

# notes to the financial statements

31 December 2003

**Amounts in RM'000 unless otherwise stated**

## 1. PRINCIPAL ACTIVITIES

The Company is principally involved in plantation and investment holding.

The principal activities of the Group include plantation and property development.

Details of the principal activities of the subsidiary and associated companies are set out in Note 33 to the financial statements.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

## 2. BASIS OF PREPARATION

The financial statements are prepared in accordance with and comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The historical cost convention modified by the revaluation of certain property, plant and equipment and land held for development, unless otherwise indicated in the individual policy statements set out in Note 3 to the financial statements, were adopted in the preparation of the financial statements.

The preparation of financial statements in conformity with the applicable approved accounting standards and the provisions of the Companies Act, 1965 require the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported financial year. Although these estimates are based on Directors' best knowledge of current events and actions, actual results could differ from those estimates.

## 3. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies adopted by the Group have been applied consistently in dealing with all material items in relation to the financial statements.

In addition, the Group complies with new accounting standards that are effective for the financial year. New accounting standards are retrospectively applied unless in cases where the standard specifically does not require comparatives on first adoption due to non-availability of such information or when it is not practicable to do so.

The following are the significant accounting policies adopted by the Group:

### **Consolidation**

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

Subsidiary companies are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date when control ceases. Subsidiary companies are consolidated using the acquisition method of accounting whereby the results of subsidiary companies acquired or disposed of during the financial year are included from the date of acquisition up to the date when control ceases. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements.

All material intercompany transactions, balances and unrealised gains on transactions between group companies have been eliminated; unrealised losses have also been eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by the Group. Separate disclosure is made of minority interests.

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 and exchange differences which were not previously recognised in the consolidated income statement.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Borrowing Costs

Costs incurred on external borrowings to finance expenditure and other long term qualifying assets are capitalised until the assets are ready for their intended use after which such expenses are charged to the income statement. All other borrowing costs are expensed to the income statement.

#### Impairment of Assets

The carrying values of assets, other than inventories, assets arising from construction contracts, deferred tax assets and financial assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such indication exists, an impairment review is performed to assess whether the carrying amount of the asset is fully recoverable. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of an asset's net selling price and its 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. An impairment charge is made if the carrying amount exceeds the recoverable amount.

An impairment loss is charged to the income statement, unless the asset is carried at revalued amount, in which case the impairment loss is used to reduce the revaluation surplus.

An impairment loss is reversed only to the extent of previously recognised impairment losses for the same asset. The reversal is recognised in the income statement, unless the asset is carried at revalued amount, in which case it 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 in the income statement.

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost modified by the revaluation of certain property, plant and equipment less accumulated depreciation, amortisation and impairment loss where applicable. In accordance with the transitional provisions allowed by the Malaysian Accounting Standards Board ("MASB") on adoption of MASB No.15, *Property, Plant and Equipment*, the valuation of these assets have not been updated, and they continue to be stated at their existing carrying amounts less accumulated depreciation, amortisation and impairment losses.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to the income statement. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposal of revalued assets, amounts in the revaluation reserve relating to those assets are transferred to retained earnings.

Freehold land and plantation and property, plant and equipment which are under construction are not depreciated. Depreciation on assets under construction commences when the assets are ready for their intended use.

Leasehold properties with lease periods of 99 years or less are amortised equally over their respective lease periods. However, leasehold properties with original lease period of 999 years are not amortised, the cumulative effect of which is not material to the financial statements.

Other property, plant and equipment are depreciated over their estimated useful lives using the straight-line method. The annual rates of depreciation used for the major classes of property, plant and equipment are as follows:

	%
Buildings and improvements	5
Plant and machinery	10 - 20
Motor vehicles	20
Furniture, fittings and equipment	10 - 50

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (*see accounting policy on impairment of assets*).

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### **New Planting and Replanting Expenditure**

New planting expenditure incurred on land clearing and upkeep of trees to maturity is capitalised under freehold and leasehold land respectively. New planting expenditure capitalised is not amortised. However, where the new planting expenditure capitalised on leasehold land which has unexpired period shorter than the plantation's economic useful life, the planting expenditure is amortised over the remaining period of the lease on a straight line basis.

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

#### **Real Property Assets, Property Development and Profit Recognition**

Real property assets are non-current assets and comprise land and related development expenditure, are stated at cost of acquisition modified by the revaluation of certain pieces of land. In accordance with the transitional provisions issued by the Malaysian Accounting Standard Board on adoption of Malaysian Accounting Standard No.7, Accounting for Property Development, the valuation of these pieces of land have not been updated, and they continue to be stated at their carrying amounts. Cost of acquisition includes all related costs incurred on activities necessary to prepare the land for its intended use. These assets remain as real property assets until the sales launch of these properties, after which they are transferred to property development and included under current assets.

Assets under property development comprise land at carrying values and all related development costs incurred are carried forward together with profit accrued to the appropriate stage of completion less progress billings and allowance for foreseeable losses, if any. These developments are expected to be completed within normal operating cycle of one to three years and are considered as current assets.

Upon completion of development, the unsold completed development properties are transferred to inventories.

Profits on property development projects are recognised based on the percentage of completion method in respect of sales where agreements have been finalised. Under this method, profits are recognised as the property development activity progresses. The stage of completion is determined based on the proportion of development costs incurred for work performed up to the balance sheet date over the estimated total development cost to completion. Foreseeable losses, if any, are recognised immediately in the income statement.

#### **Investments**

Long term investments, both quoted and unquoted, include investments in subsidiary companies, associated companies and other non-current investments. Investments in subsidiary companies and associated companies are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Such a decline is recognised as an expense in the period in which it is identified.

Investments in subsidiary companies are eliminated on consolidation while investments in associated companies are accounted for by the equity method of accounting.

Associated companies are companies in which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control over those policies.

Equity accounting involves recognising in the income statement the Group's share of the associated companies' results for the financial year. The Group's interest in associated companies is stated at cost net of goodwill written off plus adjustments to reflect changes in the Group's share of the net assets of the associated companies. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligation or made payment on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of impairment on the assets transferred.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Investments (cont'd)

Short term quoted investments are stated at the lower of cost and market value, determined on a portfolio basis by comparing aggregate cost against aggregate market value. Money market instruments are stated at the lower of cost and net realisable value.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

#### Goodwill

Goodwill arising on consolidation which represents the excess of the purchase price over the fair value of the net assets of the subsidiary/associated companies at the date of acquisition, is written off to the income statement in the financial year when the acquisition occurs.

#### Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads (*based on normal operating capacity*). The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and an appropriate proportion of allocated costs attributable to property development activities.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

#### Receivables

Receivables are carried at estimated realisable value. An allowance is made for doubtful receivables based on a review of all outstanding amounts at the financial year end. Bad debts are written off during the financial year in which they are identified.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances (net of bank overdrafts), deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

#### Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. When a change in the probability of an outflow of economic resources occurs, so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain. When inflow of economic resources is virtually certain, the asset is recognised.

#### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Employee Benefits

##### a) *Short-term employee benefits*

Short-term employee benefits include wages, salaries, bonus, social security contributions and paid annual leave. These benefits are accrued when incurred and are measured on an undiscounted basis.

##### b) *Post-employment benefits*

Post-employment benefits include defined contribution plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. These benefits are accrued when incurred and are measured on an undiscounted basis.

##### c) *Long-term employee benefits*

Long-term employee benefits include retirement gratuities payable under a retirement gratuity scheme which was established in 1994 by the Board of Directors for executive directors of the Company and certain subsidiary companies. The level of retirement gratuities payable is determined by the Board and is calculated based on the emoluments earned in the immediate past three years. The gratuity is a vested benefit when the director reaches retirement age.

The present value of the retirement gratuities is determined by discounting the amount payable by reference to market yields at the balance sheet date on high quality corporate bonds which have terms to maturity approximating the terms of the related liability. The differences arising from the application of such discounting as well as any past service costs and the effects of any curtailments or settlements, if any, are recognised immediately in the income statement.

Such retirement gratuities payable are classified as current liabilities when it is probable that a payment will be made within the next twelve months and also provided that the amount has been approved for payment by the Board of Directors.

##### d) *Equity compensation benefits*

Equity compensation benefits include share options issued to eligible executives and executive directors of the Company and certain subsidiary companies.

The Group does not make a charge to the income statement in respect of share options granted to employees. As and when the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium. Details of the employee share options scheme are set out in the relevant notes to the financial statements.

#### Taxation

##### a) *Current taxation*

Current taxation is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding and real property gains taxes payable.

##### b) *Deferred taxation*

Deferred tax liabilities and/or assets are recognised in full using the liability method for all temporary differences. However, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax assets can be utilised or where the timing of the reversal of the temporary difference can be controlled. Deferred tax liability in respect of asset revaluations is also recognised. Deferred tax liabilities and assets are measured at the tax rates which are applicable at the balance sheet date.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Foreign Currencies

The financial statements are stated in Ringgit Malaysia ("RM").

Transactions in foreign currencies have been translated into RM at the rates ruling on the dates of the transactions. Monetary assets and liabilities in foreign currencies at the balance sheet date have been translated at the rates ruling on that date. Gains and losses arising from translation are included in the income statement.

The operations of foreign entities are not an integral part of the operations of the Company. Income statements of these entities are translated into RM at average rates for the financial year and the balance sheets are translated at the financial year end rates. Exchange differences arising from the translation of income statements at average rates and balance sheets at financial year end rates, and the restatement at financial year end rates of the opening net investments in such subsidiary and associated companies are taken to reserves.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets or liabilities of the Group and are translated accordingly at the exchange rate ruling at the date of the transaction.

The principal rate of exchange used in translation is as follows:

(RM to one unit of foreign currency)

Currency	Year end rate	
	2003	2002
US Dollar	3.8000	3.8000
Australian Dollar	2.8544	2.1510

#### Income Recognition

##### *i) Revenue*

Sales are recognised upon delivery of products or performance of services, net of sales tax and discounts, and after eliminating sales within the Group.

Sales relating to property development projects are recognised progressively as the project activity progresses and are in respect of sales where agreements have been finalised. The recognition of sales is based on the percentage of completion method and is consistent with the method adopted for profit recognition.

##### *ii) Other income*

Other income comprising interest income, rental income, management and shared services fee are recognised on accrual basis while dividend income is recognised when the right to receive payment is established.

#### Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings and accrued as a liability in the financial period in which the obligation to pay is established.

#### Financial Instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Financial Instruments (Cont'd)

##### *i) Financial instruments recognised on the balance sheet*

The recognition method adopted for financial instruments that are recognised on the balance sheet is disclosed separately in the individual policy statements associated with the relevant financial instrument. The financial assets and liabilities of the Group are primarily denominated in RM. Financial assets and liabilities that are denominated in other currencies, where material, have been disclosed in the notes to the financial statements.

##### *ii) Fair value estimation for disclosure purposes*

The fair value of publicly traded securities is based on quoted market prices at the balance sheet date. For non-traded financial instruments, the Group uses various methods and makes assumptions that are based on market conditions. Comparisons are made to similar instruments that are publicly traded and estimates based on discounted cash flow techniques are also used. For other long term financial assets and liabilities, fair value is estimated by discounting future contractual cash flows at appropriate interest rates.

The book values of financial assets and liabilities with maturities of less than one year are assumed to approximate their fair values.

#### Segmental Reporting

The Group adopts business segment analysis as its primary reporting format. No geographical segment analysis is reported as the Group operates in Malaysia.

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by the segment and consist principally of property, plant and equipment net of accumulated depreciation, amortisation and impairment loss, real property assets, property development, inventories and receivables. Segment liabilities comprise operating liabilities. Both segment assets and liabilities do not include income tax assets and liabilities and interest bearing instruments.

### 4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall financial risk management objective is to optimise the value creation for shareholders. In addition, the Group seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks.

The Group operates within clearly defined guidelines that are approved by the Board and do not engage in speculative transactions. Financial risk management is carried out through risk reviews conducted at all significant operational units. This process is further enhanced by effective internal controls, a group wide insurance programme and adherence to the financial risk management policies.

The main areas of financial risks faced by the Group and the policies for the controlling and management of these risks are set out below:

#### Market Risk

The Group, in the normal course of business, is exposed to market risks in respect of volatility in market prices of palm products. The Group manages its risk through established guidelines and policies.

#### Credit Risk

Exposure to credit risk arises mainly from sales made on deferred credit terms. Risks arising therefrom are minimised through effective monitoring of receivables and suspension of sales to customer where expedient.

The Group also seeks to invest cash assets safely and profitably and buys insurance to protect itself against insurable risks. In this regard, counterparties are assessed for credit risk and limits are set to minimise any potential losses.

#### Liquidity and Cash Flow Risks

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities. The Group's cash flow is reviewed regularly to ensure that the Group is able to settle its commitments when they fall due.

## 5. SEGMENT ANALYSIS

	Plantation		Property		Others		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
Revenue - external	<b>380,007</b>	257,124	<b>110,811</b>	38,975	-	-	<b>490,818</b>	296,099
<b>Segment profit/(loss)</b>	<b>167,441</b>	104,146	<b>72,150</b>	10,155	<b>5,817</b>	(3,458)	<b>245,408</b>	110,843
Interest income							<b>4,324</b>	4,695
Goodwill written off (see Note 30(a)(ii))							<b>(49,732)</b>	-
Net surplus arising from disposals of freehold land and plantation	<b>7,310</b>	6,610	<b>5</b>	3,885	-	-	<b>7,315</b>	10,495
Share of results of associated companies	<b>3,496</b>	2,850	<b>630</b>	1,548	-	24	<b>4,126</b>	4,422
<b>Profit from ordinary activities before taxation</b>							<b>211,441</b>	130,455
Taxation							<b>(61,988)</b>	(27,451)
<b>Profit from ordinary activities after taxation</b>							<b>149,453</b>	103,004
Minority interests							<b>(14,203)</b>	(996)
<b>Net profit for the financial year</b>							<b>135,250</b>	102,008
<b>Other information:</b>								
<b>i) Assets</b>								
a) Segment assets	<b>770,128</b>	717,544	<b>475,861</b>	487,163	<b>5,057</b>	4,870	<b>1,251,046</b>	1,209,577
b) Associated companies	<b>9,273</b>	7,761	<b>2,438</b>	2,090	<b>(39)</b>	(41)	<b>11,672</b>	9,810
c) Interest bearing instruments							<b>203,011</b>	110,354
d) Unallocated corporate assets							<b>4,398</b>	7,188
Total assets							<b>1,470,127</b>	1,336,929
<b>ii) Liabilities</b>								
a) Segment liabilities	<b>37,682</b>	33,816	<b>45,693</b>	35,053	<b>268</b>	202	<b>83,643</b>	69,071
b) Unallocated corporate liabilities							<b>40,608</b>	31,627
Total liabilities							<b>124,251</b>	100,698
<b>iii) Other disclosures</b>								
a) Capital expenditure	<b>55,138</b>	170,006	<b>410</b>	604	<b>6</b>	337	<b>55,554</b>	170,947
b) Depreciation and amortisation	<b>12,150</b>	8,869	<b>761</b>	817	<b>210</b>	188	<b>13,121</b>	9,874
c) Allowance/ (write back) for bad and doubtful debts	-	(458)	<b>25</b>	76	<b>(3,351)</b>	4,936	<b>(3,326)</b>	4,554
d) Other significant non-cash item - Gain on disposal of land (see Note 30(c)(ii))	-	-	<b>69,060</b>	-	-	-	<b>69,060</b>	-

## 5. SEGMENT ANALYSIS (Cont'd)

The segment analysis is organised as follows:

- i) *Plantation* - comprises mainly activities relating to oil palm plantation.
- ii) *Property* - comprises mainly activities relating to property development and the operation of a golf course.
- iii) *Others* - comprises other insignificant businesses and are not reported separately.

## 6. REVENUE

Revenue of the Group and of the Company comprises the following:

	Group		Company	
	2003	2002	2003	2002
<b>Sale of goods:</b>				
Sale of plantation produce	380,007	257,124	146,900	115,353
Sale of development properties	109,841	38,007	-	-
<b>Rendering of services:</b>				
Revenue from golf course operations	970	968	-	-
	<b>490,818</b>	<b>296,099</b>	<b>146,900</b>	<b>115,353</b>

## 7. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

(a) Profit from ordinary activities before taxation has been determined after inclusion of the following charges and credits:

	Group		Company	
	2003	2002	2003	2002
<b>Charges:</b>				
Depreciation of property, plant and equipment	13,121	9,874	2,545	2,383
Replanting expenditure	7,456	7,499	5,303	5,222
Directors' remuneration excluding estimated money value of benefits-in-kind (see Note 8)	3,806	4,125	3,323	3,650
Charges payable to other related companies:				
- Rental of premises	888	887	810	808
- Shared services fee	458	482	458	482
- Hire of equipment	47	47	47	47
Allowance for bad and doubtful debts	-	4,554	-	4,835
Property, plant and equipment written off	755	625	103	362
Shared services fee payable to ultimate holding company	705	734	705	734
Auditors' remuneration	113	104	55	52
Rental of land paid to a subsidiary company	-	-	511	466
Write off of investment in a subsidiary company	-	-	3,635	-
Waiver of advances granted to wholly-owned subsidiary companies	-	-	-	40

## 7. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION (Cont'd)

	Group		Company	
	2003	2002	2003	2002
<b>Credits:</b>				
Gain on disposal of land (see Note 30(c)(ii))	69,060	-	-	-
Net surplus and additional compensation arising from acquisition of freehold land and plantation	7,315	10,495	7,140	6,437
Interest income	4,324	4,695	3,172	3,959
Write back of allowance for bad and doubtful debts	3,326	-	3,351	-
Income from associated companies:				
- Gross dividend	-	-	1,363	3,563
- Management fee	1,171	1,152	-	-
Rental income	1,099	1,121	407	468
Gain on disposal of property, plant and equipment	33	355	54	285
Rental income from a related company	18	18	-	-
Write back of accruals for property development expenditure	-	4,387	-	-
Income from subsidiary companies:				
- Gross dividend	-	-	6,224	66,909
- Management fee	-	-	444	364
- Shared services fee	-	-	818	806
<b>b) Other information:</b>				
Operating costs relating to inventories recognised as an expense	204,297	142,657	57,403	54,600
Operating costs relating to services recognised as an expense	1,448	1,586	-	-
	<b>205,745</b>	<b>144,243</b>	<b>57,403</b>	<b>54,600</b>
Non statutory audit fee payable to auditors	60	13	13	-
<b>Staff costs</b>				
Wages, salaries and bonuses	32,060	25,146	17,277	15,572
Defined contribution plans	3,378	3,066	2,098	2,060
Provision for retirement gratuities	830	953	686	825
Termination benefits	-	29	-	29
Other employee benefits	3,393	3,005	627	701
	<b>39,661</b>	<b>32,199</b>	<b>20,688</b>	<b>19,187</b>
Number of employees as at 31 December	3,243	2,655	983	981

Staff costs, as shown above, include the remuneration of executive directors.

## 8. DIRECTORS' REMUNERATION

	Group		Company	
	2003	2002	2003	2002
<b>Non-Executive Directors *</b>				
- Fee	126	126	126	126
- Salary and bonus	298	311	-	-
- Defined contribution plan	36	37	-	-
- Provision for retirement gratuities	144	127	-	-
	<b>604</b>	<b>601</b>	<b>126</b>	<b>126</b>
<b>Executive Directors</b>				
- Fee	59	54	54	54
- Salaries and bonuses	2,255	2,344	2,255	2,344
- Defined contribution plan	202	300	202	300
- Provision for retirement gratuities	686	826	686	826
	<b>3,202</b>	<b>3,524</b>	<b>3,197</b>	<b>3,524</b>
Directors' remuneration excluding estimated money value of benefits-in-kind (see Note 7)	<b>3,806</b>	4,125	<b>3,323</b>	3,650
Estimated money value of benefits-in-kind (not charged to the income statements):				
Non-Executive Directors	22	22	-	-
Executive Directors	28	28	28	28
	<b>50</b>	<b>50</b>	<b>28</b>	<b>28</b>
	<b>3,856</b>	<b>4,175</b>	<b>3,351</b>	<b>3,678</b>

\* A Non-Executive Director of the Company receives salary and related benefits from a subsidiary company by virtue of him being an Executive Director of the said subsidiary company.

Remuneration of Directors of the Company, in respect of services rendered to the Company and its subsidiary companies, is in the following bands:

	2003	2002
	Number	
<b>Amounts in RM'000</b>		
<b>Non-Executive Directors</b>		
50 and below	5	5
500 - 550	1	1
<b>Executive Directors</b>		
250 - 300	1	-
400 - 450	-	1
1,350 - 1,400	1	-
1,550 - 1,600	1	2

Executive Directors of the Company and its subsidiary companies have been granted options under the Asiatic Executive Share Option Scheme ("the Scheme") on the same terms and conditions as those offered to other executive employees. Details of the Scheme are set out in Note 25. The unissued shares under the Scheme in respect of Directors are as follows:

## 8. DIRECTORS' REMUNERATION (Cont'd)

Date granted	Subscription Price (sen/share)	Number of shares			
		At 1 January '000	Offered and accepted '000	Exercised/relinquished/lapsed '000	At 31 December '000
<b>Financial year ended 31.12.2003:</b>					
11.11.2000	92	200	-	-	200
2.9.2002	145	2,108	-	-	2,108
1.12.2003	165	-	992	-	992
		<b>2,308</b>	<b>992</b>	-	<b>3,300</b>
<b>Financial year ended 31.12.2002:</b>					
11.11.2000	92	200	-	-	200
2.9.2002	145	-	2,108	-	2,108
		200	2,108	-	2,308
				<b>2003</b>	<b>2002</b>
				<b>'000</b>	<b>'000</b>
Number of share options vested at balance sheet date				<b>100</b>	-

## 9. TAXATION

	Group		Company	
	2003	2002	2003	2002
Current taxation charge:				
Malaysian income tax charge	54,311	24,333	19,795	21,989
Deferred tax charge/(reversal)	7,177	1,098	1,228	(511)
Share of tax of associated companies	1,160	755	-	-
	<b>62,648</b>	26,186	<b>21,023</b>	21,478
Prior financial years' taxation:				
Income tax over provided	(660)	(724)	(86)	(798)
Deferred tax under provided	-	1,989	-	-
	<b>61,988</b>	27,451	<b>20,937</b>	20,680

The reconciliation between the average effective tax rate and the Malaysian tax rate is as follows:-

	Group		Company	
	2003	2002	2003	2002
	%	%	%	%
Malaysian tax rate	28.0	28.0	28.0	28.0
Tax effects of:				
- expenses not deductible for tax purposes	7.0	1.8	1.8	0.6
- income not subject to tax	(3.0)	(2.3)	(4.0)	(9.8)
- previously unrecognised tax losses	(0.3)	(2.0)	-	-
- previously unrecognised capital allowances	-	(2.0)	-	-
- tax incentives	(3.5)	(2.7)	(0.9)	(0.4)
- under/(over) provision in prior financial years	(0.3)	1.0	(0.1)	(0.7)
- others	1.4	(0.8)	-	0.4
Average effective tax rate	<b>29.3</b>	21.0	<b>24.8</b>	18.1

## 9. TAXATION (Cont'd)

Subject to the agreement by the Inland Revenue Board, the amount of unutilised tax losses of subsidiary companies available for which the related tax effects have not been recognised in the net income amounted to approximately RM106,000 (2002 : RM107,000) as at the financial year end. In addition, the amount of tax savings in respect of brought forward tax losses for which credit has been recognised by subsidiary companies during the financial year amounted to RM603,000 (2002 : RM2,614,000).

## 10. EARNINGS PER SHARE

Earnings per share of the Group is calculated by dividing the net profit for the financial year by the weighted or adjusted weighted average number of ordinary shares in issue.

	2003	2002
<b>a) Basic earnings per share</b>		
Net profit for the financial year	135,250	102,008
Weighted number of ordinary shares in issue	741,376,622	741,335,000
Basic earnings per share ( <i>sen</i> )	18.24	13.76
<b>b) Diluted earnings per share</b>		
Net profit for the financial year	135,250	102,008
<b>Adjusted weighted average number of ordinary shares in issue:</b>		
Weighted number of ordinary shares in issue	741,376,622	741,335,000
Adjustment for share options granted under the Asiatic Executive Share Option Scheme	921,115	1,024,194
	742,297,737	742,359,194
Diluted earnings per share ( <i>sen</i> )	18.22	13.74

## 11. DIVIDENDS

	Group and Company 2003	2002
Interim paid – 1.75 sen less 28% tax (2002 : 1.625 sen less 28% tax) per ordinary share of 50 sen each.	9,341	8,674
Proposed final – 2.75 sen less 28% tax (2002 : 2.5 sen less 28% tax) per ordinary share of 50 sen each.	14,692	13,344
	24,033	22,018

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2003 of 2.75 sen less 28% tax (2002 : 2.5 sen less 28% tax) per ordinary share of 50 sen each amounting to RM14.7 million (2002 : RM13.3 million) will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accrued as a liability upon approval by shareholders.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and plantation	Long leasehold land and plantation	Buildings and improvements	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Construction in progress	Total
<b>2003 Group</b>								
<b>At cost/valuation:</b>								
Beginning of the financial year	251,673	387,805	69,489	104,068	6,938	7,925	957	828,855
Additions	36	41,332	1,009	4,194	1,227	798	3,466	52,062
Assets of a subsidiary company acquired	-	3,492	-	-	-	-	-	3,492
Disposals	(972)	-	-	(269)	(522)	(11)	-	(1,774)
Written off	(37)	(510)	(611)	(1,697)	(72)	(364)	-	(3,291)
Reclassifications	-	93	1,547	1,439	22	-	(3,101)	-
End of the financial year	<b>250,700</b>	<b>432,212</b>	<b>71,434</b>	<b>107,735</b>	<b>7,593</b>	<b>8,348</b>	<b>1,322</b>	<b>879,344</b>
<b>Accumulated depreciation:</b>								
Beginning of the financial year	-	-	-	-	-	-	-	-
Depreciation for the year:	-	(11,418)	(27,319)	(60,074)	(4,090)	(6,033)	-	(108,934)
- Charged to income statement	-	(911)	(3,141)	(7,612)	(867)	(590)	-	(13,121)
- Capitalised under long leasehold land and plantation	-	(814)	(61)	(107)	(52)	(13)	-	(1,047)
Disposals	-	-	-	209	506	9	-	724
Written off	-	-	534	1,580	72	350	-	2,536
End of the financial year	-	(13,143)	(29,987)	(66,004)	(4,431)	(6,277)	-	(119,842)
Net book value at end of the financial year	<b>250,700</b>	<b>419,069</b>	<b>41,447</b>	<b>41,731</b>	<b>3,162</b>	<b>2,071</b>	<b>1,322</b>	<b>759,502</b>
<b>Comprising:</b>								
Cost	133,825	432,212	71,434	107,735	7,593	8,348	1,322	762,469
At 1981 valuation	116,875	-	-	-	-	-	-	116,875
	<b>250,700</b>	<b>432,212</b>	<b>71,434</b>	<b>107,735</b>	<b>7,593</b>	<b>8,348</b>	<b>1,322</b>	<b>879,344</b>

## 12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold land and plantation	Long leasehold land and plantation	Buildings and improvements	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Construction in progress	Total
<b>2002 Group</b>								
<b>At cost/valuation:</b>								
Beginning of the financial year	251,868	258,422	56,901	79,908	5,720	7,240	290	660,349
Additions	44	128,981	12,239	22,817	1,956	817	4,093	170,947
Disposals	(229)	-	(24)	(33)	(787)	(4)	-	(1,077)
Written off	-	(333)	(255)	(633)	(5)	(128)	-	(1,354)
Transfer to property development	(10)	-	-	-	-	-	-	(10)
Reclassifications	-	735	628	2,009	54	-	(3,426)	-
End of the financial year	251,673	387,805	69,489	104,068	6,938	7,925	957	828,855
<b>Accumulated depreciation:</b>								
Beginning of the financial year	-	(10,170)	(24,677)	(55,043)	(4,081)	(5,740)	-	(99,711)
Depreciation for the year:								
- Charged to income statement	-	(490)	(2,755)	(5,449)	(779)	(401)	-	(9,874)
- Capitalised under long leasehold land and plantation	-	(758)	(60)	(78)	(21)	(7)	-	(924)
Disposals	-	-	24	33	786	3	-	846
Written off	-	-	149	463	5	112	-	729
End of the financial year	-	(11,418)	(27,319)	(60,074)	(4,090)	(6,033)	-	(108,934)
Net book value at end of the financial year	251,673	376,387	42,170	43,994	2,848	1,892	957	719,921
Comprising:								
Cost	134,479	387,805	69,489	104,068	6,938	7,925	957	711,661
At 1981 valuation	117,194	-	-	-	-	-	-	117,194
	251,673	387,805	69,489	104,068	6,938	7,925	957	828,855

## 12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold land and plantation	Long leasehold land and plantation	Buildings and improvements	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Construction in progress	Total
<b>2003 Company</b>								
<b>At cost/valuation:</b>								
Beginning of the financial year	217,015	57,692	20,764	22,538	3,699	4,403	200	326,311
Additions	35	3,277	69	883	437	425	829	5,955
Disposals	(320)	-	-	(244)	(389)	(6)	-	(959)
Written off	(37)	-	(568)	(459)	(3)	(159)	-	(1,226)
Reclassifications	-	25	545	207	-	-	(777)	-
End of the financial year	216,693	60,994	20,810	22,925	3,744	4,663	252	330,081
<b>Accumulated depreciation:</b>								
Beginning of the financial year	-	(2,536)	(13,268)	(19,461)	(2,077)	(3,599)	-	(40,941)
Depreciation for the year:								
- Charged to income statement	-	(12)	(804)	(918)	(502)	(309)	-	(2,545)
- Capitalised under long leasehold land and plantation	-	(3)	(46)	(63)	(7)	(6)	-	(125)
Disposals	-	-	-	244	389	6	-	639
Written off	-	-	511	457	3	152	-	1,123
End of the financial year	-	(2,551)	(13,607)	(19,741)	(2,194)	(3,756)	-	(41,849)
Net book value at end of the financial year	216,693	58,443	7,203	3,184	1,550	907	252	288,232
<b>Comprising:</b>								
Cost	106,384	60,994	20,810	22,925	3,744	4,663	252	219,772
At 1981 valuation	110,309	-	-	-	-	-	-	110,309
	216,693	60,994	20,810	22,925	3,744	4,663	252	330,081

## 12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold land and plantation	Long leasehold land and plantation	Buildings and improvements	Plant and machinery	Motor vehicles	Furniture, fittings and equipment	Construction in progress	Total
<b>2002 Company</b>								
<b>At cost/valuation:</b>								
Beginning of the financial year	217,214	53,892	20,842	21,998	3,420	4,238	35	321,639
Additions	15	3,429	12	724	831	222	871	6,104
Disposals	(214)	-	(25)	(33)	(552)	-	-	(824)
Written off	-	(333)	(67)	(151)	-	(57)	-	(608)
Reclassifications	-	704	2	-	-	-	(706)	-
End of the financial year	217,015	57,692	20,764	22,538	3,699	4,403	200	326,311
<b>Accumulated depreciation:</b>								
Beginning of the financial year	-	(2,521)	(12,486)	(18,691)	(2,135)	(3,439)	-	(39,272)
Depreciation for the year:								
- Charged to income statement	-	(10)	(800)	(870)	(494)	(209)	-	(2,383)
- Capitalised under long leasehold land and plantation	-	(5)	(58)	(74)	-	(5)	-	(142)
Disposals	-	-	25	33	552	-	-	610
Written off	-	-	51	141	-	54	-	246
End of the financial year	-	(2,536)	(13,268)	(19,461)	(2,077)	(3,599)	-	(40,941)
Net book value at end of the financial year	217,015	55,156	7,496	3,077	1,622	804	200	285,370
Comprising:								
Cost	106,387	57,692	20,764	22,538	3,699	4,403	200	215,683
At 1981 valuation	110,628	-	-	-	-	-	-	110,628
	217,015	57,692	20,764	22,538	3,699	4,403	200	326,311

The net book value of the revalued freehold land and plantation for the Group and the Company would have amounted to RM94,410,000 (2002 : RM94,726,000) and RM82,266,000 (2002 : RM82,355,000) respectively had they been stated in the financial statements at cost.

Included in the long leasehold land and plantation of the Group and of the Company is leasehold land with a net book value amounting to RM140,844,000 (2002 : RM128,255,000) and RM1,270,000 (2002 : RM1,285,000) respectively.

The valuation of the freehold land and plantation made by the Directors in 1981 were based upon valuations carried out by an independent firm of professional valuers using fair market value basis.

### 13. REAL PROPERTY ASSETS

	Group	
	2003	2002
Freehold land - at 1981 valuation	7,508	7,508
- at cost	91,894	97,154
	<hr/>	<hr/>
	99,402	104,662
Development expenditure	136,714	142,812
	<hr/>	<hr/>
	236,116	247,474
	<hr/>	<hr/>

The basis of valuation of freehold land is consistent with Note 12.

### 14. SUBSIDIARY COMPANIES

	Company	
	2003	2002
Unquoted shares – at cost	160,822	159,952
Less : Amounts written down to-date	(3,635)	-
	<hr/>	<hr/>
	157,187	159,952
	<hr/>	<hr/>
<i>Current:</i>		
Amounts due from subsidiary companies	670,936	697,529
	<hr/>	<hr/>
Amounts due to subsidiary companies	(110,862)	(107,755)
	<hr/>	<hr/>

The amounts due from and to subsidiary companies represent outstanding amounts arising from inter-company sales and purchases, advances, payments and receipts on behalf of or by subsidiary companies. These amounts are interest free, unsecured and are repayable on demand.

The subsidiary companies are listed in Note 33.

### 15. ASSOCIATED COMPANIES AND RECEIVABLES FROM ASSOCIATED COMPANIES

	Group		Company	
	2003	2002	2003	2002
Unquoted shares – at cost	2,123	2,123	2,123	2,123
Group's share of post-acquisition reserves	9,549	7,687	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Share of net assets, other than goodwill	11,672	9,810	2,123	2,123
	<hr/>	<hr/>	<hr/>	<hr/>
Long term receivables from associated companies	4,917	5,897	4,917	5,897
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Current:</i>				
Amounts due from associated companies	745	763	745	763
	<hr/>	<hr/>	<hr/>	<hr/>

The fair values of long term receivables from associated companies closely approximate their book values.

## 15. ASSOCIATED COMPANIES AND RECEIVABLES FROM ASSOCIATED COMPANIES (Cont'd)

The amounts due from associated companies represent outstanding amounts arising from trade transactions and advances and payments made on behalf of associated companies, are unsecured and interest free.

The repayments of the long term receivables are not expected within the next twelve months.

The associated companies are listed in Note 33.

## 16. INVESTMENTS

	Group		Company	
	2003	2002	2003	2002
Quoted shares in foreign corporations – at cost	8,282	8,282	1,207	1,207
Less : Amounts written down to-date	(7,629)	(7,993)	(826)	(1,038)
	<b>653</b>	<b>289</b>	<b>381</b>	<b>169</b>
Market value of quoted shares	<b>1,203</b>	<b>405</b>	<b>702</b>	<b>237</b>

The quoted shares in foreign corporations are denominated in Australian Dollar.

## 17. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2003	2002	2003	2002
Deferred tax assets (see (i) below)	2,011	3,432	-	-
Deferred tax liabilities:				
- subject to income tax (see (ii) below)	(23,263)	(16,065)	(1,760)	(520)
- subject to real property gains tax (see (iii) below)	(4,909)	(4,975)	(1,402)	(1,414)
	<b>(28,172)</b>	<b>(21,040)</b>	<b>(3,162)</b>	<b>(1,934)</b>
Net deferred tax liability	<b>(26,161)</b>	<b>(17,608)</b>	<b>(3,162)</b>	<b>(1,934)</b>
At 1 January	<b>(17,608)</b>	<b>(14,521)</b>	<b>(1,934)</b>	<b>(2,445)</b>
<b>(Charged)/credited to income statement</b> (see Note 9):				
- Property, plant and equipment	(4,700)	(4,175)	(890)	375
- Provision for Directors' retirement gratuities	(602)	267	(643)	231
- Tax losses	(2,713)	93	305	-
- Real property assets	97	32	-	-
- Property development	240	13	-	-
- Inventories	156	610	-	-
- Other temporary differences	345	73	-	(95)
	<b>(7,177)</b>	<b>(3,087)</b>	<b>(1,228)</b>	<b>511</b>
Deferred tax arising on acquisition of a subsidiary company				
- Real property assets	(508)	-	-	-
- Property development	(450)	-	-	-
- Inventories	(418)	-	-	-
At 31 December	<b>(26,161)</b>	<b>(17,608)</b>	<b>(3,162)</b>	<b>(1,934)</b>

## 17. DEFERRED TAXATION (Cont'd)

	Group		Company	
	2003	2002	2003	2002
<b>Subject to income tax</b>				
i) Deferred tax assets <i>(before offsetting)</i>				
- Property, plant and equipment	1,357	1,339	-	-
- Provision for Directors' retirement gratuities	1,226	1,828	936	1,579
- Tax losses	-	2,713	-	-
- Inventories	756	621	-	-
- Other temporary differences	1,052	832	280	147
	<b>4,391</b>	7,333	<b>1,216</b>	1,726
- Offsetting	<b>(2,380)</b>	(3,901)	<b>(1,216)</b>	(1,726)
Deferred tax assets <i>(after offsetting)</i>	<b>2,011</b>	3,432	-	-
ii) Deferred tax liabilities <i>(before offsetting)</i>				
- Property, plant and equipment	<b>(20,498)</b>	(15,745)	<b>(2,973)</b>	(2,083)
- Real property assets	<b>(480)</b>	-	-	-
- Property development	<b>(4,054)</b>	(3,844)	-	-
- Inventories	<b>(611)</b>	(214)	-	-
- Other temporary differences	-	(163)	<b>(3)</b>	(163)
	<b>(25,643)</b>	(19,966)	<b>(2,976)</b>	(2,246)
- Offsetting	<b>2,380</b>	3,901	<b>1,216</b>	1,726
Deferred tax liabilities <i>(after offsetting)</i>	<b>(23,263)</b>	(16,065)	<b>(1,760)</b>	(520)
<b>Subject to real property gains tax</b>				
iii) Deferred tax liabilities				
- Property, plant and equipment	<b>(3,365)</b>	(3,400)	<b>(1,402)</b>	(1,414)
- Real property assets	<b>(1,506)</b>	(1,575)	-	-
- Other temporary differences	<b>(38)</b>	-	-	-
Deferred tax liabilities	<b>(4,909)</b>	(4,975)	<b>(1,402)</b>	(1,414)

The amount of unutilised tax losses and capital allowances as well as other deductible temporary differences for which no deferred tax asset is recognised in the balance sheet are as follows:

	Group		Company	
	2003	2002	2003	2002
Unutilised tax losses	106	107	-	-
Unutilised capital allowances	221	252	-	-
	<b>327</b>	359	-	-

## 18. PROPERTY DEVELOPMENT

	Group	
	2003	2002
Freehold land - at 1981 valuation	28	28
- at cost	<b>28,712</b>	22,831
	<b>28,740</b>	22,859
Development expenditure	<b>96,213</b>	86,392
	<b>124,953</b>	109,251
Add : Attributable profits less allowance for foreseeable losses	<b>8,163</b>	4,133
	<b>133,116</b>	113,384
Less : Progress billings	<b>(33,795)</b>	(26,427)
	<b>99,321</b>	86,957

The basis of valuation of freehold land is consistent with that of property, plant and equipment as disclosed in Note 12.

## 19. INVENTORIES

	Group		Company	
	2003	2002	2003	2002
Produce stocks – at cost	2,834	5,345	299	633
Stores and spares – at cost	<b>3,721</b>	2,941	<b>675</b>	817
	<b>6,555</b>	8,286	<b>974</b>	1,450
Completed development properties				
- at cost	<b>104,290</b>	102,502	-	-
- at net realisable value	<b>650</b>	725	-	-
	<b>104,940</b>	103,227	-	-
	<b>111,495</b>	111,513	<b>974</b>	1,450

## 20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2003	2002	2003	2002
Trade receivables	30,963	27,078	4,143	3,827
Less : Allowance for bad and doubtful debts	<b>(1,994)</b>	(2,521)	-	-
	<b>28,969</b>	24,557	<b>4,143</b>	3,827
Income tax recoverable	1,642	2,993	1	-
Deposits	2,159	2,195	585	529
Prepayments	480	491	163	174
Other receivables	<b>2,936</b>	12,495	<b>988</b>	10,136
Less : Allowance for bad and doubtful debts	-	(4,936)	-	(4,936)
	<b>2,936</b>	7,559	<b>988</b>	5,200
	<b>36,186</b>	37,795	<b>5,880</b>	9,730

## 20. TRADE AND OTHER RECEIVABLES (Cont'd)

Credit terms offered by the Group range from 7 to 14 days (2002 : 7 to 14 days) from date of invoice.

Bad debts written off during the financial year against allowance created in previous financial years for the Group and the Company amounted to RM2,137,000 (2002 : RM524,000) and RM1,585,000 (2002 : RM79,000) respectively.

Included in other receivables of the Group is a secured housing loan of RM500,000 (2002 : RM500,000) granted to an executive director of the Company which carries interest at 4% (2002 : 4%) per annum with no fixed repayment terms.

## 21. SHORT TERM INVESTMENTS

Short term investments represent investments in unquoted money market instruments and are stated at cost. Money market instruments comprise negotiable certificates of deposit and bankers' acceptances.

Short term investments of the Group and of the Company as at 31 December 2003 are deriving interest at weighted average interest rate of 2.69% (2002 : 2.75%) at the end of the financial year.

## 22. BANK BALANCES AND DEPOSITS

	Group		Company	
	2003	2002	2003	2002
Deposits with licensed banks	71,956	40,143	42,411	15,882
Deposits with finance companies	13,872	6,676	11,744	5,660
Cash and bank balances	4,498	2,724	4,240	2,295
	<b>90,326</b>	49,543	<b>58,395</b>	23,837

The currency exposure profile and weighted average interest rates of the bank balances and deposits as at the financial year end are as follows:

	Group				Company			
	Currency profile		Interest rate (%)		Currency profile		Interest rate (%)	
	2003	2002	2003	2002	2003	2002	2003	2002
Ringgit Malaysia	83,861	43,102	2.63	2.58	58,395	23,837	2.73	2.80
US Dollars	6,465	6,439	0.98	1.25	-	-	-	-
Other foreign currencies	-	2	-	-	-	-	-	-
	<b>90,326</b>	49,543			<b>58,395</b>	23,837		

The deposits of the Group and of the Company as at 31 December 2003 have maturity periods ranging between overnight and one month (2002 : *between overnight and one month*). Cash and bank balances of the Group and of the Company are held at call.

Included in deposits with licensed banks for the Group is an amount of RM15.4 million (2002 : RM15.0 million) deposited by a subsidiary company into various Housing Development Accounts in accordance with Section 7(A) of the Housing Developers (Control and Licensing) Act, 1966. This amount is available for use by the said subsidiary company for the payment of property development expenditure.

## 23. TRADE AND OTHER PAYABLES

	Group		Company	
	2003	2002	2003	2002
Trade payables	20,712	22,231	4,460	7,845
Accrual of property development expenditure to completion	19,235	21,373	-	-
Deposits	17,876	4,133	354	393
Accrued expenses	14,574	9,024	6,790	3,524
Retention monies	3,723	5,746	276	244
Provision for Directors' retirement gratuities (see Note 28)	2,981	-	2,981	-
Other payables	164	35	-	-
	<b>79,265</b>	<b>62,542</b>	<b>14,861</b>	<b>12,006</b>

Credit terms available to the Group range from 30 to 90 days (2002 : 30 to 90 days) from date of invoice.

## 24. HOLDING COMPANY AND OTHER RELATED COMPANIES

The Company's immediate and ultimate holding company is Genting Berhad, a company incorporated in Malaysia.

	Group and Company	
	2003	2002
Amount due to ultimate holding company	717	748
Amounts due to other related companies	164	277
	<b>881</b>	<b>1,025</b>

The amounts due to holding company and other related companies are unsecured, interest free and are repayable on demand.

## 25. SHARE CAPITAL

	Company	
	2003	2002
Authorised: 1,000,000,000 ordinary shares of 50 sen each	500,000	500,000
Issued and fully paid: Ordinary shares of 50 sen each At beginning of the financial year - 741,335,000 (2002 : 741,335,000)	370,668	370,668
Issued of shares - 389,000 (2002 : Nil)	194	-
At end of the financial year - 741,724,000 (2002 : 741,335,000)	<b>370,862</b>	<b>370,668</b>

During the financial year, the Company issued a total of 389,000 new ordinary shares of 50 sen each fully paid at the price of 92 sen per share which new ordinary shares rank pari passu with the then existing issued ordinary shares of the Company by virtue of the exercise of Option to take up unissued shares of the Company by the executive employees of the Group pursuant to The Asiatic Executive Share Option Scheme ("the Scheme"). This Option was granted before the financial year end.

The Scheme is governed by the by-laws and was approved by the shareholders at an Extraordinary General Meeting held on 28 June 2000. The Scheme came into effect on 1 September 2000.

## 25. SHARE CAPITAL (Cont'd)

The main features of the Scheme are as follows:

- i) The Scheme shall be in force for a period of ten (10) years commencing from 1 September 2000.
- ii) Eligible executives are employees of the Group (including executive directors) or persons under an employment contract of the Group for a period of at least twelve (12) full months of continuous service before the date of offer. The eligibility for participation in the Scheme shall be at the discretion of the Remuneration, Compensation and Benefits Committee ("RCB Committee") which is established by the Board of Directors.
- iii) In the event of cessation of employment of a Grantee with the Group prior to the full exercise of the options, such options shall cease without any claim against the Company provided always that subject to the written approval of the RCB Committee in its discretion where the Grantee ceases his employment with the Group by reason of:
  - his retirement at or after attaining retirement age;
  - ill-health or accident, injury or disability;
  - redundancy; and/or
  - other reasons or circumstances which are acceptable to the RCB Committee

the Grantee may exercise his unexercised options within the Option Period subject to any conditions that may be imposed by the RCB Committee.

- iv) The total number of shares to be offered under the Scheme shall not exceed in aggregate 10% of the issued and paid-up share capital of the Company at the time of the offer.
- v) Not more than 50% of the shares available under the Scheme would be allocated, in aggregate, to the Executive Directors and Senior Management. In addition, not more than 10% of the shares available under the Scheme would be allocated to any individual Eligible Executive who, either singly or collectively through persons connected, holds 20% or more in the issued and paid up share capital of the Company.
- vi) The price at which the Grantee is entitled to subscribe upon exercise of his rights under the Option shall be based on the weighted average market price of the Shares as shown in the Daily Official List of the Malaysia Securities Exchange Berhad for the five (5) Market Days immediately preceding the Date of Offer. Notwithstanding this, the Option Price per Share shall in no event be less than the nominal value of the Share.
- vii) No option shall be granted for less than 1,000 shares nor more than 1,500,000 shares to any eligible employee.
- viii) An option granted under the Scheme can only be exercised by the Grantee in the fourth year from the Date of Offer until the expiry of the Option Period in the following manner:

Number of new Shares comprised in the Option granted	Percentage of new Shares comprised in the Option exercisable each year from the Date of Offer				
	Year 1	Year 2	Year 3	Year 4	Year 5
Below 10,000	-	-	-	100%	-
10,000 and above	-	-	-	50% *	50%

\* 50% or 10,000, whichever is the higher.

The employee's entitlements to the options are vested as soon as they become exercisable.

- ix) All new ordinary shares issued upon exercise of the options granted under the Scheme will rank pari passu in all respects with the existing ordinary shares of the Company other than their entitlements to dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the new shares and will be subject to all provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise.
- x) The options shall not have any right to vote at general meeting of the Company and the Grantees shall not be entitled to any dividends, right or other entitlements in respect of their unexercised options.

## 25. SHARE CAPITAL (Cont'd)

Set out below are details of options over the ordinary shares of the Company granted under the Scheme:

Date granted	Exercisable period	Subscription price (sen/share)	At 1 January	Offered and accepted	Exercised	Lapsed	At 31 December
				(Number of options)			
<i>Financial year ended 31.12.2003:</i>							
11.11.2000	11.11.2003						
	- 31.8.2010	92	3,002,000	-	(389,000)	(24,000)	2,589,000
2.9.2002	2.9.2005						
	- 31.8.2010	145	8,021,000	-	-	(125,000)	7,896,000
1.12.2003	1.12.2006						
	- 31.8.2010	165	-	6,024,000	-	-	6,024,000
			<b>11,023,000</b>	<b>6,024,000</b>	<b>(389,000)</b>	<b>(149,000)</b>	<b>16,509,000</b>

*Financial year ended 31.12.2002:*

11.11.2000	11.11.2003						
	- 31.8.2010	92	3,136,000	-	-	(134,000)	3,002,000
2.9.2002	2.9.2005						
	- 31.8.2010	145	-	8,021,000	-	-	8,021,000
			<b>3,136,000</b>	<b>8,021,000</b>	<b>-</b>	<b>(134,000)</b>	<b>11,023,000</b>

**2003**                      2002

Number of share options vested at balance sheet date                      **1,319,000**                      -

Details relating to options exercised during the financial year are as follows:

Exercise Date	Fair values of shares at share issue date (sen/share)	Subscription price (sen/share)	Number of shares issued	
			2003	2002
November – December 2003	167 – 170	92	<b>389,000</b>	-
			<b>2003</b>	2002
Ordinary share capital – at par			<b>194</b>	-
Share premium			<b>163</b>	-
			<b>357</b>	-
Proceeds received on exercise of share options			<b>357</b>	-
			<b>655</b>	-
Fair value at exercise date of shares issued			<b>655</b>	-

## 26. RESERVES

	Group		Company	
	2003	2002	2003	2002
<b>Non-distributable reserves</b>				
Share premium	25,826	25,663	25,826	25,663
Revaluation reserve (see Note 31)	18,143	18,361	26,641	26,859
Exchange differences	(715)	(715)	-	-
	<b>43,254</b>	43,309	<b>52,467</b>	52,522
<b>Distributable reserve</b>				
Unappropriated profits	922,533	809,750	728,724	687,757
	<b>965,787</b>	853,059	<b>781,191</b>	740,279

The movements in reserves have been disclosed in the Statements of Changes in Equity.

Based on the prevailing tax rate applicable to dividends, the estimated tax credit position is sufficient to frank approximately RM298.4 million (2002 : RM274.4 million) of the Company's unappropriated profit if distributed by way of dividends without additional tax liabilities being incurred.

In addition, the estimated tax exempt income account of the Company as at 31 December 2003, under the Income Tax Act, 1967 and Income Tax (Amendment) Act, 1999, is sufficient to frank tax exempt dividend of approximately RM102.4 million (2002 : RM101.7 million).

The estimated tax credit and tax exempt income accounts are subject to agreement by the Inland Revenue Board.

## 27. LONG TERM BORROWINGS

The amount in 2002 comprised a Ringgit Malaysia unsecured loan obtained by an indirect local subsidiary company from its minority shareholder which bears interest at 7.4% per annum. The fair value of the long term borrowings then closely approximate its book value. The loan was fully settled during the financial year ended 31 December 2003 (see Note 30(c)(ii)).

Interest payable on the above loan for the financial year of RM64,000 (2002 : RM0.4 million) has been waived.

## 28. PROVISION FOR DIRECTORS' RETIREMENT GRATUITIES

	Group		Company	
	2003	2002	2003	2002
Balance at 1 January	6,529	5,577	5,639	4,813
Charge for the financial year	830	952	686	826
Balance at 31 December	<b>7,359</b>	6,529	<b>6,325</b>	5,639
Analysed as follows:				
Current (see Note 23)	2,981	-	2,981	-
Non-current	4,378	6,259	3,344	5,639
	<b>7,359</b>	6,259	<b>6,325</b>	5,639

The entire current portion of the provision for Directors' retirement gratuities was paid in January 2004 to an Executive Director of the Company who retired on 31 December 2003.

## 29. CAPITAL COMMITMENTS

	Group		Company	
	2003	2002	2003	2002
Authorised capital expenditure not provided for in the financial statements:				
- contracted	31,675	94,869	729	417
- not contracted	42,902	55,838	4,361	5,171
	<b>74,577</b>	150,707	<b>5,090</b>	5,588
Analysed as follows:				
- Property, plant and equipment	73,971	49,312	5,090	5,588
- Proposed acquisition by Asiatic Land Development Sdn Bhd of the remaining 30% equity in Asiatic Indahpura Development Sdn Bhd	-	77,319	-	-
- Others	606	24,076	-	-
	<b>74,577</b>	150,707	<b>5,090</b>	5,588

## 30. SUPPLEMENTARY CASH FLOW DISCLOSURES

### (a) Acquisition of subsidiaries during the financial year

During the financial year, the Group made the following significant acquisitions:

#### (i) *Kenyalang Borneo Sdn Bhd ("KBSB")*

Pursuant to a supplemental agreement dated 10 April 2003, the Company completed the acquisition of a subsidiary company, KBSB, for a total purchase consideration of RM857,080. This acquisition had no cash flow effect as the total consideration had been settled via set off against amounts recoverable from the shareholders of KBSB.

Details of fair value of the net assets acquired and cash outflow on acquisition of KBSB are as follows:

	2003
<b>Net assets acquired:</b>	
Property, plant and equipment	3,492
Trade and other payables	(2,622)
	<b>870</b>
Cost on acquisition	
Less : Acquisition expenses	(13)
	<b>857</b>
Purchase consideration paid in prior financial years	

### 30. SUPPLEMENTARY CASH FLOW DISCLOSURES (Cont'd)

#### (ii) *Asiatic Indahpura Development Sdn Bhd ("AIDSB")*

The acquisition of the remaining 30% equity interest in AIDSB from Ambang Budi Sdn Bhd ("ABSB") by Asiatic Land Development Sdn Bhd ("ALDSB"), a wholly-owned subsidiary company was completed on 1 March 2003 pursuant to a Conditional Share Sale Agreement dated 11 December 2002 as further disclosed in Note 30(c)(ii).

Details of fair value of the net assets acquired are as follows:

	2003
Property, plant and equipment	45
Real property assets	14,345
Inventories	17,181
Property development	12,498
Trade and other receivables	24,759
Trade and other payables	(39,868)
Deferred tax liability	(1,373)
Net assets acquired	<u>27,587</u>
Purchase consideration discharged by sale of land as disclosed in Note 30(c)(ii)	77,319
	<u>49,732</u>

The above acquisitions have no material impact on the financial results of the Group during the financial year and on the financial position of the Group as at 31 December 2003.

#### (b) Acquisition of a subsidiary in last financial year

In the last financial year, the Company acquired a subsidiary company, Asiatic Green Tech Sdn Bhd. Details of the net assets acquired and cash flow on acquisition of the aforesaid subsidiary are as follows:

	2002
Trade and other receivables	25
Trade and other payables	(241)
Cash and bank balances acquired	240
Total purchase consideration	<u>24</u>
Less : Cash & cash equivalents acquired	(240)
Net cash inflow on acquisition of a subsidiary company	<u>(216)</u>

#### (c) Significant non-cash transactions

The significant non-cash transactions during the financial year are as follows:

- (i) Following the completion of the acquisition of KBSB (see Note 30(a)(i)), a write back of RM3.4 million in respect of advances made to KBSB and sums paid to various vendors of KBSB previously provided as doubtful recoveries was effected.
- (ii) The completion of the disposal of 953 acres of land by Asiatic Indahpura Development Sdn Bhd ("AIDSB"), an indirect subsidiary company to Ambang Budi Sdn Bhd ("ABSB") for a total consideration of RM82.7 million on 1 March 2003. Arising from this disposal, a gain of RM69.1 million was realised and included in gross profit. The related tax charge of RM16.2 million had been provided accordingly. The disposal had resulted in a reduction of approximately RM13.6 million in real property assets of the Group.

The above disposal had no cash flow effect as the sale consideration of RM82.7 million was utilised to set off the following interdependent transactions with ABSB:

- the purchase consideration of RM77.3 million on the acquisition of the remaining 30% equity interest in AIDSB; and
- the borrowings of RM5.4 million from ABSB.

### 31. PRIOR PERIOD ADJUSTMENT

During the financial year, the Group changed its accounting policy in respect of accounting for deferred taxation in compliance with MASB Standard No.25 on Income Taxes.

In previous financial years:

- (i) deferred taxation was recognised for timing differences except when there was reasonable evidence that such timing differences would not reverse in the foreseeable future. The tax effect of timing differences that resulted in a debit balance or a debit to the deferred tax balance was not carried forward unless there was a reasonable expectation of its realisation.
- (ii) the potential tax saving on tax losses carried forward was only recognised if there was assurance beyond any reasonable doubt that future taxable income would be sufficient for the benefit of the loss to be realised.
- (iii) where there was intention to dispose of revalued assets, the deferred tax relating to such assets was recognised through a transfer from the related revaluation surplus. No provision nor disclosure was made of this tax effect where the Group intended to hold such assets for the foreseeable future.

The Group has now changed its accounting policy to recognise deferred tax on temporary differences arising from a comparison of the amounts attributable to assets and liabilities for tax purposes and their corresponding carrying values in the financial statements. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences or unused tax losses can be utilised.

The change in accounting policy has no material impact on the net profit of the Group and of the Company for the financial year ended 31 December 2003.

The change in accounting policy has been accounted for retrospectively and prior period comparatives have been adjusted as follows:

	As previously reported	Effect of change in policy	As restated
<b>Group</b>			
<b>At 1 January 2002</b>			
Revaluation reserve	19,668	(1,270)	18,398
Unappropriated profits	734,889	(7,835)	727,054
<b>At 1 January 2003</b>			
Revaluation reserve	19,631	(1,270)	18,361
Unappropriated profits	815,850	(6,100)	809,750
Deferred tax liabilities	10,238	10,802	21,040
Deferred tax assets	-	3,432	3,432
<b>For financial year ended 31 December 2002</b>			
Taxation charge	29,186	(1,735)	27,451
<b>Company</b>			
<b>At 1 January 2002</b>			
Revaluation reserve	28,310	(1,414)	26,896
<b>At 1 January 2003</b>			
Revaluation reserve	28,273	(1,414)	26,859
Deferred tax liabilities	520	1,414	1,934

### 32. ON GOING LITIGATION

The Company and Tanjung Bahagia Sdn Bhd ("TBSB"), a wholly-owned subsidiary company, had vide previous announcements informed shareholders on the status of the legal suit filed in the High Court of Sabah and Sarawak at Kota Kinabalu Suit No. K22-245 of 2002 wherein the Company and TBSB were named as the Second and Third Defendants respectively ("the Suit"). The Suit was instituted by certain natives ("the Plaintiffs") claiming Native Customary Rights over the agricultural land or part thereof held under title number CL095330724 measuring approximately 8,830 hectares situated at Sungai Tongod, District of Kinabatangan, Sandakan, Sabah ("Tongod Land") which was acquired by TBSB from Hap Seng Consolidated Berhad.

### 32. ON GOING LITIGATION (Cont'd)

The Company and TBSB had filed an appeal to the Judge in Chambers against the decision of the Court in dismissing with cost the Company and TBSB's application to strike out the Plaintiffs' Writ of Summons and Statement of Claims. The appeal had been fixed for hearing on 10 August 2004.

As reported previously, the plaintiffs had also applied for an interlocutory injunction to restrain the Company and TBSB from entering, trespassing, clearing, using or occupying the Tongod Land or part thereof ("the Injunction"). The hearing of the Injunction which was fixed on 5 November 2003 had been vacated and the new date for the said hearing has been fixed on 18 March 2004.

Our solicitors maintain their opinion that the Plaintiffs' action is misconceived and unsustainable.

### 33. SUBSIDIARY AND ASSOCIATED COMPANIES

	Effective Percentage of Ownership		Country of Incorporation	Principal Activities
	2003	2002		
<b>Direct Subsidiary Companies</b>				
Sabah Development Company Sdn Bhd	100	100	Malaysia	Plantation
AR Property Development Sdn Bhd	100	100	Malaysia	Plantation
Sing Mah Plantation Sdn Bhd	100	100	Malaysia	Plantation
Tanjung Bahagia Sdn Bhd	100	100	Malaysia	Plantation
Landworthy Sdn Bhd	84	84	Malaysia	Plantation
Kinavest Sdn Bhd	100	100	Malaysia	Plantation
Asiaticom Sdn Bhd	100	100	Malaysia	Plantation
Asiatic Green Tech Sdn Bhd	100	100	Malaysia	Plantation
Ayer Item Oil Mill Sdn Bhd	100	100	Malaysia	FFB processing
ADB (Sarawak) Palm Oil Mill Management Sdn Bhd	100	100	Malaysia	Provision of palm oil mill management services
Asiatic Land Development Sdn Bhd	100	100	Malaysia	Property development
Technimode Enterprises Sdn Bhd	100	100	Malaysia	Property investment
Glugor Development Sdn Bhd	100	100	Malaysia	Investments
Amalgamated Rubber (Penang) Sdn Bhd	100	100	Malaysia	Investments
Asiatic Commodities Trading Sdn Bhd	100	100	Malaysia	Pre-operating
ALD Construction Sdn Bhd	100	100	Malaysia	Pre-operating
Asiatic Vegetable Oils Refinery Sdn Bhd	100	100	Malaysia	Pre-operating
Plantation Latex (Malaya) Sdn Bhd	100	100	Malaysia	Dormant

### 33. SUBSIDIARY AND ASSOCIATED COMPANIES (Cont'd)

	Effective Percentage of Ownership		Country of Incorporation	Principal Activities
	2003	2002		
<b>Direct Subsidiary Companies (Cont'd)</b>				
Asiatic Properties Sdn Bhd	100	100	Malaysia	Dormant
Mediglove Sdn Bhd	100	100	Malaysia	Dormant
* Kenyalang Borneo Sdn Bhd	100	-	Malaysia	Dormant
<b>Indirect Subsidiary Companies</b>				
Setiamas Sdn Bhd	100	100	Malaysia	Plantation and property development
** Asiatic Indahpura Development Sdn Bhd	100	70	Malaysia	Property development
Asiatic Golf Course (Sg. Petani) Berhad	100	100	Malaysia	Golf course operation
+ Asiatic Overseas Limited	100	100	Isle of Man	Investments
+ Azzon Limited	100	100	Isle of Man	Investments
Asiatic Awanpura Sdn Bhd	100	100	Malaysia	Pre-operating
<b>Associated Companies</b>				
Serian Palm Oil Mill Sdn Bhd	40	40	Malaysia	FFB processing
@ Sri Gading Land Sdn Bhd	49	49	Malaysia	Property development
Setiakahaya Sdn Bhd	50	50	Malaysia	Property investment
@ Asiatic Ceramics Sdn Bhd	49	49	Malaysia	In receivership

\* Subsidiary company acquired during the financial year.

\*\* Acquisition of the remaining 30% equity in this subsidiary company during the financial year thereby increasing the equity ownership from 70% to 100%.

+ The financial statements of these companies are audited by a Chartered Accountant associated with PricewaterhouseCoopers, Malaysia.

@ The financial statements of these companies are audited by auditors other than the auditors of the Company.

### 34. SIGNIFICANT RELATED PARTY DISCLOSURES

In the normal course of business, the Company and the Group undertakes on agreed terms and prices, transactions with its related companies and other related parties.

In addition to related party transactions mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transaction listed below was carried out on terms and conditions obtainable in transactions with unrelated parties:

	2003	Group	2002
Progress payments made by a wholly-owned subsidiary company, Asiatic Land Development Sdn Bhd ("ALDSB") to the constructor, Kien Huat Development Sdn Bhd, a company in which Datuk Lim Chee Wah, a son of Tan Sri Lim Goh Tong and a brother of Tan Sri Lim Kok Thay, is a director and has deemed substantial financial interest, for the development of properties in Kulai, Johor. The progress payments include fees and reimbursables totalling RM701,000 (2002 : RM614,000).	16,681		15,546

### 35. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

- a) On 17 February 2004, two subsidiary companies namely, Sabah Development Company Sdn Bhd ("SDC") and Asiaticom Sdn Bhd ("ASB"), have entered into several agreements for the following proposed acquisitions:
- i) acquisition of the entire issued and fully paid-up capital of Trushidup Plantations Sdn Bhd ("TPSB"), Wawasan Land Progress Sdn Bhd ("WLPSB") and Dianti Plantations Sdn Bhd ("DPSB") from several individuals for a total cash consideration of RM81.8 million. TPSB, WLPSB and DPSB are principally engaged in the cultivation and sales of fresh fruit bunches ("ffb") and own approximately 4,989 acres, 2,635 acres and 491 acres of plantation land respectively all located in the District of Kinabatangan, Sabah;
  - ii) acquisition of the entire issued and fully paid-up share capital of Cengkeh Emas Sdn Bhd ("CESB") and Kituva Plantations Sdn Bhd ("KPSB") for a total cash consideration of RM20.0 million from Syarikat Trushidup Sdn Bhd ("STSB") and several individuals. CESB and KPSB are principally engaged in the cultivation and sales of ffb and own approximately 505 acres and 1,208 acres of plantation land respectively all located in the District of Kinabatangan, Sabah;
  - iii) acquisition of approximately 1,749 acres of plantation land together with a palm oil mill and other plantation assets located in the District of Kinabatangan, Sabah for a total cash consideration of RM50.3 million from STSB;
  - iv) acquisition of other plantation assets for a total cash consideration of RM1.0 million from Trushidup Resources Sdn Bhd; and
  - v) acquisition of approximately 5,110 acres of plantation land located in the District of Kinabatangan, Sabah for a total cash consideration of RM51.9 million from STSB.

The above proposed acquisitions are interdependent and are subject to the following conditions being satisfied within 6 months from the date of the agreements but not earlier than 31 March 2004:

- i) the approval of Foreign Investment Committee being obtained;
  - ii) the completion of a due diligence to the satisfaction of SDC and ASB; and
  - iii) any other approvals from the relevant authorities as may be required.
- b) On 18 February 2004, the Company and certain wholly-owned subsidiary companies entered into several Sale and Purchase Agreements ("SPA") for the sale and purchase of plantation land and buildings erected thereon ("plantation assets") pursuant to a proposed Group Rationalisation Exercise ("the Proposed Exercise"). The objectives of the Proposed Exercise are:
- i) to relieve the Company from operating activities thus establishing the Company as an investment holding and management company; and
  - ii) to streamline operating units currently held under various companies within the Group into distinct core entities.

### 35. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE (Cont'd)

The Proposed Exercise involves the transfer of plantation assets within the Group at market values as determined by an independent firm of professional valuers and no financial impact would arise at Group level. The various companies and plantation assets involved in the Proposed Exercise are as follows:

- i) SPA signed between the Company (the Vendor) and Sing Mah Plantation Sdn Bhd (the Purchaser) for the sale and purchase of approximately 34,769 acres of plantation land and buildings located in West Malaysia for a total cash consideration of RM1.1 billion;
- ii) SPA signed between the Company (the Vendor) and Tanjung Bahagia Sdn Bhd (the Purchaser) for the sale and purchase of approximately 14,159 acres of plantation land and buildings located in Sabah for a total cash consideration of RM119.1 million;
- iii) SPA signed between Asiatic Green Tech Sdn Bhd (the Vendor) and Tanjung Bahagia Sdn Bhd (the Purchaser) for the sale and purchase of approximately 1,500 acres of plantation land and buildings located in Sabah for a total cash consideration of RM19.5 million;
- iv) SPA signed between Kinavest Sdn Bhd (the Vendor) and Tanjung Bahagia Sdn Bhd (the Purchaser) for the sale and purchase of approximately 475 acres of plantation land and buildings located in Sabah for a total cash consideration of RM2.3 million; and
- v) SPA signed between AR Property Development Sdn Bhd (the Vendor) and Sing Mah Plantation Sdn Bhd (the Purchaser) for the sale and purchase of approximately 598 acres of plantation land and buildings located in West Malaysia for a total cash consideration of RM21.7 million.

Along with the Proposed Exercise, the Company (the Vendor) also signed a SPA with Ayer Item Oil Mill Sdn Bhd (the Purchaser) for the sale of a palm oil mill together with all plant, machinery, equipment and furniture for a total cash consideration of RM2.5 million.

The Proposed Exercise is subject to the approvals from the following:

- i) Foreign Investment Committee; and
- ii) State Authority/Estate Land Board for the transfer of the plantation land.