



annual report 2003

**NPC Resources Berhad** (502313-P)

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Taman Tshun Ngen  
Mile 5, Jalan Labuk  
90000 Sandakan  
Sabah, MALAYSIA  
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## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of the Company will be held at Sigunting, Ground Floor, Nexus Resort Karambunai, Off Sepangar Bay, Kota Kinabalu, Sabah on 29 June 2004 at 10.30 am to transact the following business:

### AGENDA

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2003 and the Reports of the Directors and Auditors thereon. Resolution 1
2. To re-elect the following Directors retiring in accordance with Article 93 of the Company's Articles of Association:
  - a) Wong Siew Ying Resolution 2
  - b) Dato' Loo Pang Kee Resolution 3
3. To re-elect the following Director retiring in accordance with Article 100 of the Company's Articles of Association:
  - a) Wong Tet Jung @ Aquinas Wong Resolution 4
4. To approve the payment of Directors' allowances of RM99,200 for the financial year ended 31 December 2003. Resolution 5
5. To re-appoint Ernst & Young as Auditors of the Company and authorise the Directors to fix their remuneration. Resolution 6

### SPECIAL BUSINESS

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

### ORDINARY RESOLUTION

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

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

## Notice of Annual General Meeting (contd.)



### ANY OTHER BUSINESS

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

By Order of the Board  
**NPC Resources Berhad**

**Dorothy Luk Wei Kam**  
**Tan Yun Su**  
Company Secretaries

Kota Kinabalu, Sabah  
Date: 7 June 2004

### NOTES:

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

### Explanatory Notes On Special Business

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

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

## Statement Accompanying Notice of Annual General Meeting

**1. The place, date and hour of the Fourth Annual General Meeting:**

<u>Date</u>	<u>Time</u>	<u>Place</u>
29 June 2004	10.30 am	Sigunting, Ground Floor, Nexus Resort Karambunai, Off Sepangar Bay, Kota Kinabalu, Sabah

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

- a) Wong Siew Ying
- b) Dato' Loo Pang Kee
- c) Wong Tet Jung @ Aquinas Wong

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

Five (5) board meetings were held during the financial year from 1 January 2003 to 31 December 2003

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
1. Loo Ngin Kong	4	5
2. Tengku Datuk Dr Zainal Adlin Bin Tengku Mahamood	3	5
3. Dato' Loo Pang Kee	4	5
4. Wong Siew Ying	5	5
5. Lim Ted Hing	5	5
6. Dr Edmond Fernandez	5	5
7. Wong Tet Jung @ Aquinas Wong (Appointed w.e.f. 15 September 2003)	1	1

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

Please refer to the Directors' Profile appearing on pages 6 to 7.

## Corporate Information



### BOARD OF DIRECTORS

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

### AUDIT COMMITTEE

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

### COMPANY SECRETARIES

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

### REGISTERED OFFICE

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

### SHARE REGISTRAR

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

### AUDITORS

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

### PRINCIPAL BANKERS

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

### SOLICITORS

Chin Lau Wong & Foo  
Advocates & Solicitors  
8th Floor, Wisma Harbour  
Slipway, 90710  
Sandakan, Sabah

### STOCK EXCHANGE LISTING

Main Board of  
Bursa Malaysia Securities Berhad

## Board of Directors and Profile

**Loo Ngin Kong**, aged 67, was appointed as Executive Chairman of NPC on 31 January 2002. He has over 30 years' experience in the fields of oil palm plantation and palm oil milling. He started his business venture in the plantation industry in the 1960s and 1970s when he was involved in oil palm cultivation and contracting works for Federal Land Development Authority ("FELDA") in Pahang Darul Makmur and Low Nam Hui Sdn. Bhd. and its subsidiaries and Johor Tenggara Development Authority in Johor Darul Takzim. He expanded his business to Sabah in 1981 when he acquired Growth Sdn. Bhd., now a subsidiary of the Company. He also sits on the Board of various private limited companies. He has direct interests of 5,307,816 ordinary shares in the Company as at 5 May 2004. He is the father of Dato' Loo Pang Kee, a director and a substantial shareholder of the Company and the husband of Wong Siew Ying, a director and a deemed substantial shareholder of the Company. The details of his related party transactions can be found in note 33 to the Financial Statements. He has never been convicted for any offence within the past 10 years.

**Tengku Datuk Dr. Zainal Adlin bin Tengku Mahamood**, aged 64, was appointed as Non-Executive Deputy Chairman of NPC on 31 January 2002. He obtained his Advanced Course in Local Government Administration Certificate from the University of Birmingham, United Kingdom and Institute of Local Government Studies, Sigtuna, Sweden in 1967. In 1981, he obtained the Top Management Programme Certificate from the Asian Institute of Management and in 1995, obtained his Doctor of Philosophy (Hon.) from University Kebangsaan Malaysia. He began his career as a professionally trained pilot from 1959 to 1960. He subsequently served in the Kelantan Civil Service and the Malaysian Home and Diplomatic Service in the capacity of Assistant District Officer, acting District Officer and Assistant State Secretary of Kelantan from 1961 to 1967 and was seconded to the Sabah State Government for five (5) years from 1968 to 1973 in the capacity of Chief Executive Officer of the Sabah State Housing Commission. From 1974 to prior to retirement from Government service in 1996, he served the Yayasan Sabah in various capacities including Group Projects Development Manager, Deputy Director and Corporate Advisor. At present, he is the Executive Chairman of Lintasan Mayang Sdn. Bhd., Lintasan Mayang Development Sdn. Bhd. and Triomac Engineering Sdn. Bhd., the Chairman of FACB Resorts Berhad as well as Chairman of Karambunai Resort Sdn. Bhd. and Sabah Tourism Board. He has direct interests of 20,001 ordinary shares in the Company as at 5 May 2004. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 10 years.

**Dato' Loo Pang Kee**, aged 35, was appointed as Managing Director of NPC on 31 January 2002. He currently sits on the Audit Committee. He joined the Group after the completion of his education in Singapore. He has over fifteen (15) years of working experience in the field of plantation-based activities. His exposure in oil palm cultivation and plantation development work was greatly enhanced over the last decade as he was involved directly in the estate development and rapid expansion of the Natural Plantation Sdn Bhd ("Natural") group of companies' land bank. His experience in the palm oil milling activities started in the late 1980s when the Natural group of companies ventured into palm oil milling business in 1989 through Berkat Sdn. Bhd. His responsibilities include overseeing the overall management activities of the Group, and the formulation and implementation of the Group's business strategies. He has direct interests of 6,619,657 ordinary shares and indirect interests of 25,600,000 ordinary shares in the Company as at 5 May 2004. He is the son of Loo Ngin Kong, a director and a substantial shareholder of the Company. The details of his related party transactions can be found in note 33 to the Financial Statements. He has never been convicted for any offence within the past 10 years.

## Board of Directors and Profile (contd.)



**Wong Siew Ying**, aged 50, was appointed as Executive Director of NPC on 31 January 2002. She has played an instrumental role in the expansion of the Natural group of companies over the last 20 years and her areas of responsibility includes managing the Group's financial affairs, project funding requirements and credit management. She has direct interests of 3,748,456 ordinary shares and indirect interests of 25,600,000 ordinary shares in the Company as at 5 May 2004. She is the wife of Loo Ngin Kong, a director and a substantial shareholder of the Company. The details of her related party transactions can be found in note 33 to the Financial Statements. She has never been convicted for any offence within the past 10 years.

**Lim Ted Hing**, aged 49, was appointed as the Independent Non-Executive Director of NPC on 25 February 2002. He currently sits on the Audit Committee, Remuneration Committee and Nomination Committee. He is a member of the Malaysian Institute of Accountants and a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW"). He obtained his Fundamentals of Accounting from the North East London Polytechnic in 1977. Upon completion, he joined Malvern & Co., a firm of public accountants based in London, as an Articled Clerk during which he completed the ICAEW professional examinations in 1983. He joined Ernst & Young in 1985 and was the Senior Manager of its office in Sandakan prior to joining Syarikat Tekala Sdn. Bhd. in 1994 as the Group Financial Controller. Later in June 1996, he was appointed as an Executive Director/Chief Operating Officer of Tekala Corporation Berhad, a company listed on the Main Board of KLSSE, and its subsidiaries. Other than his business interest in Tekala Group, he also sits on the board of Borneo Golf Resort Berhad as well as several other private limited companies. He has direct interests of 270,000 ordinary shares in the Company as at 5 May 2004. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 10 years.

**Dr. Edmond Fernandez**, aged 49, was appointed as the Independent Non-Executive Director of NPC on 25 February 2002. He currently sits on the Audit Committee, Remuneration Committee and Nomination Committee. He graduated in 1981 from the University of Mysore, India. He started his medical practice in 1982 as a Medical Officer in Queen Elizabeth Hospital, Kota Kinabalu, Sabah and later in 1984, he was posted to Sandakan Health Department, Sabah as the Area Medical Officer. From 1988 onwards, he practised as a Private Medical Practitioner with Klinik Elopura Sdn. Bhd. ("KESB") and he was appointed as the Director of KESB since 1995. In 2001, he obtained his Licentiate of the Faculty of Occupational Medicine from Ireland and he was also appointed as a committee member of the Sandakan Water Watch Committee. He is the founding President of the Sandakan Toastmaster Club. He has direct interests of 20,000 ordinary shares in the Company as at 5 May 2004. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 10 years.

**Wong Tet Jung @ Aquinas Wong**, aged 35, was appointed as the Executive Director of NPC on 15 September 2003. He has over 15 years of experience in the plantation industry specialising in Nursery and Plantation Development and Management of Oil Palm and Cocoa plantations. He has been a member of the Incorporated Society of Planter, Malaysia since 1989, serving as the Secretary for the Sabah-North East Branch in 1991 and is also member of the Malaysian Oil Scientist and Technologist Association. He obtained his Bachelor of Science in Agricultural Botany (Hons) from the University of Reading, United Kingdom in 1989. Since then he has attended the "Kursus Kelapa Sawit" organized by PORIM (now MPOB) in 1990, the "Young Managers Program" at the National University of Singapore in 1993, Stephen Covey's "Seven Habits of Highly Effective People" and numerous other seminars/courses. He is also the Executive Chairman of the AQW group of Companies which is involved in the provision of Agricultural Management Services, packing of Cooking Oil, trading in Sundry goods and rearing of Commercial Fish. He has indirect interests of 216,000 ordinary shares in the Company as at 5 May 2004. He has no family relationship with any other directors or major shareholders of the Company nor any conflict of interest with the Company. He has never been convicted for any offence within the past 10 years.



On behalf of the  
Board of Directors,  
it gives me  
great pleasure  
to present the  
Annual Report  
and the  
Audited Financial  
Statements  
for the Group  
and also the  
Company  
for the  
financial year  
ended  
31 December 2003.



## Chairman's Statement

### BACKGROUND

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

The Group currently operates approximately 8,627 hectares of plantation land and two palm oil processing mills which have a combined production capacity of 105 tonnes of FFB per hour, all of which are located in the state of Sabah. The palm oil processing mills owned by the Group are located at Kilometre 87, Sandakan-Lahad Datu Highway, Segaliud Lokan in the district of Kinabatangan ("SROPP mill") and at Kilometre 70, Sandakan-Telupid-Kota Kinabalu Highway in the district of Labuk-Sugut ("Berkat mill"). The SROPP mill currently has a processing capacity of 45 tonnes of FFB per hour and can be upgraded to operate two (2) processing lines with a combined processing capacity of 90 tonnes of FFB per hour to cater for future increases in production output. The Berkat mill currently has a processing capacity of 60 tonnes of FFB per hour.

### INDUSTRY TREND AND DEVELOPMENT

The Malaysian oil palm industry in 2003 flourished under the tight world oils and fats supply situation. The higher growth of world demand over that of production has resulted in an increase in export demand and prices for all Malaysian oil palm products.

The total production of crude palm oil (CPO) in Malaysia in 2003 increased markedly by 12.1% or 1.4 million tonnes to 13.35 million tonnes from 11.91 million tonnes in 2002. The total production of crude palm kernel oil also rose substantially by 11.6% to 1.64 million tonnes from 1.47 million tonnes the previous year. The increase was mainly attributed to the expansion in matured planted area, favourable weather conditions and rainfall distribution as well as constant sunshine throughout the year. Thus, the fresh fruit bunches yield per hectare increased by 5.7% to 18.99 tonnes from 17.97 tonnes last year. However, the oil extraction rate (OER) of the overall Malaysian oil palm industry fell to 19.75% in 2003 from 19.91% last year.

The average prices of oil palm products strengthened in 2003 driven mainly by robust export demand, reduction in stock levels, sharp rise in soyabean oil prices and continued tightness in global oils and fats supplies. The average CPO price increased by 13.2% or RM180 to RM1,544 as against RM1,363 the previous year. The lowest and highest monthly average price were recorded in August and November at RM1,398 and RM1,866 respectively. For plantation companies and smallholders, 2003 had been a remunerative year as the average price of FFB at 1% OER increased by 18.4% or RM2.43 to RM15.62/tonne from RM13.19/tonne the previous year.

*(Source: Overview of the Malaysian Oil Palm Industry 2003 by the MPOB)*

## Chairman's Statement (contd.)



### GROUP PERFORMANCE

For the financial year ended 2003, the average CPO price realised by the Group was RM1,516 per tonne representing a 13% increase as compared to RM1,346 per tonne realised in 2002 and the average palm kernel (PK) price realised was RM678 per tonne, representing a 5% increase as compared to RM646 per tonne realised in 2002. The Group achieved total CPO production of 105,643 tonnes and PK production of 25,445 tonnes for the financial year ended 2003 as compared to the CPO production of 79,495 tonnes and PK production of 19,545 tonnes for the eleven (11) months ended 31 December 2002. The total FFB processed by the Group for 2003 was 509,167 tonnes as compared to 374,039 tonnes in previous financial period. The higher prices and productions achieved contributed to a higher Group turnover of RM175,090,110 for 2003 as compared to RM119,799,946 for 2002.

Consistent with the overall decline in the OER of the overall Malaysian oil palm industry, the CPO and PK extraction rates of the Group for 2003 were 20.75% and 5.00% as compared to 21.25% and 5.23% respectively for 2002. The decline in extraction rates gave rise to a lower milling margin for the Group which caused a lower profit after tax of RM10,080,283 recorded for 2003 as compared to RM11,055,765 recorded for 2002.

### SIGNIFICANT EVENTS

During the financial year ended 2003, the Group completed the following acquisitions:

- (a) the entire issued and paid up share capital of Permata Alam Sdn. Bhd. on 16 January 2003. The acquired company is the registered owner of a piece of land measuring 200.3 hectares planted with oil palms situated at Segaliud-Lokan, Kinabatangan in the State of Sabah;
- (b) the entire issued and paid-up share capital of Sungai Kenali Sdn. Bhd. on 16 January 2003. The acquired company is the registered owner of a piece of land measuring 197.9 hectares planted with oil palms situated at Segaliud-Lokan, Kinabatangan in the State of Sabah; and
- (c) the entire issued and paid-up share capital of Kian Merculaba Sdn. Bhd. on 1 February 2003. The acquired company is the registered owner of a piece of land measuring 498.40 hectares planted with oil palms located in the District of Labuk-Sugut in the State of Sabah.

The above acquisitions provide synergistic benefits to the Group's plantation and milling operations due to the proximity of the acquired companies' plantations to the Group's existing plantations and mills.

To further improve the synergy of its plantation operations, the Group had also completed the disposals of the following leasehold plantations which are logistically remote to the operations of the Group's existing plantations and mills:

- (a) Sofrah estate, measuring approximately 215 hectares located at Sungai Tendok, District of Sandakan in the State of Sabah on 31 January 2004; and
- (b) Agrisa estate, measuring approximately 394 hectares located at Ulu Segama, District of Lahad Datu in the State of Sabah on 15 November 2003.

The proceeds from the above disposals would be utilised to redeem part of the Group's bank borrowings and partially for Group's working capital purposes.

## Chairman's Statement (contd.)

### CURRENT GROUP DEVELOPMENT

On 5 April 2004, the Company had announced the following proposals:

- (a) Proposed bonus issue of 40,000,000 new NPC ordinary shares of RM1.00 each ("Bonus Shares") to be credited as fully paid-up shares on the basis of one (1) Bonus Share for every two (2) existing NPC ordinary shares of RM1.00 each held on a date to be determined later ("Proposed Bonus Issue"); and
- (b) Proposed renounceable rights issue of 40,000,000 new Warrants ("Rights Warrants") on the basis of one (1) Rights Warrant for every two (2) existing NPC ordinary shares of RM1.00 each held on a date to be determined later at an indicative issue price of RM0.20 per Rights Warrant ("Proposed Rights Warrants Issue").

The Proposed Bonus Issue will increase the issued and paid-up share capital of NPC and reward the existing shareholders for their continuing support. Additionally, the Proposed Bonus Issue will enhance the marketability and liquidity of NPC Shares.

The Proposed Rights Warrants Issue will enable NPC to raise funds without interest costs, compared to bank borrowings. The repayment of bank borrowings from the proceeds of the rights warrants issue will reduce the gearing level of the NPC Group as well as the burden of interest costs. The reduction in gearing levels and the increase in the NPC Group's capital base will place the NPC Group in a better position to capitalise on future business opportunities. Additionally, the Proposed Rights Warrants Issue will also provide an avenue for existing shareholders to further participate in the equity of the Company.

### DIVIDEND

The Company had paid a final dividend of 5% less tax at 28% amounting to RM2.88 million for the financial year ended 31 December 2002 on 30 September 2003. In view of the capitalisation of reserves of the Company pursuant to the Proposed Bonus Issue, the Board does not recommend any payment of dividend in respect of the financial year ended 31 December 2003.



## Chairman's Statement (contd.)



### GROUP PROSPECTS

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

- (a) Due to palm oil's cyclical nature, the production growth in 2004 is expected to be smaller. Coupled with a sharp reduction in world oils and fats ending stocks last year, the supply situation in 2004 is anticipated to remain tight. Based on this background, the Malaysian oil palm industry in 2004 is forecast to remain bullish. The production of CPO is projected to increase by 2.3% to 13.66 million tonnes and prices are expected to remain firm this year. (Source: Overview of the Malaysian Oil Palm Industry 2003 by the MPOB);
- (b) 72.41% of the Group's current 7,650 hectares of planted oil palms are matured (have been planted for four (4) years or more). Its oil palm plantations are relatively young with approximately 33.34% of the trees planted aged between four (4) to less than seven (7) years old, whilst the remaining 27.59% are immature (planted for less than four (4) years). The oil palms normally reach their peak in terms of yield and oil extraction rate at the age of between seven (7) to fifteen (15) years old. It is expected that in view of the progressive maturity of the plantations, it will pave the way for higher growth when most of the trees reach maturity; and
- (c) the continuing efforts by the management to improve the operating efficiency of its plantations and palm oil processing mills through enhancement of yield and extraction productivity with the implementation of effective human resource management, close supervision of its oil palm plantations and effective cost control policy.

### ACKNOWLEDGEMENT

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

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

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

Thank you.

Loo Ngin Kong  
Chairman

## Statement on Corporate Governance

### A. BOARD OF DIRECTORS

#### BOARD RESPONSIBILITIES

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

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

#### BOARD COMMITTEES

The Board has three standing committees; the Audit Committee, the Remuneration Committee and Nomination Committee. The Board of Directors delegates certain responsibilities to the Audit Committee in order to enhance business and operational efficiency as well as efficacy. The Chairman of the Audit Committee reports back to the Board the outcome of the Committee meetings. The membership and Terms of Reference of the Committee are as stated on Pages 20 to 24 of this Annual Report.

#### BOARD BALANCE

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

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

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

## Statement on Corporate Governance (contd.)



### BOARD MEETINGS

The Board had held 5 meetings during the financial year ended 31 December 2003. Details of the attendance of the Directors at the Board Meetings are as follows:

NAME	MEETINGS ATTENDED	MAXIMUM POSSIBLE MEETINGS TO ATTEND
1. Loo Ngin Kong	4	5
2. Tengku Datuk Dr Zainal Adlin Bin Tengku Mahamood	3	5
3. Dato' Loo Pang Kee	4	5
4. Wong Siew Ying	5	5
5. Lim Ted Hing	5	5
6. Dr Edmond Fernandez	5	5
7. Wong Tet Jung @ Aquinas Wong (Appointed w.e.f. 15 September 2003)	1	1

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

### SUPPLY OF INFORMATION

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

## Statement on Corporate Governance (contd.)

### APPOINTMENTS

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

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

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

The Committee met once during the financial year.

### RE-ELECTION

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

## B. DIRECTOR'S REMUNERATION

### THE LEVEL AND MAKE -UP OF REMUNERATION

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

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

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

## Statement on Corporate Governance (contd.)



### PROCEDURE

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

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

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

The Committee met once during the financial year.

### DISCLOSURE

The details of the remuneration for the Directors of the Company during the financial year ended 31 December 2003 are as follows:

<b>Director Remuneration</b>	<b>Executive Directors RM</b>	<b>Non-Executive Directors RM</b>
Emoluments	1,620,179	91,200
Benefits-in-kind	16,168	-
Total	1,636,347	91,200



## Statement on Corporate Governance (contd.)

The number of Directors whose remuneration during the financial year ended 31 December 2003 falls within the following bands is as follows:

Director Remuneration RM'000	NUMBER OF DIRECTORS	
	Executive	Non-Executive
Below 100		3
100 to 200	1	
201 to 300		
301 to 400	1	
401 to 500	1	
501 to 600		
601 to 700		
701 to 800	1	

### C. SHAREHOLDERS

#### DIALOGUE BETWEEN COMPANIES AND INVESTORS

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

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

#### ANNUAL GENERAL MEETING ("AGM")

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

## Statement on Corporate Governance (contd.)



### D. ACCOUNTABILITY AND AUDIT

#### FINANCIAL REPORTING

In presenting the annual financial statements and quarterly announcements to the shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on pages 34 of this annual report.

#### INTERNAL CONTROL

The Directors acknowledge their responsibilities for maintaining a sound system of internal control which is necessary to safeguard the Group's assets and shareholders' investment. In this respect, the Board affirms its overall responsibility for the Group's internal control system, which encompasses risk management practices as well as financial, operational and compliance controls. Information on the Group's internal control system is presented in the Statement on Internal Control laid out on pages 25 to 26 of this annual report.

#### RELATIONSHIP WITH AUDITORS

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 20 to 23 of this annual report. A summary of the activities of the Audit Committee during the year, including the evaluation of the internal audit process, is set out in the Audit Committee Report on pages 23 to 24 of this annual report.

#### COMPLIANCE STATEMENT

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

## Directors' Responsibility Statement

in respect of the preparation of the audited financial statements

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

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

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

## Additional Compliance Information



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

1. **Utilisation of Proceeds Raised From Corporate Proposals**  
This was not applicable during the financial year.
2. **Share Buybacks**  
During the financial year, there were no share buybacks by the Company.
3. **Options, Warrants or Convertible Securities**  
There were no options, warrants or convertible securities issued during the financial year.
4. **American Deposit Receipt ('ADR') or Global Deposit Receipt ('GDR') Programme**  
During the financial year, the Company did not sponsor any ADR or GDR programme.
5. **Imposition of Sanctions/Penalties**  
There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant authorities.
6. **Non-Audit Fees**  
The amount of non-audit fees paid to the auditors are disclosed in note 6 to the financial statements.
7. **Profit Estimate, Forecast or Projection**  
No material variance arose between the audited results for the financial year and the unaudited results previously announced. There were no profit estimate, forecast or projection for the financial year ended 31 December 2003.
8. **Profit Guarantee**  
During the financial year, there were no profit guarantee given by the Company.
9. **Material Contracts**  
There were no material contracts entered into by the Company and/or its subsidiaries which involve Directors' and major shareholders' interest either still subsisting at the end of the financial year.
10. **Revaluation Policy on Landed Properties**  
Landed properties of the Company are not revalued and are stated at cost less accumulated depreciation.
11. **Recurrent Related Party Transactions**  
The details of the related party transactions are set out in note 33 to the financial statements.

## Audit Committee Report

### COMPOSITION, TERMS OF REFERENCE AND FUNCTIONS

#### COMPOSITION OF THE AUDIT COMMITTEE

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

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

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

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

#### TERMS OF REFERENCE

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

##### 1. COMPOSITION OF THE AUDIT COMMITTEE

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

At least one member of the audit committee:-

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

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

## Audit Committee Report (contd.)



### 2. AUTHORITY

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

- (a) investigate any activities within its terms of reference;
- (b) have the resources required to perform its duties;
- (c) have full and unrestricted access to any information and documents relevant to its activities;
- (d) have direct communication channels with the internal and external auditors and senior management of the Group;
- (e) be able to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary; and
- (f) be able to convene meetings with the external auditors, excluding the attendance of the executive member of the Committee, whenever deemed necessary.

### 3. DUTIES

The duties of the Committee should include the following:

- (a) to consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;
- (b) to discuss with the external auditors before audit commences, the nature and scope of the audit, and ensure coordination where more than one audit firm is involved;
- (c) to review the assistance given by the Company and its officers to the external and internal auditors;
- (d) to review the adequacy and the integrity of the Group's internal control systems and management information systems with the external auditors;
- (e) to review the quarterly and year-end financial statements of the Company prior to the approval by the Board; focusing particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) significant adjustments arising from the audit;
  - (iii) the going concern assumption;
  - (iv) compliance with applicable accounting standards approved by the Malaysian Accounting Standards Board ("MASB") and other legal requirements;

## Audit Committee Report (contd.)

### 3. DUTIES (contd.)

- (f) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- (g) to review the external auditors' audit report, management letter and management's response;
- (h) to perform the following in respect of the internal audit function:
  - (i) review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - (ii) review the internal audit program, processes and results of the internal audit process and where necessary ensure that appropriate actions taken on the recommendations of the internal auditors;
  - (iii) review any appraisal or assessment of the performance of the internal audit function;
  - (iv) approve any appointment or termination of internal auditors; and
  - (v) inform itself of resignation of internal auditors and provide the resigning internal auditors an opportunity to submit reasons for resigning;
- (i) to consider any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (j) to consider the major findings of internal investigations and management's response; and
- (k) to consider other topics as defined by the Board

### 4. QUORUM AND PROCEDURES FOR MEETINGS

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

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

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

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

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

## Audit Committee Report (contd.)



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

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

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

### 5. RETIREMENT AND RESIGNATION

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

### 6. REVIEW OF THE AUDIT COMMITTEE

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

### INTERNAL AUDIT

Ernst & Young has been acting as the Group's Internal Auditor since the previous financial year. The areas covered by the internal auditors include internal audit functions, review on the compliances with Malaysian Code on Corporate Governance and review of the Group's Risks Profile and Management. The results of the internal audit function are set out in the Statement of Internal Control.



## Audit Committee Report (contd.)

### MEETINGS AND SUMMARY OF ACTIVITIES

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

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

The main activities undertaken by the Committee were as follows:

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

## Statement on Internal Control



### RESPONSIBILITY

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

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

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

### RISK MANAGEMENT FRAMEWORK AND CONTROL SELF - ASSESSMENT

The Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives. The risk management framework has been formalised in compliance with Bursa Malaysia Listing Requirements with emphasis on compliance with the Corporate Governance and Internal Control. In the 1st quarter of 2004, the management reviewed the risk framework that covers the identification of the principal risks of the Group, the evaluation of the existing controls and the formulation of the action plan with its respective process owners. The revised risk framework has been presented to the Board for deliberation and adoption. The Executive Directors are tasked with the responsibility of continuous monitoring and reviewing strategic directions and significant operational matters of the Group.

### OTHER KEY ELEMENTS OF INTERNAL CONTROL

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

The Group has a clear management structure that clearly defines lines of accountability and delegated authority. There is also proper segregation of duties to ensure safe custody of the Group's assets. At the beginning of the year 2004, the Group's organisation chart has been restructured with the creation of a Central Working Committee, headed by a new Executive Director of Operation. New key management positions were created to enhance the management team, namely Field Operations Senior Manager; Administration, Logistic & Liaison Senior Manager; and Human Resource & Administration Department Head. The establishment of the Human Resource Function ensures that all employees have a clear understanding of their roles and responsibilities and that the Group's operations are carried out in accordance with standards set and expected by the Board. There is a structured and formal employee appraisal system that ensures employees are remunerated based on their performance.

## Statement on Internal Control (contd.)

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

### **INTERNAL AUDIT FUNCTION**

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

The Group has outsourced its Internal Audit function to a reputable accounting firm, whose remit is to the Audit Committee. The internal audit was carried out based on the Internal Audit plan that was approved by the Audit Committee.

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

A number of minor internal control weaknesses were identified during the period, all of which have been or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require a disclosure in the Group's Annual Report. The board confirms that its system of internal control was operational throughout the financial year and up to the date of approval of the Annual report.

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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 2003.

### 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 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year under review.

### RESULTS

	<b>Group RM</b>	<b>Company RM</b>
Profit after taxation	10,080,283	7,393,943
Minority interests	(1,071,672)	-
Net profit for the year	<u>9,008,611</u>	<u>7,393,943</u>

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policies resulting in an increase in Group's net profit by RM2,019,566 as disclosed in Note 30 to the financial statements.

### DIVIDEND

The amount of dividend paid by the Company since 31 December 2002 was as follows:

	<b>RM</b>
In respect of the financial year ended 31 December 2002 as reported in the Directors' Report of that year:	
Final dividend of 5% less 28% taxation, paid on 30 September 2003	<u>2,880,000</u>

No dividend has been proposed for the financial year ended 31 December 2003.

## Directors' Report (contd.)

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### **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  
Lim Ted Hing  
Dr. Edmond Fernandez  
Wong Tet Jung @ Aquinas Wong (Appointed on 15 September 2003)

### **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 33 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:

	Ordinary shares of RM1 each				At 31.12.2003
	At 1.1.2003	At date of appointment	Bought	Sold	
<b>The Company</b>					
<b>Direct Interest</b>					
Loo Ngin Kong	5,307,816	-	-	-	5,307,816
Tengku Datuk Dr. Zainal Adlin Bin Tengku Mahamood	20,001	-	-	-	20,001
Dato' Loo Pang Kee	4,315,657	-	2,304,000	-	6,619,657
Wong Siew Ying	3,748,456	-	-	-	3,748,456
Lim Ted Hing	20,000	-	-	-	20,000
Dr. Edmond Fernandez	20,000	-	-	-	20,000

	Ordinary shares of RM1 each				At 31.12.2003
	At 1.1.2003	At date of appointment	Bought	Sold	
<b>Indirect interest</b>					
Tengku Datuk Dr. Zainal Adlin Bin Tengku Mahamood	2,537,000	-	-	(2,537,000)	-
Dato' Loo Pang Kee	25,600,000	-	-	-	25,600,000
Wong Siew Ying	25,600,000	-	-	-	25,600,000
Wong Tet Jung @ Aquinas Wong	-	150,000	160,000	-	310,000

The Directors, Loo Ngin 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.

## Directors' Report (contd.)

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### SIGNIFICANT EVENTS

- (a) On 16 January 2003, its subsidiary company, Growth Enterprise Sendirian Berhad, completed the acquisitions of:
  - (i) the entire issued and paid up share capital of Permata Alam Sdn. Bhd. for a cash consideration of RM4,250,000; and
  - (ii) the entire issued and paid up share capital of Sungai Kenali Sdn. Bhd. for a cash consideration of RM4,250,000.
- (b) On 31 January 2003, its subsidiary company, Syarikat Sofrah Sdn. Bhd., had disposed of its leasehold plantation for a cash consideration of RM3,700,000.
- (c) On 1 February 2003, its subsidiary company, Growth Enterprise Sendirian Berhad had completed the acquisition of the entire issued and paid up share capital of Kian Merculaba Sdn. Bhd. for a cash consideration of RM2,583,544 and assumption of liabilities totalling RM5,593,470.
- (d) On 11 September 2003, its subsidiary company, Growth Enterprise Sendirian Berhad acquired the remaining 4.5% equity interest in a subsidiary company, Berkat Setia Sdn. Bhd. for a cash consideration of RM1,680,867.
- (e) On 15 November 2003, its subsidiary company, Agrisa Trading Sdn. Bhd., disposed of its leasehold plantation for a cash consideration of RM5,848,800.

### SUBSEQUENT EVENT

On 5 April 2004, the Company announced the following proposals:

- (i) a Bonus issue of 40,000,000 new ordinary shares of RM1.00 each to be credited as fully paid-up shares on the basis of one (1) Bonus Share for every two (2) existing ordinary shares of RM1.00 each held on a date to be determined later; and
- (ii) a Rights Warrants issue of 40,000,000 new Warrants ("Rights Warrants") on the basis of one (1) Rights Warrant for every two (2) existing ordinary shares of RM1.00 each held on a date to be determined later at an indicative issue price of RM0.20 per Rights Warrant.

These proposals are subject to approvals being obtained from the followings parties:-

- (i) Securities Commission ("SC") for the Proposed Rights Warrants Issue;
- (ii) Bursa Malaysia Securities Berhad ("Bursa Malaysia"), for the proposed Bonus Issue, the listing of and quotation for the new ordinary shares to be issued pursuant to the proposed Bonus Issue, and the listing of and quotation of the Warrants pursuant to the proposed Rights Warrants Issue, and the listing of and quotation for the new ordinary shares of the Company to be issued pursuant to the exercise of the Warrants; and
- (iii) Shareholders of the Company, at the Extraordinary General Meeting to be convened, for the proposals.



## Directors' Report (contd.)

### OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary.
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) it necessary to write off any debts or to make a provision for doubtful debts in respect of these financial statements; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which 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 the 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 liability of any other person; or
  - (ii) any contingent liability in respect 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 liability or any 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  
27 April 2004

**Wong Siew Ying**

## Statement by Directors Pursuant to Section 169(15) of the Companies Act, 1965

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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 35 to 80 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

**Loo Ngin Kong**  
Sandakan, Malaysia  
27 April 2004

**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 35 to 80 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 27 April 2004

**Tan Vun Su**

Before me

## Report of the Auditors to the Members of NPC Resources Berhad

We have audited the accompanying financial statements set out on pages 35 to 80. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2003 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies 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  
27 April 2004

## Income Statements For the Year Ended 31 December 2003

	Note	Group		Company	
		2003 (12 months)	2002 (11 months)	2003 (12 months)	2002 (12 months)
		RM	RM (Restated)	RM	RM
Revenue	5	175,090,110	119,799,946	10,793,055	5,097,500
Cost of sales		(154,700,828)	(100,568,780)	-	-
Gross profit		20,389,282	19,231,166	10,793,055	5,097,500
Other operating income		1,084,471	98,693	68,129	25,979
Other operating expenses		(773,929)	(600,130)	-	-
Distribution costs		(2,651,656)	(1,308,994)	-	-
Administrative expenses		(3,279,762)	(2,178,833)	(459,824)	(192,998)
Profit from operations	6	14,768,406	15,241,902	10,401,360	4,930,481
Finance costs	8	(2,443,808)	(1,350,818)	(67,441)	-
Profit before taxation		12,324,598	13,891,084	10,333,919	4,930,481
Taxation	9	(2,244,315)	(2,835,319)	(2,939,976)	(1,423,220)
Profit after taxation		10,080,283	11,055,765	7,393,943	3,507,261
Minority interests		(1,071,672)	(661,387)	-	-
Net profit for the year/period		9,008,611	10,394,378	7,393,943	3,507,261
Net dividend per share (sen)					
- proposed		Sen -	Sen 3.60	-	3.60
Earning per share					
- basic	10	11.26	14.45		
- diluted	10	11.26	14.45		

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

## Balance Sheets

As at 31 December 2003

	Note	Group 2003 RM (Restated)	2002 RM	Company 2003 RM	2002 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	11	210,655,579	191,154,955	-	-
Investment in subsidiary companies	12	-	-	83,682,498	83,618,390
Goodwill on consolidation	13	3,587,913	4,392,187	-	-
Deferred tax assets	28	1,068,276	1,261,174	-	-
		<u>215,311,768</u>	<u>196,808,316</u>	<u>83,682,498</u>	<u>83,618,390</u>
<b>CURRENT ASSETS</b>					
Amount due from subsidiary companies	14	-	-	41,834,902	29,358,132
Inventories	15	10,369,977	7,537,405	-	-
Trade receivables	16	5,191,579	7,048,413	-	-
Other receivables	17	9,824,861	9,491,775	80,686	20,000
Tax refundable		348,648	200,637	2,159	4,080
Fixed deposits placed with licensed banks	18	4,266,701	84,585	-	-
Cash and bank balances	19	2,356,608	2,352,903	11,597	325
		<u>32,358,374</u>	<u>26,715,718</u>	<u>41,929,344</u>	<u>29,382,537</u>
<b>CURRENT LIABILITIES</b>					
Amount due to a subsidiary company	20	-	-	216,976	7,336
Borrowings	21	33,862,626	21,632,550	8,067,441	-
Trade payables	23	13,965,676	11,072,205	-	-
Other payables	24	6,736,972	5,423,660	124,971	305,080
Provision for taxation		916,381	810,155	-	-
		<u>55,481,655</u>	<u>38,938,570</u>	<u>8,409,388</u>	<u>312,416</u>
<b>NET CURRENT (LIABILITIES) / ASSETS</b>		<u>(23,123,281)</u>	<u>(12,222,852)</u>	<u>33,519,956</u>	<u>29,070,121</u>
		<u>192,188,487</u>	<u>184,585,464</u>	<u>117,202,454</u>	<u>112,688,511</u>

## Balance Sheets As at 31 December 2003 (contd.)

	Note	Group		Company	
		2003 RM	2002 RM (Restated)	2003 RM	2002 RM
<b>FINANCED BY:</b>					
Share capital	25	80,000,000	80,000,000	80,000,000	80,000,000
Retained profits	26	16,510,807	10,382,196	8,009,022	3,495,079
Share premium	27	29,193,432	29,193,432	29,193,432	29,193,432
Shareholders' equity		<u>125,704,239</u>	<u>119,575,628</u>	<u>117,202,454</u>	<u>112,688,511</u>
Minority interests		11,212,383	12,029,912	-	-
Borrowings	21	27,711,403	25,554,154	-	-
Deferred tax liabilities	28	27,560,462	27,425,770	-	-
Non-current liabilities		<u>55,271,865</u>	<u>52,979,924</u>	<u>-</u>	<u>-</u>
		<u>192,188,487</u>	<u>184,585,464</u>	<u>117,202,454</u>	<u>112,688,511</u>
<b>NET TANGIBLE ASSETS PER SHARE</b>	29	<u>1.52</u>	<u>1.44</u>		

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

## Statement of Changes in Equity

For the Year Ended 31 December 2003

	Note	Share Capital RM	Share Premium RM	(Accumulated losses)/ Retained Profits RM	Total RM
<b>GROUP</b>					
At date of acquisition		51	-	(12,182)	(12,131)
Issue of shares		79,999,949	30,220,035	-	110,219,984
Net loss not recognised in the income statement - listing expenses set off against share premium		-	(1,026,603)	-	(1,026,603)
Net profit for the period (As restated)		-	-	10,394,378	10,394,378
<b>At 31 December 2002</b>		<u>80,000,000</u>	<u>29,193,432</u>	<u>10,382,196</u>	<u>119,575,628</u>
<b>At 1 January 2003</b>					
-As previously stated		80,000,000	29,193,432	10,103,454	119,296,886
-Prior year adjustments	30	-	-	278,742	278,742
<b>- As restated</b>		<u>80,000,000</u>	<u>29,193,432</u>	<u>10,382,196</u>	<u>119,575,628</u>
Net profit for the year		-	-	9,008,611	9,008,611
Dividend	31	-	-	(2,880,000)	(2,880,000)
<b>At 31 December 2003</b>		<u>80,000,000</u>	<u>29,193,432</u>	<u>16,510,807</u>	<u>125,704,239</u>

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

## Statement of Changes in Equity For the Year Ended 31 December 2003 (contd.)

	Note	Share Capital RM	Share Premium RM	(Accumulated losses)/ Retained Profits RM	Total RM
<b>COMPANY</b>					
<b>At 1 January 2002</b>		51	-	(12,182)	(12,131)
Issue of shares	25	79,999,949	30,220,035	-	110,219,984
Net loss not recognised in the income statement - listing expenses set off against share premium		-	(1,026,603)	-	(1,026,603)
Net profit for the year		-	-	3,507,261	3,507,261
<b>At 31 December 2002</b>		80,000,000	29,193,432	3,495,079	112,688,511
Net profit for the year		-	-	7,393,943	7,393,943
Dividend paid		-	-	(2,880,000)	(2,880,000)
<b>At 31 December 2003</b>		80,000,000	29,193,432	8,009,022	117,202,454

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



## Cash Flow Statements

For the Year Ended 31 December 2003

	2003 (12 months) RM	Group 2002 (11 months) RM (Restated)	2003 (12 months) RM	Company 2002 (12 months) RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	12,324,598	13,891,084	10,333,919	4,930,481
Adjustments for:				
Dividend income	-	-	(10,493,055)	(5,097,500)
Bad debts written off	-	3,180	-	-
Depreciation of property, plant and equipment	5,270,812	4,214,910	-	-
Equipment scrapped	4	-	-	-
Finance costs	2,443,808	1,350,818	67,441	-
Loss on disposal of property, plant and equipment	66,599	57,823	-	-
Interest income	(15,818)	(39,663)	(68,129)	(25,979)
Gain on disposal of investment	(294,260)	-	-	-
Gain on disposal of property, plant and equipment	(233,086)	(17,972)	-	-
Operating profit/(loss) before working capital changes	19,562,657	19,460,180	(159,824)	(192,998)
Changes in working capital:				
Increase in amount due from subsidiary companies	-	-	(12,476,770)	(6,850,484)
Increase in inventories	(2,832,572)	(2,159,126)	-	-
Decrease/(increase) in receivables	1,609,330	(150,473)	(60,686)	-
Increase in amount due to subsidiary company	-	-	209,640	7,336
Increase/(decrease) in payables	3,130,185	1,949,330	(112,668)	(876,583)
Cash generated from/(absorbed by) operations	21,469,600	19,099,911	(12,600,308)	(7,912,729)
Income tax paid	(2,052,882)	(1,152,165)	(2,938,055)	(1,427,300)
Tax refunded	66,359	-	-	-
Interest paid	(641,504)	(268,359)	(67,441)	-
Net cash from/(used in) operating activities	18,841,573	17,679,387	(15,605,804)	(9,340,029)

## Cash Flow Statements For the Year Ended 31 December 2003 (contd.)

	2003 (12 months) RM	Group 2002 (11 months) RM (Restated)	2003 (12 months) RM	Company 2002 (12 months) RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Increase in fixed deposit	(6,986)	(15,766)	-	-
Dividend income	-	-	10,493,055	5,097,500
Interest income	15,818	39,663	68,129	25,979
Balance of proceeds from sales of leasehold plantation withheld by purchaser's solicitor in client's account placed in				
- Fixed deposit accounts	(4,180,000)	-	-	-
- Current account	(1,093,760)	-	-	-
Acquisition of subsidiary companies, net of cash and cash equivalents acquired (Note 32)	(10,487,609)	(16,668,856)	(64,108)	(5,156,573)
Acquisition of shares from minority shareholders	(210,000)	-	-	-
Proceeds from disposal of investment	504,260	-	-	-
Proceeds from disposal of property, plant and equipment	9,710,600	6,129,524	-	-
Proceeds from disposal of investment	-	3,063,976	-	-
Purchase of property, plant and equipment and additions to plantation development expenditure (Note 32)	(12,318,658)	(13,323,294)	-	-
Interest capitalised under plantation development expenditure	(1,955,122)	(2,474,827)	-	-
Real Property Gains tax paid	(2,593)	(57,407)	-	-
Net cash (used in)/from investing activities	(20,024,050)	(23,306,987)	10,497,076	(33,094)

## Cash Flow Statements

For the Year Ended 31 December 2003 (contd.)

	2003 (12 months) RM	Group 2002 (11 months) RM (Restated)	2003 (12 months) RM	Company 2002 (12 months) RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividend paid	(2,880,000)	-	(2,880,000)	-
Dividend paid to minority interest	(691,203)	(162,000)	-	-
Proceeds from issuance of shares	-	10,400,000	-	10,400,000
Proceeds from drawdown of term loans	14,846,556	2,123,240	-	-
Proceeds from drawdown of Bankers' Acceptances	27,736,000	14,124,000	-	-
Proceeds from drawdown of revolving credit	8,000,000	-	8,000,000	-
Repayment of term loans	(13,759,708)	(12,662,260)	-	-
Repayment of bankers' acceptances	(26,863,000)	(10,244,000)	-	-
Repayment of leasing liabilities	(77,456)	(181,639)	-	-
Repayment of hire purchase liabilities	(2,620,524)	(1,286,875)	-	-
Interest paid on hire purchase	(389,660)	(294,887)	-	-
Interest paid on leasing	(5,986)	(17,705)	-	-
Interest paid on term loans	(1,080,753)	(694,162)	-	-
Interest paid on bankers' acceptances	(325,905)	(75,705)	-	-
Payment of listing expenses	-	(1,026,603)	-	(1,026,603)
Net cash from financing activities	1,888,361	1,404	5,120,000	9,373,397
Net increase/(decrease) in cash and cash equivalents	705,884	(5,626,196)	11,272	274
Cash and cash equivalents at beginning of year/date of acquisition	(5,626,145)	51	325	51
Cash and cash equivalents at end of year/period (Note 32)	(4,920,261)	(5,626,145)	11,597	325

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

## Notes to the Financial Statements - 31 December 2003

### 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated in and domiciled in Malaysia and is listed on the Main Board of the Bursa Malaysia Securities Berhad ("Bursa Malaysia"). 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 is located at Lot 8 & 9, T3 Taman Tshun Ngen, Mile 5, Jalan Labuk, 90000 Sandakan, Sabah.

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

The number of employees of the Group and of the Company at the end of the financial year were 1,054 (2002: 1,291) and 4 (2002: 4) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 April 2004.

### 2. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the Group's business operations whilst managing its 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 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 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, credit 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.

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

#### (d) Fair value

The fair values of the financial assets and financial liabilities as at the balance sheet date approximate their carrying amounts as shown in the balance sheets, except for the amounts due from/to subsidiary companies as stated in Notes 14 and 20 to the financial statements.

The amounts due from/to subsidiary companies are not carried at fair value at the balance sheet date as it is not practical to estimate their fair values 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 and settled.

## Notes to the Financial Statements

31 December 2003 (contd.)

### 2. FINANCIAL RISK MANAGEMENT POLICIES (contd.)

#### (d) Fair value (contd.)

The nominal amount and fair value of the contingent liabilities of the Company as disclosed in Note 35 to the financial statements not recognised in the balance sheet as at 31 December 2003 are RM54,880,178 (2002: RM30,015,179) and RM29,413,130 (2002: RM 17,146,539) 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 Approved Accounting Standards in Malaysia.

During the financial year ended 31 December 2003, the Company changed its accounting policy for plantation development expenditure and adopted the following MASB Standards:

MASB 25 - Income Taxes

MASB 27 - Borrowing Costs

MASB 29 - Employee Benefits

The effects of the change in accounting policy on plantation development expenditure and adoption of MASB 25 are summarised in the Statement of Changes in Equity and further information is disclosed in Note 30 to the financial statements. The adoption of MASB 27 and 29 have not given rise to any adjustments to the opening balances of retained profits of current year or to changes in comparative.

#### (b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December 2003. Particulars of its subsidiaries are set out in Note 12 to the financial statements.

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

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### (b) Basis of Consolidation (contd.)

Intragroup 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 are measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

#### (c) 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(k).

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.

#### (d) 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 arising on the acquisition of subsidiaries is presented separately in the balance sheet and is not amortised.

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(k).

#### (e) Depreciation of Property, Plant and Equipment

(i) 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(k).

(ii) Long leasehold lands (with remaining lease period of more than 50 years) are stated at cost and not amortised. The effect on the non-amortisation of the long term leases is disclosed in Note 11 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. With effect from 1 January 2003, plantation development expenditure of the Group's matured estates is not amortised. Previously, amortisation was provided on plantation development expenditure of matured estates. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 30 to the financial statements.

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

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

## Notes to the Financial Statements

31 December 2003 (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### (e) Depreciation of Property, Plant and Equipment (contd.)

(iii) All other property, plant and equipment are depreciated over their estimated useful lives by equal annual instalments. The estimated useful lives are as follows:

Buildings	10 - 50 years
Mill structure	20 years
Oil mill plant and machinery	5 - 12 years
Heavy equipment	5 - 12 years
Motor vehicles	5 - 12 years
Furniture, fittings and equipment	5 - 10 years

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.

#### (f) Inventories

All categories of inventories are valued at the lower of cost and net realisable value. In arriving at the net realisable value, due allowance is made for all damaged, obsolete and slow moving items, where applicable.

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.

#### (g) Leased Plant and Equipment

Plant and equipment held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the Group are capitalised. The capital element of the related rental obligations is included in liabilities. The interest element of the rental obligations is written off to the income statement so as to produce a constant periodic rate of charge. These plant and equipment are depreciated over their expected useful lives on the basis outlined in Note 3(e)(iii) above.

#### (h) 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.

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 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 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 substantially 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.

Prior to the adoption of MASB 25 - Income Taxes with effect from 1 January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognised unless there was reasonable expectation of their realisation. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed in Note 30 to the financial statements.

#### (k) 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.



## Notes to the Financial Statements

31 December 2003 (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### (k) Impairment of Assets (contd.)

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.

#### (l) 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 (EPF). Such contributions are recognised as an expense in the income statement as incurred.

#### (m) Revenue Recognition

Revenue of the Group derived 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.

#### (n) Financial Instruments

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

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

##### (i) 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 - 31 December 2003 (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### (n) Financial Instruments (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 charged to the income statement as an expense in the period in which they are incurred.

### 4. SIGNIFICANT EVENTS

- (a) On 16 January 2003, its subsidiary company, Growth Enterprise Sendirian Berhad, completed the acquisitions of:
- (i) the entire issued and paid up share capital of Permata Alam Sdn. Bhd. for a cash consideration of RM4,250,000; and
  - (ii) the entire issued and paid up share capital of Sungai Kenali Sdn. Bhd. for a cash consideration of RM4,250,000.
- (b) On 31 January 2003, its subsidiary company, Syarikat Sofrah Sdn. Bhd., had disposed of its leasehold plantation for a cash consideration of RM3,700,000.
- (c) On 1 February 2003, its subsidiary company, Growth Enterprise Sendirian Berhad had completed the acquisition of the entire issued and paid up share capital of Kian Merculaba Sdn. Bhd. for a cash consideration of RM2,583,504 and assumption of liabilities totalling RM5,593,470.
- (d) On 11 September 2003, its subsidiary company, Growth Enterprise Sendirian Berhad acquired the remaining 4.5% equity interest in a subsidiary company, Berkati Setia Sdn. Bhd. for a cash consideration of RM1,680,867.
- (e) On 15 November 2003, its subsidiary company, Agrisa Trading Sdn. Bhd., disposed of its leasehold plantation for a cash consideration of RM5,848,800.

### 5. REVENUE

	Group		Company	
	2003 (12 months) RM	2002 (11 months) RM	2003 (12 months) RM	2002 (12 months) RM
<b>Revenue comprises:</b>				
Management fees	-	-	300,000	-
Sales of crude palm oil	157,283,116	106,936,296	-	-
Sales of palm kernel	17,262,690	12,607,745	-	-
Sales of fresh fruit bunches	467,851	255,905	-	-
Dividend	-	-	10,493,055	5,097,500
Transportation income	76,453	-	-	-
	175,090,110	119,799,946	10,793,055	5,097,500

## Notes to the Financial Statements

31 December 2003 (contd.)

### 6. PROFIT FROM OPERATIONS

	Group		Company	
	2003 (12 months) RM	2002 (11 months) RM (Restated)	2003 (12 months) RM	2002 (12 months) RM
<b>(i) This is stated after charging/ (crediting):</b>				
Auditors' remuneration				
- statutory audit	104,300	98,900	15,000	15,000
- special audit	600	-	-	-
- other services	29,000	-	29,000	-
- underprovision in respect of prior year	1,800	1,200	500	-
Bad debts written off	-	3,180	-	-
Depreciation of property, plant and equipment (Note 11)	5,270,812	4,214,910	-	-
Directors' remuneration (Note 7)	996,168	568,973	200,960	109,000
Equipment scrapped	4	-	-	-
Land rental	117,281	61,250	-	-
Loss on disposal of property, plant and equipment	66,599	57,823	-	-
Management fees	-	-	-	1,200
Gain on disposal of investment	(294,260)	-	-	-
Gain on disposal of property, plant and equipment	(233,086)	(17,972)	-	-
Interest income	(3,861)	(37,337)	(68,129)	(25,979)
Interest income on fixed deposits	(11,957)	(2,326)	-	-
Management fees received	(7,500)	(8,000)	-	-
Rental income	(19,623)	(70,700)	-	-
	<u>8,427,046</u>	<u>8,538,538</u>	<u>182,000</u>	<u>109,000</u>
<b>(ii) Staff costs:</b>				
Salaries and wages	8,427,046	8,538,538	182,000	109,000
Employees' Provident Fund contributions	333,062	385,924	18,960	-
SOCSSO contributions	29,087	32,031	-	-
	<u>8,789,195</u>	<u>8,956,493</u>	<u>200,960</u>	<u>109,000</u>
Staff costs are taken up in the financial statements as follows:				
Capitalised in plantation development expenditure	1,204,538	1,374,945	-	-
Recognised in income statement	7,825,615	8,088,503	200,960	109,000
	<u>9,030,153</u>	<u>9,463,448</u>	<u>200,960</u>	<u>109,000</u>

Included in staff costs of the Group and of the Company are Executive Directors' remuneration of RM1,510,419 (2002: RM912,185) and RM109,760 (2002: RM30,000) respectively as further disclosed in Note 7.

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 7. DIRECTORS' REMUNERATION

	Group		Company	
	2003 (12 months) RM	2002 (11 months) RM (Restated)	2003 (12 months) RM	2002 (12 months) RM
<b>Directors of the Company</b>				
Executive				
- emoluments	1,510,419	842,424	109,760	-
- fees	-	42,000	-	30,000
	<u>1,510,419</u>	<u>884,424</u>	<u>109,760</u>	<u>30,000</u>
Non Executive				
- emoluments	200,960	-	91,200	-
- fees	-	79,000	-	79,000
	<u>200,960</u>	<u>79,000</u>	<u>91,200</u>	<u>79,000</u>
<b>Other Directors</b>				
Executive				
- emoluments	-	27,761	-	-
	<u>-</u>	<u>27,761</u>	<u>-</u>	<u>-</u>
Non Executive				
- fees	-	10,000	-	-
- emoluments	39,998	-	-	-
	<u>39,998</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>1,751,377</u>	<u>1,001,185</u>	<u>200,960</u>	<u>109,000</u>
Directors' remuneration is taken up in the financial statements as follows:				
Recognised in income statement	996,168	568,973	200,960	109,000
Capitalised in plantation development expenditure	755,209	432,212	-	-
	<u>1,751,377</u>	<u>1,001,185</u>	<u>200,960</u>	<u>109,000</u>

Other than the Directors' remuneration stated above, the value of benefits-in-kind provided to the Executive Directors of the Group amounted to RM24,252 (2002: RM37,989).

## Notes to the Financial Statements

31 December 2003 (contd.)

### 8. FINANCE COSTS

	Group		Company	
	2003 (12 months) RM	2002 (11 months) RM	2003 (12 months) RM	2002 (12 months) RM
Interest on -				
Bankers' Acceptances	325,905	75,705	-	-
Bank overdrafts	533,380	268,359	-	-
Bank loans	1,080,753	694,162	-	-
Hire purchase	389,660	294,887	-	-
Leasing	5,986	17,705	-	-
Revolving credit	67,441	-	67,441	-
Others	40,683	-	-	-
	<u>2,443,808</u>	<u>1,350,818</u>	<u>67,441</u>	<u>-</u>

### 9. TAXATION

	Group		Company	
	2003 (12 months) RM	2002 (11 months) RM (Restated)	2003 (12 months) RM	2002 (12 months) RM
The income tax expense is made up as follows:				
On profit for the year/period:				
Malaysian income tax	1,875,847	1,603,928	2,939,855	1,423,220
Deferred tax: Relating to origination and reversal of temporary differences (Note 28)	296,984	1,123,996	-	-
Prior year item: (Over)/Underprovision of Malaysian income tax	(66,109)	49,988	121	-
Real Property Gains Tax	137,593	57,407	-	-
	<u>2,244,315</u>	<u>2,835,319</u>	<u>2,939,976</u>	<u>1,423,220</u>

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 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	
	2003 (12 months) RM	2002 (11 months) RM (Restated)	2003 (12 months) RM	2002 (12 months) RM
Profit before taxation	12,324,598	13,891,084	10,333,919	4,930,481
Tax expense at Malaysian statutory tax rate of 28%	3,450,887	3,889,504	2,893,497	1,380,535
Effect of income subject to tax rate of 20%*	(195,197)	-	-	-
Income not subject to tax	(368,086)	(113,007)	-	-
Expenses not deductible for tax purposes	352,267	365,514	46,358	42,685
Utilisation of current year reinvestment allowance	(235,351)	-	-	-
Utilisation of previously unrecognised unutilised reinvestment allowance	(23,727)	-	-	-
Tax expense on short fall of tax credit under Section 108 of the Income Tax Act, 1967	-	113,745	-	-
Deferred tax not recognised	(807,962)	(1,527,832)	-	-
(Over)/underprovided in prior years	(66,109)	49,988	121	-
Real Property Gains Tax	137,593	57,407	-	-
Tax expense for the year	2,244,315	2,835,319	2,939,976	1,423,220

\* The income tax rate applicable to the first RM100,000 of certain subsidiaries is reduced from 28% to 20%. This is in accordance to paragraph 2A, Schedule 1, Part 1 of the Income Tax Act, 1967 where the first RM100,000 of the chargeable income of a small and medium scale company is subject to a lower tax rate of 20%.

## Notes to the Financial Statements

31 December 2003 (contd.)

### 9. TAXATION (contd.)

	Group		Company	
	2003 (12 months) RM	2002 (11 months) RM (Restated)	2003 (12 months) RM	2002 (12 months) RM
<b>Tax losses are analysed as follows:</b>				
<i>Tax savings recognised during the year arising from:</i>				
Utilisation of current year tax losses	27,010	2,709	-	-
Utilisation of tax losses brought forward	455,038	35,641	-	-
<i>Unutilised tax losses carried forward</i>	14,076,838	10,396,813	-	-
<b>Unabsorbed capital allowances are analysed as follows:</b>				
<i>Tax savings recognised during the year arising from:</i>				
Utilisation of current year unabsorbed capital and agriculture allowances	1,466,854	2,048,590	-	-
Utilisation of unabsorbed capital and agriculture allowances brought forward from previous years	1,015,663	410,981	-	-
Unabsorbed capital and agriculture allowances carried forward	15,987,252	12,906,038	-	-

### 10. EARNINGS PER SHARE - GROUP

The basic and diluted earnings per share is calculated by dividing the Group's profit after minority interests and tax with the weighted average ordinary shares in issue during the year held by the Company.

	2003 RM	2002 RM
Consolidated profit after minority interests and tax	9,008,611	10,394,378
Weighted average number of ordinary shares in issue	80,000,000	71,890,415
Basic and diluted earnings per ordinary share (Sen)	11.26	14.45

## 11. 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
<b>Cost -</b>									
<b>At 1 January 2003</b>									
- As previously stated	69,472,097	22,513,247	89,400,066	25,936,203	9,780,033	2,385,350	3,880,875	132,257	223,500,128
- Reclassifications	(488,450)	(129,863)	632,904	-	598,126	-	(612,717)	-	-
As restated	68,983,647	22,383,384	90,032,970	25,936,203	10,378,159	2,385,350	3,268,158	132,257	223,500,128
Additions	920,737	61,138	8,137,905	2,419,458	2,426,885	1,153,625	417,069	2,360,275	17,897,092
Disposals	(5,250,450)	-	(4,230,627)	(23,000)	(7,300)	-	(40,932)	(68,077)	(9,620,386)
Scrapped	-	-	-	(604,748)	-	-	-	-	(604,748)
Reclassifications	454,334	260,642	378,620	171,018	-	-	-	(1,264,614)	-
Acquisition of subsidiaries	7,170,795	-	9,799,571	-	194,200	2,800	46,924	-	17,214,290
At 31 December 2003	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
<b>Accumulated Depreciation -</b>									
<b>At 1 January 2003</b>									
- As previously stated	3,784,115	8,482,519	7,483,298	11,466,715	5,563,418	1,063,587	2,077,076	-	39,920,728
- Prior year adjustment	-	-	(7,575,555)	-	-	-	-	-	(7,575,555)
- Reclassifications	(69,577)	(21,551)	92,257	-	187,076	-	(188,205)	-	-
As restated	3,714,538	8,460,968	-	11,466,715	5,750,494	1,063,587	1,888,871	-	32,345,173
Charge for the year	460,741	1,126,357	-	2,019,734	1,493,996	194,618	319,854	-	5,615,300
Disposals	(44,531)	-	-	(17,628)	(1,221)	-	(12,893)	-	(76,273)
Scrapped	-	-	-	(604,744)	-	-	-	-	(604,744)
Acquisition of subsidiaries	396,145	-	-	-	23,498	2,799	28,899	-	451,341
At 31 December 2003	4,526,893	9,587,325	-	12,864,077	7,266,767	1,261,004	2,224,731	-	37,730,797



Notes to the Financial Statements  
31 December 2003 (contd.)

11. PROPERTY, PLANT AND EQUIPMENT (contd.)

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
<b>Net Book Value -</b>									
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
At 31 December 2002	65,269,109	13,922,416	90,032,970	14,469,488	4,627,665	1,321,763	1,379,287	132,257	191,154,955
<b>Depreciation charge for 2002</b>	348,178	1,020,747	-	1,591,444	1,103,383	236,395	266,076	-	4,566,223

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 11. PROPERTY, PLANT AND EQUIPMENT (contd.)

#### Group

#### Leasehold lands and buildings comprise:-

#### 2003

	Cost RM	Accumulated Depreciation RM	Net Book Value RM
Long leasehold land	62,144,887	-	62,144,887
Short leasehold land	1,054,400	273,246	781,154
Buildings	9,079,776	4,253,647	4,826,129
	<u>72,279,063</u>	<u>4,526,893</u>	<u>67,752,170</u>

#### 2002 (Restated)

Long leasehold land	60,471,906	-	60,471,906
Short leasehold land	1,054,400	253,740	800,660
Buildings	7,457,341	3,460,798	3,996,543
	<u>68,983,647</u>	<u>3,714,538</u>	<u>65,269,109</u>

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

	Group	
	2003 (12 months) RM	2002 (11 months) RM (Restated)
Recognised in income statement	5,270,812	4,214,910
Capitalised in plantation development expenditure	344,488	351,313
	<u>5,615,300</u>	<u>4,566,223</u>

## Notes to the Financial Statements

31 December 2003 (contd.)

### 11. PROPERTY, PLANT AND EQUIPMENT (contd.)

Plantation development expenditure capitalised during the financial year/period included the following:

	Group	
	2003 (12 months) RM	2002 (11 months) RM
Depreciation of property, plant and equipment	344,488	351,313
Directors' remuneration (Note 7)	755,209	432,212
Equipment hiring charges	-	121,504
Interest on term loans	1,869,117	2,043,380
Interest on bank overdrafts	29,335	391,637
Interest on hire purchase	49,328	34,911
Interest on leasing	858	4,899
Other interest	6,484	-

The net book value of plant and equipment acquired under leasing and hire purchase arrangements are as follows:

#### 2003

	Oil mill machinery RM	Heavy equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Total RM
<b>Leasing</b>					
Cost	-	108,750	-	-	108,750
Accumulated Depreciation	-	(21,750)	-	-	(21,750)
Net Book Value	-	87,000	-	-	87,000
<b>Hire purchase</b>					
Cost	2,511,649	4,618,775	2,409,105	53,000	9,592,529
Accumulated Depreciation	(413,554)	(1,019,557)	(347,103)	(12,367)	(1,792,581)
Net Book Value	2,098,095	3,599,218	2,062,002	40,633	7,799,948

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 11. PROPERTY, PLANT AND EQUIPMENT (contd.)

2002

	Oil mill machinery RM	Heavy equipment RM	Motor vehicles RM	Furniture, fittings and equipment RM	Total RM
<b>Leasing</b>					
Cost	-	264,750	-	-	264,750
Accumulated Depreciation	-	(79,538)	-	-	(79,538)
Net Book Value	-	185,212	-	-	185,212
<b>Hire purchase</b>					
Cost	2,141,380	2,974,150	1,217,500	53,000	6,386,030
Accumulated Depreciation	(231,184)	(574,815)	(153,050)	(7,067)	(966,116)
Net Book Value	1,910,196	2,399,335	1,064,450	45,933	5,419,914

Property, plant and equipment of the Group with a total net book value amounting to RM96,666,009 (2002: RM95,065,913) have been charged to banks as securities for banking facilities granted to the Group. The details of the bank facilities are stated in Note 21 to the financial statements.

The financial effect of non-amortisation of long leasehold land as stated in Note 3(e)(ii) on the financial results of the group, is a decrease in amortisation charge of RM767,351 (2002: RM742,941).

### 12. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2003 RM	2002 RM
Unquoted shares - at cost	83,682,498	83,618,390

## Notes to the Financial Statements

31 December 2003 (contd.)

### 12. INVESTMENT IN SUBSIDIARY COMPANIES (contd.)

The particulars of subsidiary companies which are incorporated in Malaysia, at 31 December 2003 are:

Subsidiary companies	Principal activities	Effective interest held by the Group	
		2003 %	2002 %
Natural Plantation Sdn. Bhd.	Operation of an oil palm plantation and investment holding	100	100
<b>Subsidiaries of Natural Plantation Sdn. Bhd.</b>			
Syarikat Emashijau Sdn. Bhd.	Provision of management services on purchasing of consumable stores	100	100
Wenow Enterprise Sdn. Bhd.	Trading of fresh fruit bunches	100	100
Summer Focus Sdn. Bhd.	Dormant	100	100
Growth Enterprise Sendirian Berhad	Operation of oil palm plantations	100	100
Ngin Kong Holdings Sdn. Bhd.	Investment holding and provision of management services	100	100
<b>Subsidiaries of Growth Enterprise Sendirian Berhad</b>			
Ballerina Sdn. Bhd.	Operation of an oil palm plantation	100	100
Bintang Kinabalu Plantation Sdn. Bhd.	Operation of oil palm plantations	100	100
Intan Ramai Sdn. Bhd.	Operation of an oil palm plantation which is currently under development	100	100
Miasa Plantation 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
Soon Tai Enterprise Sdn. Bhd.	Operation of an oil palm plantation	100	100

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 12. INVESTMENT IN SUBSIDIARY COMPANIES (contd.)

Subsidiary companies	Principal activities	Effective interest held by the Group	
		2003 %	2002 %
<b>Subsidiaries of Growth Enterprise Sendirian Berhad</b>			
Syarikat Sofrah Sdn. Bhd.	Operation of an oil palm plantation	100	100
Transglobe Enterprise Sdn. Bhd.	Operation of an oil palm plantation	100	100
Kidat Sendirian Berhad	Provision of transportation services	100	100
Telupid Kelapa Sawit Sdn. Bhd.	Operation of oil palm plantations	70	70
Berkat Setia Sdn. Bhd.	Operation of palm oil mill and oil palm plantations	100	95.5
Agrisa Trading Sdn. Bhd.	Operation of an oil palm plantation	100	95.5
Seraya Plantation Sdn. Bhd.	Operation of an oil palm plantation	100	100
Sebuda Sdn. Bhd.	Operation of an oil palm plantation	100	100
Bonus Indah Sdn. Bhd.	Operation of an oil palm plantation	70	70
Syarikat Jejco Sdn. Bhd.	Operation of an oil palm plantation	100	100
Permata Alam Sdn. Bhd.	Operation of an oil palm plantation	100	-
Sungai Kenali Sdn. Bhd.	Operation of an oil palm plantation	100	-
Kian Merculaba Sdn. Bhd.	Operation of an oil palm plantation	100	-
<b>Subsidiaries of Ngin Kong Holdings Sdn. Bhd.</b>			
Dat Soon Trading Sendirian Berhad	Trading of fresh fruit bunches Berhad	100	100
Deltafort Sdn. Bhd.	Subleasing of its leasehold land	100	100
Mature Land Sdn. Bhd.	Subleasing of its leasehold land	100	100
Sungai Ruku Oil Palm Plantation Sdn. Bhd.	Operation of palm oil mill and oil palm plantations	100	100
Ladang Zupakeja Sdn. Bhd.	Operation of an oil palm plantation	73.5	73.5

## Notes to the Financial Statements

31 December 2003 (contd.)

### 12. INVESTMENT IN SUBSIDIARY COMPANIES (contd.)

(a) *Acquisitions of Subsidiaries*

(i) *Acquisitions in 2003*

During the year, a subsidiary company, Growth Enterprise Sendirian Behad completed the acquisition of the entire interest of the following companies for a total acquisition cost of RM10,549,306:

	<b>Purchase consideration RM</b>	<b>Assignment of debts RM</b>	<b>Incidental cost RM</b>	<b>Cost of acquisition RM</b>
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
	<u>11,083,544</u>	<u>(826,604)</u>	<u>292,366</u>	<u>10,549,306</u>

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

(ii) *Acquisitions in 2002*

In previous year, in connection with the listing exercise, the Group acquired the equity interest of twenty seven subsidiaries for a total consideration of RM99,819,984.

Goodwill arising from the above acquisitions which have been accounted for using the acquisition method of accounting, is as disclosed in Note 13 to the financial statements.

(b) *Effects of the Acquisitions*

(i) *The effects of the acquisitions on the financial results of the Group from the date of acquisitions to the end of financial year/period were as follows:*

	<b>Acquisitions in 2003 RM</b>	<b>Acquisitions in 2002 RM</b>
Revenue	3,845,558	119,799,946
Operating cost	(1,774,824)	(107,084,855)
Profit before taxation	<u>2,070,734</u>	<u>12,715,091</u>
Taxation	(326,232)	(1,715,403)
Profit after taxation	<u>1,744,502</u>	<u>10,999,688</u>
Minority interests	-	(721,113)
Increase in net profit of the Group	<u>1,744,502</u>	<u>10,278,575</u>

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 12. INVESTMENT IN SUBSIDIARY COMPANIES (contd.)

#### (b) Effects of the Acquisitions (contd.)

- (ii) The effects of the aforementioned acquisitions on the financial position of the Group as at the end of the financial year/period were as follows:

	Acquisitions in 2003 RM	Acquisitions in 2002 RM
Property, plant and equipment	16,959,476	183,579,400
Trade receivables	428	7,048,413
Other receivables	1,479	9,471,775
Inventories	-	7,537,405
Tax refundable	-	196,557
Fixed deposits	-	84,585
Cash and bank balances	17,904	2,352,578
Trade payables	(115)	(11,072,205)
Other payables	(10,774)	(5,118,580)
Hire purchase liabilities	-	(3,729,737)
Leasing liabilities	-	(104,336)
Provision for taxation	(138,250)	(810,155)
Deferred taxation	(136,838)	(663,655)
Amount due to bankers	-	(43,352,631)
Minority interests	-	(14,665,868)
	<hr/>	<hr/>
Increase in Group's net assets	16,693,310	130,753,546
	<hr/>	<hr/>

### 13. GOODWILL ON CONSOLIDATION

	2003 RM	Group 2002 RM
At 1 January/date of acquisition		
- As previously stated	(11,175,985)	(11,175,985)
- Prior year adjustment arising from adoption of MASB 25	15,568,172	15,568,172
	<hr/>	<hr/>
At 1 January (Restated)	4,392,187	4,392,187
Arising from acquisition of subsidiaries during the year	99,360	-
Arising from acquisition of an additional equity interest held by minority	(903,634)	-
	<hr/>	<hr/>
At 31 December	3,587,913	4,392,187
	<hr/>	<hr/>



## Notes to the Financial Statements

31 December 2003 (contd.)

### 14. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

	2003 RM	Company 2002 RM
Settlement of purchase consideration on behalf of subsidiaries for acquisition of their subsidiary companies by way of issuance of shares in the Company	21,358,167	21,358,167
Advances	20,476,735	7,999,965
	41,834,902	29,358,132

The advances are unsecured, interest-free and have no fixed term of repayment.

### 15. INVENTORIES

	2003 RM	Group 2002 RM
<b>At cost -</b>		
Fresh fruit bunches	38,078	17,391
Oil palm nurseries	274,039	152,891
Consumable stores	1,311,077	1,316,380
Crude palm oil and palm kernel	8,689,115	5,981,765
Culverts	57,668	68,978
	10,369,977	7,537,405

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

## Notes to the Financial Statements - 31 December 2003 (contd.)

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### 16. TRADE RECEIVABLES

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

### 17. OTHER RECEIVABLES

Other receivables in previous year included deposits totalling to RM3,050,000 paid for the acquisitions of three companies as referred to in Note 12(a)(i) to the financial statements.

### 18. FIXED DEPOSITS PLACED WITH LICENSED BANKS

Fixed deposits of the Group amounting to RM86,701 (2002: RM79,715) are held under lien to secure bank guarantees issued in favour of third parties on behalf of the Group.

Included in the fixed deposits is 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 solicitor upon completion of certain formalities. The deposit is placed in the client's account of the solicitors' firm of the purchaser with a licensed bank in favour of the Group.

### 19. CASH AND BANK BALANCES

Included in the cash and bank balances is 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 solicitor upon completion of certain formalities. The amount is placed in the client's account of the solicitors' firm of the purchaser in favour of the Group.

### 20. AMOUNT DUE TO A SUBSIDIARY COMPANY

This represents unsecured and interest-free advances from a subsidiary company with no fixed term of repayment.

## Notes to the Financial Statements

31 December 2003 (contd.)

### 21. BORROWINGS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>Short Term Borrowings</b>				
<b>Secured:</b>				
Bank overdrafts	6,183,109	7,983,918	-	-
Revolving credit	8,067,441	-	8,067,441	-
Bankers' acceptances	5,753,000	4,880,000	-	-
Bank loans	9,921,069	5,651,934	-	-
Islamic bank loans	1,842,037	1,092,483	-	-
Hire purchase and finance lease payables (Note 22)	2,095,970	2,024,215	-	-
	<u>33,862,626</u>	<u>21,632,550</u>	<u>8,067,441</u>	<u>-</u>
<b>Long Term Borrowings</b>				
<b>Secured:</b>				
Bank loans	16,038,313	17,144,296	-	-
Islamic bank loans	9,354,143	6,600,000	-	-
Hire purchase and finance lease payables (Note 22)	2,318,947	1,809,858	-	-
	<u>27,711,403</u>	<u>25,554,154</u>	<u>-</u>	<u>-</u>
<b>Total Borrowings</b>				
<b>Secured:</b>				
Bank overdrafts (Note 32)	6,183,109	7,983,918	-	-
Revolving credit	8,067,441	-	8,067,441	-
Bankers' acceptances	5,753,000	4,880,000	-	-
Bank loans	25,959,382	22,796,230	-	-
Islamic bank loans	11,196,180	7,692,483	-	-
Hire purchase and finance lease payables (Note 22)	4,414,917	3,834,073	-	-
	<u>61,574,029</u>	<u>47,186,704</u>	<u>8,067,441</u>	<u>-</u>

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 21. BORROWINGS (contd.)

#### Maturity of Borrowings (excluding hire purchase and finance lease)

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Within one year	31,766,656	19,608,335	8,067,441	-
More than 1 year and less than 2 years	11,245,824	6,337,255	-	-
More than 2 years and less than 5 years	12,584,658	12,840,945	-	-
5 years or more	1,561,974	4,566,096	-	-
	<u>57,159,112</u>	<u>43,352,631</u>	<u>8,067,441</u>	<u>-</u>

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

	Group		Company	
	2003 %	2002 %	2003 %	2002 %
Bankers' Acceptances	4.50 - 6.50	4.55 - 6.62	-	-
Bank overdrafts	7.00 - 8.00	6.30 - 9.30	-	-
Bank loans	4.55 - 8.90	4.10 - 9.50	-	-
Islamic bank loans	5.35 - 8.50	6.00 - 8.92	-	-
Revolving credit	4.90	-	4.90	-

The borrowings are secured by:

- legal charges over several parcels of leasehold land and plantations of the Group together with the palm oil mill erected thereon;
- debentures incorporating fixed and floating charges over the assets of certain subsidiary companies;
- joint and several guarantees issued by certain Directors of the Company and some third parties; and
- corporate guarantee given by the Company.

The bank loans are repayable by 36 to 84 monthly instalments.

The Islamic bank loans are repayable by 48 to 60 monthly instalments.

## Notes to the Financial Statements

31 December 2003 (contd.)

### 22. HIRE PURCHASE AND FINANCE LEASE PAYABLES

	2003 RM	Group 2002 RM
<b>Minimum lease payments:</b>		
Within 1 year	2,404,123	2,392,304
More than 1 year and less than 2 years	1,461,649	1,398,824
More than 2 years and less than 5 years	1,042,052	568,147
More than 5 years	32,012	-
	<u>4,939,836</u>	<u>4,359,275</u>
Less: Future interest charges	(524,919)	(525,202)
Present value of hire purchase and finance lease liabilities	<u>4,414,917</u>	<u>3,834,073</u>
<b>Present value of hire purchase and finance lease liabilities:</b>		
Within 1 year	2,095,970	2,024,215
More than 1 year and less than 2 years	1,320,473	1,413,631
More than 2 years and less than 5 years	968,927	396,227
More than 5 years	29,547	-
	<u>4,414,917</u>	<u>3,834,073</u>
<b>Analysed as:</b>		
Due within 12 months	2,095,970	2,024,215
Due after 12 months	2,318,947	1,809,858
	<u>4,414,917</u>	<u>3,834,073</u>

The hire purchase and lease liabilities bore interest at the balance sheet date of between 6.80% to 9.50% (2002: 6.80% to 9.50%).

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 23. TRADE PAYABLES

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

### 24. OTHER PAYABLES

Other payables in previous year included a deposit amounting to RM1,110,000 received in relation to the disposal of leasehold plantation of a subsidiary company.

### 25. SHARE CAPITAL

	Company	
	2003 RM	2002 RM
<b>Authorised:</b>		
500,000,000 ordinary shares of RM1 each	500,000,000	500,000,000
<b>Issued and fully paid:</b>		
80,000,000 ordinary shares of RM1 each	80,000,000	80,000,000

### 26. RETAINED PROFITS (DISTRIBUTABLE)

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank its entire retained profits as at 31 December 2003 by way of dividends.

### 27. SHARE PREMIUM (NON-DISTRIBUTABLE)

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
The share premium arose due to the following:				
At beginning of year	29,193,432	-	29,193,432	-
Issuance of 71,999,949 ordinary shares at a premium of RM0.386 per share	-	27,820,035	-	27,820,035
Issuance of 8,000,000 ordinary shares at a premium of RM0.30 per share	-	2,400,000	-	2,400,000
Less: Listing expenses set off against share premium	-	(1,026,603)	-	(1,026,603)
At end of year	29,193,432	29,193,432	29,193,432	29,193,432

## Notes to the Financial Statements

31 December 2003 (contd.)

### 28. DEFERRED TAXATION

	Group	
	2003 RM	2002 RM
At 1 January/date of acquisition		
- As previously stated	663,655	663,655
- Prior year adjustment	25,500,941	24,376,945
	26,164,596	25,040,600
At 1 January/date of acquisition (Restated)		
Arising from acquisition of subsidiaries	30,606	-
Recognised in income statement (Note 9)	296,984	1,123,996
	26,492,186	26,164,596
At 31 December	26,492,186	26,164,596
 <b>Presented after appropriate offsetting as follows:</b>		
Deferred tax assets	(1,068,276)	(1,261,174)
Deferred tax liabilities	27,560,462	27,425,770
	26,492,186	26,164,596

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:

	Accelerated Capital and Agriculture Allowances RM	Fair Value Adjustment RM	Total RM
At 1 January 2003	13,014,793	18,799,892	31,814,685
Arising from acquisition of subsidiaries	30,606	-	30,606
Recognised in the income statement	1,822,372	-	1,822,372
	14,867,771	18,799,892	33,667,663
At 31 December 2003	14,867,771	18,799,892	33,667,663

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 28. DEFERRED TAXATION (contd.)

#### Deferred Tax Assets of the Group:

	<b>Unabsorbed Capital and Agriculture Allowances and Unutilised Tax Losses RM</b>
At 1 January 2003	(5,650,089)
Recognised in the income statement	(1,525,388)
	<hr/>
At 31 December 2003	(7,175,477)
	<hr/>

### 29. 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 80,000,000 ordinary shares of the Company in issue as at 31 December 2003.

### 30. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

#### (a) Changes in Accounting Policies

During the financial year, the Company adopted MASB 25 Income Taxes, and changed its accounting policy in respect of amortisation of plantation development expenditure with effect from 1 January 2003, and accordingly modified these accounting policies. The changes in accounting policies which resulted in prior year adjustments are discussed below:

##### (i) MASB 25 Income Taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, the Company has commenced recognition of deferred tax assets for all deductible temporary differences, when it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

##### (ii) Non-Amortisation of Plantation Development Expenditure

With effect from 1 January 2003, plantation development expenditure of the Group's matured estates is not amortised as the capital maintenance method of accounting for plantation development expenditure is more reflective of the Group's plantation development activities. Previously, amortisation was provided on plantation development expenditure of matured estates.



## Notes to the Financial Statements

31 December 2003 (contd.)

### 30. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (contd.)

#### (b) Prior Year Adjustments

The changes in accounting policies have been adopted retrospectively and comparatives have been restated. The effects of the changes in accounting policies are as follows:

	<b>Group 2003 RM</b>
<b>Effects on Retained Profits</b>	
At beginning of year	10,103,454
Effect of adopting MASB 25	(1,698,543)
Effect of change in accounting policy on plantation development expenditure	1,977,285
	<hr/>
At beginning of year, as restated	10,382,196
	<hr/>

	<b>2003 RM</b>	<b>Group 2002 RM</b>
<b>Effects on net profit for the year</b>		
Net profit for the year/period	6,989,045	10,115,636
Effect of adopting MASB 25	(239,638)	(1,698,543)
Effect of change in accounting policy on plantation development expenditure	2,259,204	1,977,285
	<hr/>	<hr/>
Net profit for the year/period	9,008,611	10,394,378
	<hr/>	<hr/>

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

	<b>Previously stated RM</b>	<b>Adjustments RM</b>	<b>Restated RM</b>
<b>Group</b>			
Property, plant and equipment	183,579,400	7,575,555	191,154,955
Net goodwill on consolidation	(11,175,985)	15,568,172	4,392,187
Deferred tax assets	-	1,261,174	1,261,174
Retained profits	10,103,454	278,742	10,382,196
Minority interests	14,665,868	(2,635,956)	12,029,912
Deferred tax liabilities	663,655	26,762,115	27,425,770
	<hr/>	<hr/>	<hr/>

### 31. DIVIDEND

	<b>2003 RM</b>	<b>Group 2002 RM</b>
In respect of financial year ended 31 December 2002		
Final dividend of 5% less 28% taxation, paid on 30 September 2003	2,880,000	-
	<hr/>	<hr/>

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 32. NOTES TO CASH FLOW STATEMENTS

#### Group

#### (a) Acquisitions of Subsidiary Companies

The fair values of assets and liabilities assumed arising from the acquisitions of subsidiary companies were as follows:

	2003 RM	2002 RM
Investments	-	3,063,976
Property, plant and equipment	16,762,949	178,335,195
Amount due from Directors	194,136	-
Inventories	-	5,378,279
Receivables	85,582	12,906,790
Fixed deposits held under lien	-	63,949
Cash and bank balances	61,697	(11,141,602)
Tax refundable	-	412,703
Amount due to bankers	(5,580,000)	(42,027,733)
Payables	(1,043,812)	(13,364,872)
Provision for taxation	-	(520,470)
Hire purchase liabilities	-	(3,302,612)
Leasing liabilities	-	(192,321)
Deferred taxation	(30,606)	(25,040,600)
Minority interests	-	(5,824,161)
	<hr/>	<hr/>
Fair value of net assets acquired	10,449,946	98,746,521
Add: Goodwill	99,360	4,438,151
	<hr/>	<hr/>
Total purchase consideration	10,549,306	103,184,672
Less: Amount satisfied by issuance of shares	-	(99,819,984)
	<hr/>	<hr/>
Amount satisfied by cash payments	10,549,306	3,364,688
Incidental cost of acquisition	-	2,162,566
	<hr/>	<hr/>
	10,549,306	5,527,254
	<hr/>	<hr/>
Cash and cash equivalents acquired from subsidiary companies		
- Cash and bank balances	(61,697)	(142,645)
- Fixed deposits	-	(18,275)
- Bank overdrafts	-	11,302,522
	<hr/>	<hr/>
	(61,697)	11,141,602
	<hr/>	<hr/>
Cash flow on acquisition, net of cash and cash equivalents acquired	10,487,609	16,668,856
	<hr/>	<hr/>

## Notes to the Financial Statements

31 December 2003 (contd.)

### 32. NOTES TO CASH FLOW STATEMENTS (contd.)

#### Group

#### (b) Property, Plant and Equipment

During the year/period, the Group acquired property, plant and equipment with a total cost of RM17,897,092 (2002: RM17,957,088) as follows:

	Group	
	2003 (12 months) RM	2002 (11 months) RM
Assets acquired under leasing arrangement	-	93,654
Assets acquired under hire purchase arrangement	3,278,824	1,714,000
Depreciation of property, plant and equipment capitalised	344,488	351,313
Finance costs capitalised	1,955,122	2,474,827
Cash payments made for acquisition of property, plant and equipment	12,318,658	13,323,294
	17,897,092	17,957,088

#### (c) Cash and Cash Equivalents

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

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Fixed deposits	4,266,701	84,585	-	-
Cash and bank balances	2,356,608	2,352,903	11,597	325
Bank overdrafts (Note 21)	(6,183,109)	(7,983,918)	-	-
	440,200	(5,546,430)	11,597	325
Less: Fixed deposits held under lien (Note 18)	(86,701)	(79,715)	-	-
Fixed deposits withheld by purchaser's solicitor (Note 18)	(4,180,000)	-	-	-
Bank balance withheld by purchaser's solicitor (Note 19)	(1,093,760)	-	-	-
	(4,920,261)	(5,626,145)	11,597	325

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 32. NOTES TO CASH FLOW STATEMENTS (contd.)

#### Company

##### Acquisition of Subsidiary Companies

The Company acquired its subsidiary companies for a total purchase consideration of RM83,618,390 satisfied by way of the following:

	<b>2002</b> <b>RM</b>
Issuance of 56,594,347 ordinary shares of RM1.00 each at a premium of RM0.386 per share	78,461,817
Cash payments	5,156,573
	<hr/> 83,618,390 <hr/>

### 33. RELATED PARTY TRANSACTIONS

#### Group

	<u>2003</u>		<u>2002</u>	
	Amount of transactions (12 months) RM	Outstanding amount RM	Amount of transactions (11 months) RM	Outstanding amount RM
<b>Transactions with a company in which a Director of the Company, Dato' Loo Pang Kee, is also a director:</b>				
Ladang Hassan & Loo Sdn. Bhd.				
- Management fees received	3,300	-	6,000	-
- Sales of culvert and cement	-	-	4,044	-
- Transportation income	17,456	-	25,479	-
- Purchases of fresh fruit bunches	390,468	-	236,819	-

## Notes to the Financial Statements

31 December 2003 (contd.)

### 33. RELATED PARTY TRANSACTIONS (contd.)

#### Group

	2003		2002	
	Amount of transactions (12 months) RM	Outstanding amount RM	Amount of transactions (11 months) RM	Outstanding amount RM
<b>Transactions with a company in which certain Directors of the Company, Loo Ngin Kong and Wong Siew Ying, are also directors:</b>				
Kinabalu Agricultural Sdn. Bhd.				
- Management fees received	4,200	-	2,000	-
- Transportation income	58,996	-	60,459	-
- Purchases of fresh fruit bunches	144,886	-	619,262	-
<b>Transactions with a Director of the Company, Loo Ngin Kong:</b>				
Rental expense	68,400	-	34,000	-
Purchases of fresh fruit bunches	42,776	-	29,597	-
<b>Transactions entered into pursuant to the restructuring and listing exercise:</b>				
Proceeds from disposal of property, plant and equipment to Pedoman Pasifik Sdn. Bhd., a company in which certain Directors of the Company, Loo Ngin Kong, Dato' Loo Pang Kee and Wong Siew Ying are also directors	-	-	1,612,934	-

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 33. RELATED PARTY TRANSACTIONS (contd.)

	2003		2002	
	Amount of transactions (12 months) RM	Outstanding amount RM	Amount of transactions (11 months) RM	Outstanding amount RM
<b>Transactions entered into pursuant to the restructuring and listing exercise:</b>				
Proceeds from disposal of property, plant and equipment to CMH Loo Sdn. Bhd., a company in which certain Directors of the Company, Loo Ngin Kong and Wong Siew Ying, are also directors	-	-	700,936	-
Proceeds from disposal of investment to Everise Victory Sdn. Bhd., a company in which a Director of the Company, Loo Ngin Kong, is also a director	-	-	3,062,976	-
Proceeds from disposal of property, plant and equipment to				
- Loo Ngin Kong	-	-	1,332,513	-
- Wong Siew Ying	-	-	315,674	-
- Dato' Loo Pang Kee	-	-	2,161,809	-

## Notes to the Financial Statements

31 December 2003 (contd.)

### 33. RELATED PARTY TRANSACTIONS (contd.)

#### Company

	2003		2002	
	Amount of transactions (12 months) RM	Outstanding amount RM	Amount of transactions (11 months) RM	Outstanding amount RM
<b>Transactions with subsidiary companies:</b>				
Management fee received from subsidiaries	300,000	300,000	-	-
Management fees paid to a subsidiary company	-	-	1,200	1,200
Advances to subsidiary companies	8,000,000	8,000,000	5,061,837	4,296,845
Net dividend receivable from a subsidiary company	7,555,000	7,555,000	3,670,200	3,670,200
<b>Transactions entered into pursuant to the restructuring and listing exercise:</b>				
Issuance of Company's ordinary shares as settlement of purchase consideration for acquisition of subsidiary companies on behalf of				
- Natural Plantation Sdn. Bhd.	-	-	7,343,405	7,343,405
- Growth Enterprise Sendirian Berhad	-	-	14,014,762	14,014,762

## Notes to the Financial Statements - 31 December 2003 (contd.)

### 33. RELATED PARTY TRANSACTIONS (contd.)

#### Company

	2003		2002	
	Amount of transactions (12 months) RM	Outstanding amount RM	Amount of transactions (11 months) RM	Outstanding amount RM
<b>Transactions entered into pursuant to the restructuring and listing exercise: (Contd.)</b>				
Acquisition of shares in subsidiary companies from Directors of the Company				
- Loo Ngin Kong	-	-	2,336,468	-
- Dato' Loo Pang Kee	-	-	48,831,969	-
- Wong Siew Ying	-	-	26,299,430	-
Acquisition of shares in a subsidiary company from a director of certain subsidiary companies				
- Loo Mun Kin	-	-	1,667,313	-

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

### 34. CAPITAL COMMITMENTS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Amount approved and contracted for:				
- Acquisition of plant and machinery	124,000	410,000	-	-
- Acquisition of subsidiary companies	-	7,880,029	-	-



## Notes to the Financial Statements

31 December 2003 (contd.)

### 35. CONTINGENT LIABILITIES - UNSECURED

	Company	
	2003 RM	2002 RM
Corporate guarantees given as securities for banking facilities granted to subsidiary companies	54,880,178	30,015,179

### 36. SEGMENTAL INFORMATION

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

### 37. SUBSEQUENT EVENT

On 5 April 2004, the Company announced the following proposals:

- (i) a Bonus issue of 40,000,000 new ordinary shares of RM1.00 each to be credited as fully paid-up shares on the basis of one (1) Bonus Share for every two (2) existing ordinary shares of RM1.00 each held on a date to be determined later; and
- (ii) a Rights Warrants issue of 40,000,000 new Warrants ("Rights Warrants") on the basis of one (1) Rights Warrant for every two (2) existing ordinary shares of RM1.00 each held on a date to be determined later at an indicative issue price of RM0.20 per Rights Warrant.

These proposals are subject to approvals being obtained from the followings parties:-

- (i) Securities Commission ("SC") for the Proposed Rights Warrants Issue;
- (ii) Bursa Malaysia, for the proposed Bonus Issue, the listing of and quotation for the new ordinary shares to be issued pursuant to the proposed Bonus Issue, and the listing of and quotation of the Warrants pursuant to the proposed Rights Warrants Issue, and the listing of and quotation for the new ordinary shares of the Company to be issued pursuant to the exercise of the Warrants; and
- (iii) Shareholders of the Company, at the Extraordinary General Meeting to be convened, for the proposals.

### 38. COMPARATIVE FIGURES

The presentation and classification of items in the current year financial statements have been consistent with the previous financial year except that certain comparative amounts have been adjusted as a result of changes in accounting policies as disclosed in Note 3(a) and Note 30.

## Shareholding Statistics as at 5 May 2004

### SHARE CAPITAL

Paid-Up & Issued Share Capital	:	80,000,000
Authorised Share Capital	:	500,000,000
Type of Shares	:	Ordinary shares of RM1.00 each
No. of shareholders	:	858
Voting Rights	:	One vote per ordinary share

### DISTRIBUTION OF SHAREHOLDINGS

Size of holdings	No. of Holders	% of Holders	Total Holders	% of Holdings
1 to 99	40	4.66	138	0.00
100 to 1,000	315	36.72	299,135	0.37
1,001 to 10,000	351	40.91	1,576,201	1.97
10,001 to 100,000	110	12.82	3,629,601	4.54
100,001 to 3,999,999*	37	4.31	22,496,413	28.12
4,000,000 and above**	5	0.58	51,998,512	65.00
Total	858	100.00	80,000,000	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	25,600,000	32.00	-	-
Koh Kin Lip	13,038,796	16.30	-	-
Dato' Loo Pang Kee	6,619,657	8.27	25,600,000*	32.00
Loo Ngin Kong	5,307,816	6.63	-	-
JMF Management Sdn Bhd for Mutual Yield Sdn Bhd (C318-240203)	4,585,000	5.73	-	-
Wong Siew Ying	3,748,456	4.69	25,600,000*	32.00

Note: \* held through Jubilant Ventures Sdn. Bhd.

## Shareholding Statistics

as at 5 May 2004

### THIRTY (30) LARGEST SECURITIES ACCOUNT HOLDERS AS AT 5 MAY 2004

No.	Name	No. of Shares Held	%
1	Jubilant Ventures Sdn Bhd	25,600,000	32.00
2	Koh Kin Lip	11,583,696	14.48
3	Loo Ngin Kong	5,307,816	6.63
4	Perdana Nominees (Tempatan) Sdn Bhd	4,922,000	6.15
5	Pledged Securities Account for Dato' Loo Pang Kee Mayban Nominees (Tempatan) Sdn Bhd JMF Asset Management Sdn Bhd for Mutual Yield Sdn Bhd (C318-240203)	4,585,000	5.73
6	Wong Siew Ying	3,248,456	4.06
7	Loo Pang Chieng	2,800,000	3.50
8	Kenanga Nominees (Tempatan) Sdn Bhd	2,455,100	3.07
9	Pledged Securities Account for Koh Kin Lip Employees Provident Fund Board	1,730,400	2.16
10	Dato' Loo Pang Kee	1,300,000	1.63
11	Seah Sen Onn @ David Seah	1,260,000	1.58
12	Kenanga Nominees (Tempatan) Sdn Bhd	675,100	0.84
13	Pledged Securities Account for Koh Siew Kong RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chung Vui Yon	657,500	0.82
14	Wong Siew Ying	500,000	0.63
15	Hong Leong Finance Berhad Pledged Securities Account for Koh Kin Lip	500,000	0.63
16	Seah Sen Onn @ David Seah	500,000	0.63
17	Faridah Binti Moris	499,000	0.62
18	Phyllis Lo Set Fui	480,000	0.60
19	Amanah Raya Nominees (Tempatan) Sdn Bhd Dana Johor	458,000	0.57
20	Kenanga Nominees (Tempatan) Sdn Bhd	417,200	0.52
21	Pledged Securities Account for Koh Siew Boon Amanah Raya Nominees (Tempatan) Sdn Bhd Amanah Saham Johor	403,000	0.50
22	AMMB Nominees (Tempatan) Sdn Bhd AMAssurance Berhad (GF 1/149-0)	400,000	0.50
23	AMMB Nominees (Tempatan) Sdn Bhd AMAssurance Berhad (LF 1/148-1)	400,000	0.50
24	Dato' Loo Pang Kee	395,657	0.49
25	Kenanga Nominees (Tempatan) Sdn Bhd	375,400	0.47
26	Pledged Securities Account For Junior Koh Siew Hui Lim Ted Hing	270,000	0.34
27	Koh Siew Kong	261,300	0.33
28	AMMB Nominees (Tempatan) Sdn Bhd AMAssurance Berhad (LFNP 7/929-6)	250,000	0.31
29	Quek Siew Hau	220,000	0.28
30	AQW & Co Sdn Bhd	216,000	0.27

## Shareholding Statistics as at 5 May 2004 (contd.)

### 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	5,307,816	6.63	-	-
Dato' Loo Pang Kee	6,619,657	8.27	25,600,000*	32.00
Wong Siew Ying	3,748,456	4.69	25,600,000*	32.00
Tengku Datuk Dr. Zainal Adlin Bin Tengku Mahamood	20,001	0.03	-	-
Lim Ted Hing	270,000	0.34	-	-
Dr. Edmond Fernandez	20,000	0.03	-	-
Wong Tet Jung @ Aquinas Wong	-	-	216,000**	0.27

Notes:

\* held through Jubilant Ventures Sdn. Bhd.

\*\* held through AQW & Co Sdn. Bhd.

## List of Properties

as at 31 December 2003

Description/ Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2003 RM	Date Acquired
<b>Plantation land</b>						
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	3,525,340	2002
Growth estate, Mile 62, Sandakan- Telupid- Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	67.86	99 years lease expiring 31 December 2096	N/A	Oil palm plantation	945,635	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	719,073	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	773,153	2002

## List of Properties as at 31 December 2003 (contd.)

Description/ Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2003 RM	Date Acquired
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	5,270,872	2002
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	3,625,979	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	5,859,938	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	30,518,555	2002

## List of Properties

as at 31 December 2003 (contd.)

Description/ Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2003 RM	Date Acquired
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	23,071,754	2002
Berkat estate, KM 111, Sandakan-Telupid-Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	448.69	99 years lease expiring 31 December 2083, 31 December 2093 and 31 December 2096	N/A	Oil palm plantation	6,316,264	2002
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	2,341,011	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	9,221,114	2002

## List of Properties as at 31 December 2003 (contd.)

Description/ Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2003 RM	Date Acquired
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	3,888,521	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	6,515,336	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	2,477,440	2002
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	3,502,591	2002



## List of Properties

as at 31 December 2003 (contd.)

Description/ Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2003 RM	Date Acquired
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	5,725,868	2002
Mature Land estate, KM110.8, Koyah, District of Kinabatangan, Sabah	202.40	99 years lease expiring 31 December 2093	N/A	Oil palm plantation	3,956,444	2002
Zupakeja estate, Off KM90, Sepagaya, District of Sandakan, Sabah	202.10	99 years lease expiring 31 December 2079	N/A	Oil palm plantation	3,699,368	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	4,827,665	2002

## List of Properties as at 31 December 2003 (contd.)

Description/ Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2003 RM	Date Acquired
SROPP estate, KM87, Segaliud Lokan, District of Kinabatangan, Sabah	40.47	99 years lease expiring 31 December 2077	N/A	Oil palm plantation	1,001,350	2002
SROPP estate, KM30 Labuk Road, District of Sandakan, Sabah	39.02	99 years lease expiring 31 December 2060	N/A	Oil palm plantation	1,770,802	2002
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	5,017,783	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	3,656,363	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	8,137,406	2003

## List of Properties

as at 31 December 2003 (contd.)

Description/ Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2003 RM	Date Acquired
<b>Other landed properties</b>						
Ballerina , 2 adjoining double storey shophouses with a built-up area of 782.13m <sup>2</sup> , Lot 8 & 9, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah	395.55m <sup>2</sup>	999 years lease expiring 9 July 2887	29	Office buildings	901,084	2002
Ballerina, 1 double storey shophouse with a built-up area of 391.07m <sup>2</sup> , Lot 11, Taman Tshun Ngen, Mile 5, Labuk Road, District of Sandakan, Sabah	197.78 m <sup>2</sup>	999 years lease expiring 9 July 2887	29	Office building	348,310	2003
Growth, a renovated double storey intermediate terraced house with a built-up area of 220m <sup>2</sup> , No. 7, Jalan Terasek 2, Bangsar Baru, 59100 Kuala Lumpur	173.72 m <sup>2</sup>	Term in perpetuity	12	Staff accommodation	774,907	2002

List of Properties as at 31 December 2003 (contd.)

Description/ Title/Location	Land area Hectares (unless otherwise stated)	Tenure (years)	Age of buildings (years)	Usage	Net book value as at 31.12.2003 RM	Date Acquired
SROPP palm oil mill with a built-up area of 6,232m <sup>2</sup> , KM 87, Segaliud-Lokan, Sandakan- Lahad Datu Highway, District of Kinabatangan, Sabah	35.39	99 years lease expiring 31 December 2077	9	Palm oil mill	6,763,757	2002
Berkat palm oil mill, with a built-up area of 4,193.80m <sup>2</sup> , KM 70, Sandakan- Telupid- Kota Kinabalu Highway, District of Labuk-Sugut, Sabah	4.05	60 years ease expiring 31 December 2044	18	Palm oil mill	5,299,327	2002
<b>TOTAL</b>					<b>160,453,010</b>	

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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 Fourth Annual General Meeting of the Company, to be held at Sigunting, Ground Floor, Nexus Resort Karambunai, Off Sepangar Bay, Kota Kinabalu, Sabah on 29 June 2004 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 hereinunder indicated.

No.	Resolutions	For	Against
1.	To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2003.		
	To re-elect the following Directors:-		
2.	- Wong Siew Ying, retiring pursuant to Article 93		
3.	- Dato' Loo Pang Kee, retiring pursuant to Article 93		
4.	- Wong Tet Jung @ Aquinas Wong, retiring pursuant to Article 100		
5.	To approve the payment of Directors' allowances of RM99,200 for the financial year ended 31 December 2003.		
6.	To re-appoint Ernst & Young as Auditors and to authorise 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 \_\_\_\_\_ 2004

<b>NO. OF SHARES HELD</b>	
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\_\_\_\_\_  
Signature(s) of Member(s)

Notes:

- 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.
- 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.
- 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.
- 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.

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

Affix  
Stamp