067,441
Bankers' acceptances	6,982,000	5,753,000	-	-
Bank loans	6,595,283	9,921,069	-	-
Islamic bank loans	2,116,526	1,842,037	-	-
Hire purchase and finance lease payables (Note 23)	1,670,343	2,095,970	-	-
	31,643,626	33,862,626	8,000,512	8,067,441

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

22. BORROWINGS (Contd.)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Long Term Borrowings				
Secured:				
Bank loans	8,466,870	16,038,313	-	-
Islamic bank loans	8,938,303	9,354,143	-	-
Hire purchase and finance lease payables (Note 23)	1,466,921	2,318,947	-	-
	18,872,094	27,711,403	-	-
Total Borrowings				
Secured:				
Bank overdrafts	4,278,962	6,183,109	-	-
Revolving credit	10,000,512	8,067,441	8,000,512	8,067,441
Bankers' acceptances	6,982,000	5,753,000	-	-
Bank loans	15,062,153	25,959,382	-	-
Islamic bank loans	11,054,829	11,196,180	-	-
Hire purchase and finance lease payables (Note 23)	3,137,264	4,414,917	-	-
	50,515,720	61,574,029	8,000,512	8,067,441
Maturity of borrowings (excluding hire purchase and finance lease):				
Within one year	29,973,283	31,766,656	8,000,512	8,067,441
More than 1 year and less than 2 years	7,380,315	11,245,824	-	-
More than 2 years and less than 5 years	9,838,592	12,584,658	-	-
5 years or more	186,266	1,561,974	-	-
	47,378,456	57,159,112	8,000,512	8,067,441

The effective interest/profit rates for borrowings at balance sheet date excluding hire purchase and finance lease payables, were as follows:

	Group		Company	
	2004 %	2003 %	2004 %	2003 %
Bankers' acceptances	4.55 - 5.20	4.50 - 6.50	-	-
Bank overdrafts	7.25 - 7.75	7.00 - 8.00	-	-
Bank loans	4.80 - 8.00	4.55 - 8.90	-	-
Islamic bank loans	6.35 - 8.50	5.35 - 8.50	-	-
Revolving credit	4.85	4.90	4.85	4.90

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

22. BORROWINGS (Contd.)

The borrowings are secured by:

- (a) legal charges over several parcels of leasehold land and plantations of certain subsidiary companies together with the palm oil mill erected thereon as disclosed in Note 12 to the financial statements;
- (b) debentures incorporating fixed and floating charges over the assets of certain subsidiary companies;
- (c) joint and several guarantees issued by certain Directors of the Company and some third parties; and
- (d) corporate guarantee given by the Company and certain subsidiary companies.

23. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	Group	
	2004 RM	2003 RM
Minimum lease payments:		
Not later than 1 year	1,856,550	2,404,123
Later than 1 year and not later than 2 years	1,036,395	1,461,649
Later than 2 years and not later than 5 years	515,659	1,042,052
Later than 5 years	23,476	32,012
	3,432,080	4,939,836
Less: Future finance charges	(294,816)	(524,919)
Present value of hire purchase and finance lease liabilities	3,137,264	4,414,917
Present value of hire purchase and finance lease liabilities:		
Not later than 1 year	1,670,343	2,095,970
Later than 1 year and not later than 2 years	958,510	1,320,473
Later than 2 years and not later than 5 years	485,603	968,927
Later than 5 years	22,808	29,547
	3,137,264	4,414,917
Analysed as:		
Due within 12 months (Note 22)	1,670,343	2,095,970
Due after 12 months (Note 22)	1,466,921	2,318,947
	3,137,264	4,414,917

The hire purchase and lease liabilities bore interest at the balance sheet date of between 6.80% to 8.00% (2003: 6.80% to 9.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

24. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 90 days.

25. OTHER PAYABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Deposit received in respect of disposal of land pending completion	499,400	-	-	-
Accruals	1,734,789	2,179,118	297,484	15,000
Sundry payables	2,481,011	4,557,854	516,735	109,971
	<u>4,715,200</u>	<u>6,736,972</u>	<u>814,219</u>	<u>124,971</u>

26. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2004	2003	2004 RM	2003 RM
Authorised				
At 1 January and 31 December	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid				
At 1 January	80,000,000	80,000,000	80,000,000	80,000,000
Issuance of bonus shares	40,000,000	-	40,000,000	-
At 31 December	<u>120,000,000</u>	<u>80,000,000</u>	<u>120,000,000</u>	<u>80,000,000</u>

During the year, the issued and paid-up ordinary share capital of the Company was increased from RM80,000,000 to RM120,000,000 by way of a bonus issue of 40,000,000 new ordinary shares of RM1 each through capitalisation of RM29,193,432 and RM10,806,568 from the share premium account and retained profits respectively on the basis of one new ordinary share of RM1 each for every two existing ordinary shares of RM1 each held.

The new ordinary shares rank pari passu with the then existing ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

27. RETAINED PROFITS (DISTRIBUTABLE)

As at 31 December 2004, the Company has tax exempt profits available for distribution of approximately RM4,600,000, subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax-exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2004.

28. SHARE PREMIUM (NON-DISTRIBUTABLE)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
At 1 January	29,193,432	29,193,432	29,193,432	29,193,432
Capitalised for bonus issue	(29,193,432)	-	(29,193,432)	-
At 31 December	-	29,193,432	-	29,193,432

29. DEFERRED TAXATION

At 1 January	26,492,186	26,164,596	-	-
Arising from acquisition of subsidiary companies	-	30,606	-	-
Recognised in income statement (Note 9)	2,610,714	296,984	7,066	-
At 31 December	29,102,900	26,492,186	7,066	-
Presented after appropriate offsetting as follows:				
Deferred tax assets	(159,521)	(1,068,276)	-	-
Deferred tax liabilities	29,262,421	27,560,462	7,066	-
	29,102,900	26,492,186	7,066	-

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

29. DEFERRED TAXATION (Contd.)

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

Deferred Tax Liabilities of the Group:

	Property, Plant and Equipment RM	Fair Value Adjustment RM	Total RM
At 1 January 2004	14,867,771	18,799,892	33,667,663
Recognised in income statement	1,998,480	(106,822)	1,891,658
At 31 December 2004	16,866,251	18,693,070	35,559,321
At 1 January 2003	13,014,793	18,799,892	31,814,685
Arising from acquisition of subsidiary companies	30,606	-	30,606
Recognised in income statement	1,822,372	-	1,822,372
At 31 December 2003	14,867,771	18,799,892	33,667,663
Deferred Tax Liabilities of the Company:			
Recognised in income statement	7,066	-	7,066

Deferred Tax Assets of the Group:

	Unabsorbed Capital and Agriculture Allowances RM	Unutilised Tax Losses RM	Total RM
At 1 January 2004	(4,193,091)	(2,982,386)	(7,175,477)
Recognised in income statement	589,060	129,996	719,056
At 31 December 2004	(3,604,031)	(2,852,390)	(6,456,421)
At 1 January 2003	(3,386,934)	(2,263,155)	(5,650,089)
Recognised in income statement	(806,157)	(719,231)	(1,525,388)
At 31 December 2003	(4,193,091)	(2,982,386)	(7,175,477)

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

30. NET TANGIBLE ASSETS PER SHARE

The net tangible assets per share is calculated by dividing the shareholders' equity after deducting goodwill arising on consolidation by 120,000,000 (2003: 120,000,000) ordinary shares of the Company in issue as at 31 December 2004.

The comparative net tangible assets per share has been restated to take into account the effect of the bonus issue during the financial year.

31. NOTES TO CASH FLOW STATEMENTS

(a) Acquisition of Property, Plant and Equipment

During the financial year, the Group and the Company acquired property, plant and equipment with a total cost of RM11,096,177 and RM90,251 (2003: RM17,897,092 and Nil) respectively as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Assets acquired under hire purchase arrangement	1,077,213	3,278,824	-	-
Depreciation of property, plant and equipment capitalised	182,677	344,488	-	-
Finance costs capitalised	382,358	1,955,122	-	-
Cash payments made for acquisition of property, plant and equipment	9,453,929	12,318,658	90,251	-
	<u>11,096,177</u>	<u>17,897,092</u>	<u>90,251</u>	<u>-</u>

(b) Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Fixed deposits	74,938	4,266,701	-	-
Cash and bank balances	1,855,646	2,356,608	100,513	11,597
Bank overdrafts	(4,278,962)	(6,183,109)	-	-
	<u>(2,348,378)</u>	<u>440,200</u>	<u>100,513</u>	<u>11,597</u>
Less: Fixed deposits held under lien (Note 19)	(74,938)	(86,701)	-	-
Fixed deposits withheld by purchaser's solicitors (Note 19)	-	(4,180,000)	-	-
Bank balance withheld by purchaser's solicitors (Note 20)	-	(1,093,760)	-	-
	<u>(2,423,316)</u>	<u>(4,920,261)</u>	<u>100,513</u>	<u>11,597</u>

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

32. RELATED PARTY TRANSACTIONS

Group	2004		2003	
	Amount of transactions RM	Outstanding amount RM	Amount of transactions RM	Outstanding amount RM
Transactions with a company in which a Director of the Company, Dato' Loo Pang Kee, is also a director:				
Ladang Hassan & Loo Sdn. Bhd.				
- Sales of stone and cement	97	-	-	-
- Transportation income	24,717	-	17,456	-
- Purchases of fresh fruit bunches	441,570	-	390,468	-
- Store handling fees received	1,440	-	-	-
- Payroll handling fees received	16,200	-	-	-
Transactions with a company in which certain Directors of the Company, Loo Ngin Kong and Wong Siew Ying, are also directors:				
Kinabalu Agricultural Sdn. Bhd.				
- Management fees received	-	-	4,200	-
- Transportation income	50,177	-	58,996	-
- Purchases of fresh fruit bunches	5,959	-	144,886	-
- Sales of stone and cement	30,247	-	-	-
Transactions with a Director of the Company, Loo Ngin Kong:				
Rental expense	62,800	-	68,400	-
Purchases of fresh fruit bunches	37,107	-	42,776	-

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

32. RELATED PARTY TRANSACTIONS (Contd.)

Company	2004		2003	
	Amount of transactions RM	Outstanding amount RM	Amount of transactions RM	Outstanding amount RM
Transactions with subsidiary companies:				
Interest on advances charged by subsidiary companies	812,101	-	-	-
Interest on advances received from subsidiary companies	131,290	-	67,441	-
Management fee received from subsidiary companies	3,300,000	817,318	300,000	300,000
Purchasing handling fees paid to a subsidiary company	6,140	6,140	-	-
Advances from subsidiary companies	1,159,829	9,365	209,640	209,640
Advances to subsidiary companies	8,314,381	21,186	8,068,451	8,068,451
Repayment of advances from subsidiary companies	376,528	-	344,681	-
Repayment of advances to subsidiary companies	3,579,692	-	-	-
Gross dividends from subsidiary companies				
- Natural Plantation Sdn. Bhd.	4,026,806	-	10,493,055	10,493,055
- Sungai Ruku Oil Palm Plantation Sdn. Bhd.	4,600,000	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

32. RELATED PARTY TRANSACTIONS (Contd.)

Company	2004		2003	
	Amount of transactions RM	Outstanding amount RM	Amount of transactions RM	Outstanding amount RM
Transactions entered into pursuant to the internal restructuring exercise:				
Purchase consideration for acquisition of subsidiary companies from				
- Natural Plantation Sdn. Bhd.	51,089,671	29,343,399	-	-
- Growth Enterprise Sendirian Berhad	71,765,000	27,961,863	-	-
- Ngin Kong Holdings Sdn. Bhd.	82,981,643	82,981,643	-	-
- Sungai Ruku Oil Palm Plantation Sdn. Bhd.	2,240,000	2,070,097	-	-
- Bintang Kinabalu Plantation Sdn. Bhd.	706,000	706,000	-	-
- Berkat Setia Sdn. Bhd.	3,481,000	-	-	-
Purchase of plant and equipment				
- Ngin Kong Holdings Sdn. Bhd.	29,205	29,205	-	-
- Berkat Setia Sdn. Bhd.	5,000	-	-	-

All related party transactions were entered into upon terms and conditions mutually agreed between the relevant parties.

33. CAPITAL COMMITMENTS

	Group	
	2004 RM	2003 RM
Capital expenditure:		
Approved and contracted for:		
Acquisition of leasehold plantation	6,990,000	-
Approved but not contracted for:		
Acquisition and construction of mills' structures, and plant and machinery	2,836,200	-
Construction of estates' buildings and infrastructure	3,278,000	-
Acquisition of equipment	1,180,304	124,000
	<u>14,284,504</u>	<u>124,000</u>

NOTES TO THE FINANCIAL STATEMENTS (contd.)

31 December 2004

34. CONTINGENT LIABILITIES - UNSECURED

	2004 RM	Group 2003 RM
Corporate guarantees given as securities for banking facilities granted to subsidiary companies	61,385,178	54,880,178

35. SEGMENTAL INFORMATION

No segmental information is being presented as the Group is operating principally in the oil palm industry and within the country.

36. COMPARATIVE FIGURES

The comparative figures of the Group has been restated to conform with current year's presentation, as follows:

	Previously stated RM	Adjustments RM	Restated RM
Cost of sales	154,700,828	1,763,292	156,464,120
Other operating expenses	773,929	(332,157)	441,772
Distribution costs	2,651,656	(1,431,135)	1,220,521

SHAREHOLDING STATISTICS

As at 3 May 2005

SHARE CAPITAL

Paid-Up & Issued Share Capital	:	120,000,000
Authorised Share Capital	:	500,000,000
Type of Shares	:	Ordinary shares of RM1.00 each
No. of shareholders	:	708
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of holdings	No. of Holders	% of Holders	Total Holdings	% of Holdings
1 to 99	46	6.50	489	0.00
100 to 1,000	53	7.49	38,997	0.03
1,001 to 10,000	451	63.70	1,458,956	1.22
10,001 to 100,000	109	15.39	3,252,150	2.71
100,001 to 5,999,999*	44	6.21	36,658,134	30.55
6,000,000 and above**	5	0.71	78,591,274	65.49
Total	708	100.00	120,000,000	100.00

Notes: * Less than 5% of issued holdings

** 5% and above of issued holdings

SUBSTANTIAL SHAREHOLDERS

According to the Register maintained under Section 69L of the Companies Act, 1965, the substantial shareholders' interests in shares of the Company (excluding bare trustees) are as follows:-

	Ordinary shares of RM1.00 each			
	Direct interests	%	Indirect interests	%
Jubilant Ventures Sdn Bhd	38,400,000	32.00	-	-
Koh Kin Lip	20,294,794	16.91	680,800	0.57
Dato' Loo Pang Kee	9,929,506	8.27	38,400,000*	32.00
Loo Ngin Kong	7,961,724	6.63	-	-
JMF Asset Management Sdn Bhd for Mutual Yield Sdn Bhd (C318-240203)	6,877,500	5.73	-	-
Wong Siew Ying	5,622,684	4.69	38,400,000*	32.00

Note: * held through Jubilant Ventures Sdn. Bhd.

SHAREHOLDING STATISTICS (contd.)

As at 3 May 2005

THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 3 MAY 2005:

No.	Name	No. of Shares Held	%
1	Jubilant Ventures Sdn Bhd	38,400,000	32.00
2	Koh Kin Lip	17,375,544	14.48
3	Dato' Loo Pang Kee	7,976,506	6.65
4	Loo Ngjin Kong	7,961,724	6.63
5	Mayban Nominees (Tempatan) Sdn Bhd JMF Asset Management Sdn Bhd for Mutual Yield Sdn Bhd (C318-240203)	6,877,500	5.73
6	Wong Siew Ying	4,872,684	4.06
7	Employees Provident Fund Board	4,557,250	3.80
8	Loo Pang Chieng	4,200,000	3.50
9	Citicorp Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Kin Lip (474094)	2,919,250	2.43
10	Dato' Loo Pang Kee	1,950,000	1.63
11	Seah Sen Onn @ David Seah	1,902,500	1.59
12	Lai Ming Chun @ Lai Poh Lin	1,725,000	1.44
13	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Siew Kong	1,202,250	1.00
14	AQW & Co Sdn Bhd	1,062,000	0.89
15	Lim Cher Seng	838,300	0.70
16	Seah Sen Onn @ David Seah	815,000	0.68
17	KAF Nominees (Tempatan) Sdn Bhd KAF Trustee Berhad for Little Touch (M) Sdn Bhd	784,400	0.65
18	Wong Siew Ying	750,000	0.63
19	Phyllis Lo Set Fui	720,000	0.60
20	Rickoh Corporation Sdn Bhd	680,800	0.57
21	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Junior Koh Siew Hui	654,700	0.55
22	Faridah Binti Moris	639,400	0.53
23	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koh Siew Boon	511,300	0.43
24	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chung Vui Yon	486,250	0.41
25	Lim Ted Hing	450,000	0.38
26	AMMB Nominees (Tempatan) Sdn Bhd AMAssurance Berhad (GF 1/149-0)	354,500	0.30
27	AMMB Nominees (Tempatan) Sdn Bhd AMAssurance Berhad (LF 1/148-1)	354,500	0.30
28	Eng Nominees (Asing) Sdn Bhd Kim Eng Securities Pte Ltd for Wong Hon Chak	325,000	0.27
29	HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lawrence Lim Eng Khoon	300,000	0.25
30	Rosalind Lo Nyit Ying	277,000	0.23

SHAREHOLDING STATISTICS (contd.)

As at 3 May 2005

DIRECTORS' INTERESTS

According to the Register maintained under Section 134 of the Companies Act, 1965, the directors' interests in shares of the Company are as follows:-

Name of Directors	Ordinary shares of RM1.00 each			
	Direct interests	%	Indirect interests	%
Loo Ngin Kong	7,961,724	6.63	-	-
Tengku Datuk Dr. Zainal Adlin Bin Tengku Mahamood	1	0.00	-	-
Dato' Loo Pang Kee	9,929,506	8.27	38,400,000*	32.00
Wong Siew Ying	5,622,684	4.69	38,400,000*	32.00
Wong Tet Jung @ Aquinas Wong	200,000	0.17	1,062,000**	0.89
Lim Ted Hing	637,000	0.53	-	-
Dr. Edmond Fernandez	30,000	0.03	-	-

Notes: * held through Jubilant Ventures Sdn. Bhd.

** held through AQW & Co Sdn. Bhd

LIST OF PROPERTIES

As at 31 December 2004

Description/ Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2004 RM	Date Acquired
Plantation land						
Growth estate, KM 70, Sandakan- Telupid- Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	183.05	99 years lease expiring 31 December 2077 and 31 December 2086	N/A	Oil palm plantation	4,546,575	2002
Berkat estate, Mile 62, Sandakan- Telupid- Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	84.05	99 years lease expiring 31 December 2096	N/A	Oil palm plantation	1,160,775	2002
Soon Tai estate, KM 71, Sandakan- Telupid- Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	38.03	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	1,021,277	2002
Jejco estate, KM 71, Sandakan- Telupid- Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	40.71	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	1,340,526	2002
Bintang estate, KM 71, Sandakan- Telupid- Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	195.47	99 years lease expiring 31 December 2078	N/A	Oil palm plantation	5,684,288	2002

LIST OF PROPERTIES (contd.)

As at 31 December 2004

Description/ Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2004 RM	Date Acquired
Ballerina estate, KM 80, Sandakan- Telupid- Kota Kinabalu Highway, District of Kinabatangan, Sabah	163.13	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	4,132,518	2002
Sebuda estate, KM 80, Sandakan- Telupid- Kota Kinabalu Highway, District of Kinabatangan, Sabah	316.00	99 years lease expiring 31 December 2078	N/A	Oil palm plantation	6,596,311	2002
Telupid estates, KM 80 & KM 100, Sandakan- Telupid- Kota Kinabalu Highway, Districts of Kinabatangan & Labuk-Sugut, Sabah	1,379.95	99 years lease expiring 31 December 2078	N/A	Oil palm plantation	32,856,666	2002
Bonus Indah estate, KM 111, Sandakan- Telupid- Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	999.60	99 years lease expiring 31 December 2091	N/A	Oil palm plantation	23,870,472	2002
Berkat estate, KM 111, Sandakan- Telupid- Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	432.50	99 years lease expiring 31 December 2083 and 31 December 2093	N/A	Oil palm plantation	7,279,899	2002

LIST OF PROPERTIES (contd.)

As at 31 December 2004

Description/ Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2004 RM	Date Acquired
Natural estate, KM 124, Sandakan- Telupid- Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	102.19	99 years lease expiring 31 December 2079	N/A	Oil palm plantation	2,510,670	2002
Miasa estate, KM 124, Sandakan- Telupid- Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	440.90	99 years lease expiring 31 December 2079 and 31 December 2081	N/A	Oil palm plantation	9,656,353	2002
Seraya estate, KM 124, Sandakan- Telupid- Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	181.79	99 years lease expiring 31 December 2080	N/A	Oil palm plantation	3,977,664	2002
Transglobe estate, KM 124, Sandakan- Telupid- Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	302.80	99 years lease expiring 31 December 2082	N/A	Oil palm plantation	6,668,972	2002
Sinar Ramai estate, KM 143, Sandakan- Telupid- Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	192.30	99 years lease expiring 31 December 2086	N/A	Oil palm plantation	3,755,651	2002

LIST OF PROPERTIES (contd.)

As at 31 December 2004

Description/ Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2004 RM	Date Acquired
Intan Ramai estate, KM 143, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	228.10	99 years lease expiring 31 December 2086	N/A	Oil palm plantation	3,463,779	2002
Deltafort estate, KM 87, Segaliud Lokan, District of Kinabatangan, Sabah	400.30	99 years lease expiring 31 December 2087	N/A	Oil palm plantation & plantable reserve	5,787,781	2002
Zupakeja estate, Off KM90, Sepagaya, District of Sandakan, Sabah	202.10	99 years lease expiring 31 December 2079	N/A	Oil palm plantation	3,765,137	2002
SROPP estate and 7.7 hectares of durian orchard, KM 73, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	224.94	99 years lease expiring 31 December 2077 & 31 December 2080	N/A	Oil palm plantation	5,184,991	2002
SROPP estate, KM87, Segaliud Lokan, District of Kinabatangan, Sabah	40.47	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	1,144,814	2002
SROPP estate, KM30 Labuk Road, District of Sandakan, Sabah	39.02	99 years lease expiring 31 December 2060	N/A	Oil palm plantation	1,758,239	2002

LIST OF PROPERTIES (contd.)

As at 31 December 2004

Description/ Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2004 RM	Date Acquired
Permata Alam estate, KM87, Sandakan-Lahad Datu Highway, District of Kinabatangan, Sabah	200.30	99 years lease expiring 31 December 2085	N/A	Oil palm plantation	5,084,723	2003
Sungai Kenali estate, KM87, Sandakan-Lahad Datu Highway, District of Kinabatangan, Sabah	197.90	99 years lease expiring 31 December 2085	N/A	Oil palm plantation	3,674,669	2003
Kian Merculaba estate, KM 113, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	498.40	99 years lease expiring 31 December 2091	N/A	Oil palm plantation	8,261,198	2003
Ballerina, 2 adjoining double storey shophouses with a built-up area of 782.13m ² , Lot 8 & 9, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah	395.55m ²	999 years lease expiring 9 July 2887	30	Office buildings	896,157	2002
Ballerina, 1 double storey shophouse with a built-up area of 391.07m ² , Lot 11, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah	197.78 m ²	999 years lease expiring 9 July 2887	30	Office building	337,213	2003

LIST OF PROPERTIES (contd.)

As at 31 December 2004

Description/ Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2004 RM	Date Acquired
Growth, a renovated double storey intermediate terraced house with a built-up area of 220m ² , No. 7, Jalan Terasek 2, Bangsar Baru, 59100 Kuala Lumpur	173.72 m ²	Term in perpetuity	13	Staff accommodation	759,058	2002
SROPP palm oil mill with a built-up area of 6,232m ² , KM 87, Segaliud-Lokan, Sandakan- Lahad Datu Highway, District of Kinabatangan, Sabah	35.39	99 years lease expiring 31 December 2077	10	Palm oil mill	6,330,739	2002
Berkat palm oil mill, with a built-up area of 4,193.80m ² , KM 70, Sandakan- Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	4.05	60 years lease expiring 31 December 2044	19	Palm oil mill	4,680,492	2002
TOTAL					166,187,607	

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PROXY FORM

I/We, _____

of _____

being a member/members of NPC RESOURCES BERHAD, hereby appoint _____

of _____

or failing him, _____ of _____

or failing him the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Fifth Annual General Meeting of the Company, to be held at Magibah Room, Nexus Resort Karambunai, Off Sepangar Bay, Kota Kinabalu, Sabah on 29 June 2005 at 10.30 am or any adjournment thereof.

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

NO.	RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2004.		
2.	To declare a final gross dividend of 3 sen per share less 28% Malaysian income tax for the financial year ended 31 December 2004.		
3.	To re-elect Lim Ted Hing as director.		
4.	To re-elect Dr Edmond Fernandez as director.		
5.	To approve the payment of Directors' fees of RM91,200 for the financial year ended 31 December 2004.		
6.	To re-appoint Ernst & Young as Auditors and to authorize the Directors to fix their remuneration.		
7.	Authority to issue shares pursuant to Section 132D, Companies Act, 1965.		

(Please indicate with an "x" in the appropriate box against each resolution how you wish your proxy to vote. If this form of proxy 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 _____ 2005

NO. OF SHARES HELD _____

Signature(s) of Member(s)

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.

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Stamp

The Company Secretary
NPC Resources Berhad (502313-P)
Lot 8 & 9, T3
Taman Tshun Ngen
Mile 5, Jalan Labuk
90000 Sandakan
Sabah, Malaysia

Fold here

NPC Resources Berhad (502313-P)

Lot 9, T3

Taman Tshun Ngen

Mile 5, Jalan Labuk

90000 Sandakan

Sabah, Malaysia

Tel:6-089-274 488

Fax: 6-089-226 711