



ASIATIC DEVELOPMENT BERHAD
(54425-X)

Our Vision

We Strive:

- To become a leader in the plantation industry.
- To embark aggressively onto value-added downstream manufacturing activities which are synergistic to our core business.
- To enhance return on the company land bank through property development activities.
- To adopt a market-driven and customer-oriented approach, with emphasis on product quality and diversity.
- To strengthen our competitive position by adopting new technologies and innovations.

As people are the key to achieving the company's vision, we are committed to develop our employees and create a highly motivating and rewarding environment for them.

annual report 2003



Asiatic Development Berhad • Annual Report 2003



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location of group properties



● Plantation

ASIATIC Bukit Sembilan Estate	1	ASIATIC Sabapalm Estate	12
ASIATIC Selama Estate	2	ASIATIC Tanjung Estate	13
ASIATIC Sepang Estate	3	ASIATIC Kineveat Estate	14
ASIATIC Tebong Estate	4	ASIATIC Bahagia Estate	15
ASIATIC Cheng Estate	5	ASIATIC Agroview Estate	16
ASIATIC Tanah Merah Estate	6	ASIATIC Tenegang Estate	17
ASIATIC Sri Gading Estate	7	ASIATIC Landworthy Estate	18
ASIATIC Sungai Rayat Estate	8	ASIATIC Layang Estate	19
ASIATIC Sing Mah Estate	9	ASIATIC Mewah Estate	20
ASIATIC Kutal Besar Estate	10	ASIATIC Indah Estate	21
ASIATIC Sedamas Estate	11	ASIATIC Permal Estate	22
		ASIATIC Jambongan Estate	23

■ Oil Mills

ASIATIC Ayer Item Oil Mill	1
ASIATIC Kutal Besar Oil Mill	2
ASIATIC Sabapalm Oil Mill	3
ASIATIC Mewah Oil Mill	4
ASIATIC Tanjung Oil Mill	5
JOINT VENTURE Serian Palm Oil Mill	6

▲ Property

ASIATIC Indahpura BELU, JOHOR	1
ASIATIC Permaipura S. IS., PERAK, KELANG	2
ASIATIC Cheng Perdana CHENG, MELAKA	3

contents

CONTENTS

Notice of Annual General Meeting	1
Statement Accompanying Notice of Annual General Meeting	3
Corporate Diary	4
Board of Directors	5
Corporate Information	6
Directors' Profile	7
Chairman's Statement/Penyata Pengerusi/主席文告	9
A Tribute to Tan Sri Lim Goh Tong	15
Review of Operations	16
Environment Conservation & Sustainable Development	21
Corporate Governance	22
Audit Committee Report	24
Statement on Internal Control	26
Directors' Report and Statement by Directors	27
Income Statements	33
Balance Sheets	34
Statements of Changes in Equity	35
Cash Flow Statements	37
Notes to the Financial Statements	39
Statement on Directors' Responsibility	72
Statutory Declaration	72
Report of the Auditors	73
List of Group Properties	74
Ten-Year Summary	75
Analysis of Shareholdings	77
Form of Proxy	
Reply Form	

notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Twenty-Sixth Annual General Meeting of the Company will be held at 26th Floor, Wisma Genting, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 22 June 2004 at 3.00 p.m.

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2003 and the Directors' and Auditors' Reports thereon. **(Resolution 1)**
2. To sanction the declaration of a final dividend. **(Resolution 2)**
3. To approve Directors' fees of RM180,000 for the financial year ended 31 December 2003 (2002 : RM180,000). **(Resolution 3)**
4. To re-elect Directors pursuant to Article 99 of the Articles of Association of the Company:
 - i. Tan Sri Lim Kok Thay **(Resolution 4)**
 - ii. Mr Quah Chek Tin **(Resolution 5)**
5. To consider and, if thought fit, pass the following resolutions pursuant to Section 129 of the Companies Act, 1965:

"That _____, retiring in accordance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting."

in respect of:

 - i. Tan Sri Mohd Amin bin Osman **(Resolution 6)**
 - ii. Lt. Gen. (B) Dato' Haji Abdul Jamil bin Haji Ahmad **(Resolution 7)**
 - iii. Dato' Siew Nim Chee **(Resolution 8)**
6. To re-appoint Auditors and to authorise the Directors to fix their remuneration. **(Resolution 9)**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolutions:

Ordinary Resolutions

7. **Authority to issue and allot shares pursuant to Section 132D of the Companies Act, 1965** **(Resolution 10)**

"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approval of any relevant governmental and/or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Section 132D of the Companies Act, 1965, to issue and allot shares in the Company, at any time 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 issued pursuant to this resolution does not exceed ten (10) per centum of the issued and paid-up share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

8. **Proposed renewal of the authority for the purchase of own shares** **(Resolution 11)**

"THAT, subject to compliance with the Companies Act, 1965, the Articles of Association of the Company, regulations and guidelines issued from time to time by Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ["Bursa Malaysia"] or any other regulatory authorities, approval be and is hereby given to the Company to utilise an amount not exceeding the total retained profits and share premium of the Company to purchase such amount of ordinary shares of RM0.50 each in the Company as may be determined by the Directors of the Company from time to time on Bursa Malaysia upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this resolution does not exceed 74,239,000 ordinary shares of RM0.50 each representing ten (10) per centum of the issued and paid-up share capital of the Company as at 30 April 2004. Based on the audited financial statements for the financial year ended 31 December 2003, the Company's retained profits and share premium accounts were RM728.7 million and RM25.8 million respectively;

AND THAT such authority shall commence upon the passing of this resolution and shall remain in force until the conclusion of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting;

AND THAT authority be and is hereby given to the Directors of the Company to decide in their discretion to retain the ordinary shares in the Company so purchased by the Company as treasury shares and/or cancel them and/or resell the treasury shares or to distribute them as share dividend and/or subsequently cancel them;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company to take all such steps as are necessary (including the appointment of up to two (2) Participating Organisations as defined in the Bursa Malaysia Listing Requirements and the opening and maintaining of Central Depository Accounts designated as Share Buy-Back Accounts) and to enter into any agreements and arrangements with any party or parties to implement, finalise and give full effect to the aforesaid with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities."

9. To transact any other business of which due notice shall have been given.

By Order of the Board

TAN WOUI MENG

Secretary

Kuala Lumpur
31 May 2004

NOTES

A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies (but not more than two) to attend and vote instead of him. A proxy need not be a member of the Company but in accordance with Section 149 of the Companies Act, 1965, a member shall not be entitled to appoint a person who is not a member of the Company as his proxy unless that person is an advocate, an approved company auditor or a person approved by the Registrar of Companies in a particular case. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy. The instrument appointing a proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time set for holding the meeting or at any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS

(1) *Ordinary Resolution 10, if passed, will give authority to the Directors of the Company, from the date of the above Annual General Meeting, to issue and allot shares in the Company up to and not exceeding in total ten (10) per centum of the issued and paid-up share capital of the Company for the time being, for such purposes as they consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.*

(2) *Ordinary Resolution 11, if passed, will empower the Directors of the Company to purchase the Company's shares up to ten (10) per centum of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back") by utilising the funds allocated which shall not exceed the total retained profits and share premium of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.*

Further information on the Proposed Share Buy-Back are set out in the Share Buy-Back Statement to Shareholders of the Company dated 31 May 2004 which is despatched together with the Company's 2003 Annual Report.

statement accompanying notice of annual general meeting

pursuant to paragraph 8.28(2) of the listing requirements of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad)

1. The following are the Directors standing for re-election at the Twenty-Sixth Annual General Meeting of the Company to be held at 26th Floor Wisma Genting, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 22 June 2004 at 3.00 p.m.:

(a) Pursuant to Article 99 of the Articles of Association of the Company

(i) **Tan Sri Lim Kok Thay**

(ii) **Mr Quah Chek Tin**

(b) Pursuant to Section 129 of the Companies Act, 1965

(i) **Tan Sri Mohd Amin bin Osman**

(ii) **Lt. Gen. (B) Dato' Haji Abdul Jamil bin Haji Ahmad**

(iii) **Dato' Siew Nim Chee**

2. Number of Board Meetings held during the financial year ended 31 December 2003: **5**

3. Attendances of Directors at Board Meetings held during the financial year ended 31 December 2003 are set out on page 22 of this Annual Report.

4. Further details on the Directors standing for re-election at the Twenty-Sixth Annual General Meeting are set out in pages 7 and 8 of this Annual Report.

corporate diary

2003

27 February

Announcement of the Consolidated Results of the Group for the fourth quarter and the Audited Results for the financial year ended 31 December 2002.

18 April

Announcement of the Entitlement Date for the Proposed Final Dividend in respect of the financial year ended 31 December 2002 and the Twenty-Fifth Annual General Meeting.

28 April

Announcement of the proposed renewal of the authority for the purchase of own shares ("Proposed Share Buy-Back").

28 May

Announcement of the Consolidated Unaudited Results of the Group for the first quarter ended 31 March 2003.

31 May

Notice to shareholders of the Twenty-Fifth Annual General Meeting.

Notice to shareholders of the Extraordinary General Meeting in respect of the Proposed Share Buy-Back.

25 June

Twenty-Fifth Annual General Meeting and Extraordinary General Meeting in respect of the Proposed Share Buy-Back.

27 August

Announcement of the Consolidated Unaudited Results of the Group for the second quarter ended 30 June 2003.

Announcement of the Entitlement Date for the Interim Dividend in respect of the half-year ended 30 June 2003.

20 November

Announcement of the Consolidated Unaudited Results of the Group for the third quarter ended 30 September 2003.

31 December

Announcement of the retirement of Tan Sri Lim Goh Tong as a Director of the Company.

2004

17 February

Announcement of the following proposed acquisitions:

- (i) The entire issued and fully paid-up share capital of:
 - Trushidup Plantations Sdn Bhd;
 - Wawasan Land Progress Sdn Bhd; and
 - Dianti Plantations Sdn Bhdby Sabah Development Company Sdn Bhd ("SDC"), a wholly-owned subsidiary of the Company, from several individuals.
- (ii) The entire issued and fully paid-up share capital of:
 - Cengkeh Emas Sdn Bhd; and
 - Kituva Plantations Sdn Bhdby SDC from Syarikat Trushidup Sdn Bhd ("STSB") and several individuals.
- (iii) Approximately 1,749 acres of plantation lands together with a palm oil mill and other plantation assets located in the District of Kinabatangan, Sabah by SDC from STSB.
- (iv) Other plantation assets by SDC from Trushidup Resources Sdn Bhd.
- (v) Approximately 5,110 acres of plantation land located in the District of Kinabatangan, Sabah by Asiaticom Sdn Bhd, a 70% owned subsidiary of the Company, from STSB.

26 February

Announcement of the Consolidated Results of the Group for the fourth quarter and the Audited Results for the financial year ended 31 December 2003.

20 April

Announcement of the Entitlement Date for the Proposed Final Dividend in respect of the financial year ended 31 December 2003 and the Twenty-Sixth Annual General Meeting.

Announcement of the proposed renewal of authority for the Proposed Share Buy-Back.

25 May

Announcement of the Consolidated Unaudited Results of the Group for the first quarter ended 31 March 2004.

DIVIDENDS

	Announcement	Entitlement Date	Payment
2002 Final - 2.5 sen less tax	27 February 2003	2 July 2003	22 July 2003
2003 Interim - 1.75 sen less tax	27 August 2003	1 October 2003	21 October 2003
2003 Proposed Final - 2.75 sen less tax	26 February 2004	29 June 2004	19 July 2004*

* Upon approval of shareholders at the Twenty-Sixth Annual General Meeting

board of directors



Seated (from left): Dato'Siew Nim Chee, Tan Sri Mohd Amin bin Osman, Tan Sri Lim Goh Tong (Founder), Tan Sri Lim Kok Thay, Dato'Baharuddin bin Musa
Standing (from left): Mr Quah Chek Tin, Lt. Gen. (B) Dato'Haji Abdul Jamil bin Haji Ahmad, Lt. Gen. (B) Dato'Abdul Ghani bin Abdullah, Encik Mohd Din Jusoh

Founder

TAN SRI LIM GOH TONG

Board of Directors

TAN SRI MOHD AMIN BIN OSMAN

Chairman

DATO' BAHARUDDIN BIN MUSA

Joint Chief Executive

TAN SRI LIM KOK THAY

Joint Chief Executive

LT. GEN. (B) DATO' HAJI ABDUL JAMIL BIN HAJI AHMAD

Independent Non-Executive Director

ENCIK MOHD DIN JUSOH

Independent Non-Executive Director

DATO' SIEW NIM CHEE

Independent Non-Executive Director

LT. GEN. (B) DATO' ABDUL GHANI BIN ABDULLAH

Non-Independent Non-Executive Director

MR QUAH CHEK TIN

Non-Independent Non-Executive Director

corporate information

PRINCIPAL EXECUTIVE OFFICERS

DIRECTORATE

Tan Sri Mohd Amin bin Osman
Chairman

Dato' Baharuddin bin Musa
Joint Chief Executive

Tan Sri Lim Kok Thay
Joint Chief Executive

PLANTATION

Mr Sze Kok Sing
Chief Operating Officer

Mr Khoo Lian Hong
Regional Operating Manager - Sabah

Encik Abdul Halim bin Abdul Majid
Regional Operating Manager - West Malaysia

Mr Choo Huan Boon
Acting Senior Manager - Processing

Mr Clifford Che Keng Soon
Senior Manager - Marketing (Palm Products)

PROPERTY

Mr Phang Kong Wong
Chief Operating Officer

Encik Khaidzir bin Zainuddin
General Manager - ASIATIC Indahpura

Encik Mohd Sukairi bin Sohoh
Operations Manager - ASIATIC Permaipura

Ms Tan Siew Foong
Marketing Manager - ASIATIC Indahpura

FINANCE

Mr Yong Chee Kong
Chief Financial Officer

AUDIT COMMITTEE

Dato' Siew Nim Chee
Chairman/Independent Non-Executive Director

Lt. Gen. (B) Dato' Haji Abdul Jamil bin Haji Ahmad
Member/Independent Non-Executive Director

Encik Mohd Din Jusoh
Member/Independent Non-Executive Director

Dato' Baharuddin bin Musa
Member/Joint Chief Executive

Mr Quah Chek Tin
Member/Non-Independent Non-Executive Director

NOMINATION COMMITTEE

Lt. Gen. (B) Dato' Haji Abdul Jamil bin Haji Ahmad
Member/Independent Non-Executive Director

Dato' Siew Nim Chee
Member/Independent Non-Executive Director

Encik Mohd Din Jusoh
Member/Independent Non-Executive Director

REMUNERATION COMMITTEE

Dato' Siew Nim Chee
Member/Independent Non-Executive Director

Lt. Gen. (B) Dato' Haji Abdul Jamil bin Haji Ahmad
Member/Independent Non-Executive Director

Encik Mohd Din Jusoh
Member/Independent Non-Executive Director

Dato' Baharuddin bin Musa
Member/Joint Chief Executive

SECRETARY

Mr Tan Wooi Meng

ASIATIC DEVELOPMENT BERHAD

A public limited liability company
Incorporated and domiciled in Malaysia
Company no. 34993-X

REGISTERED OFFICE

24th Floor, Wisma Genting,
Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel : (03) 2161-2288
(03) 2178-2288/2382-2288 w.e.f. August 2004
Fax : (03) 2161-5304
Email : info@asiatic.com.my

REGISTRARS

Genting Management and Consultancy Services Sdn Bhd
23rd Floor, Wisma Genting,
Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel : (03) 2161-2288
(03) 2178-2266/2382-2266 w.e.f. August 2004
Fax : (03) 2161-5304

CORPORATE HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS

10th Floor, Wisma Genting,
Jalan Sultan Ismail, 50250 Kuala Lumpur
Tel : (03) 2161-3733/2032-3733
(03) 2178-2255/2382-2255 w.e.f. August 2004
Fax : (03) 2161-6149

ASIATIC REGIONAL OFFICE, SABAH

Lot 39, Taman Wemin,
Mile 5, Labuk Road,
P.O. Box 901, 90710 Sandakan, Sabah
Tel : (089) 208-204
Fax : (089) 211-108

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad
(formerly known as Malaysia Securities Exchange Berhad)
(30 August 1982)

AUDITORS

PricewaterhouseCoopers
(Chartered Accountants)

INTERNET HOMEPAGE

<http://www.asiatic.com.my>

directors' profile

Tan Sri Mohd Amin bin Osman (Malaysian, aged 76), appointed on 27 June 1992, is the Chairman. He has had a distinguished career spanning a period of 36 years with the Royal Malaysian Police Force. He joined the police force as an Inspector and retired as the Acting Inspector General of Police, Malaysia. In between, he had served as Deputy Commissioner of Police, Sabah; Brigade Commander, Police Field Force, East Malaysia; Chief of City Police, Kuala Lumpur; and Director of Special Branch, Malaysia. He has won various awards including the Panglima Setia Mahkota and Sri Indera Mahkota Pahang. He is the Executive Director of Genting Berhad and also sits on the Board of Shangri-La Hotels (Malaysia) Berhad.

Tan Sri Mohd Amin holds 164,000 ordinary shares and has a share option to subscribe for 825,000 ordinary shares in the Company whose shares are listed under the Plantation Sector on Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

Dato' Baharuddin bin Musa (Malaysian, aged 67), appointed on 8 November 1985, is the Joint Chief Executive and Director. He holds a Bachelor of Arts (Honours) Degree from the University of Malaya and a Masters Degree in Public Administration from Pittsburgh University. He is also a Parvin Fellow of Princeton University. He served the Malaysian Government in the Malaysian Administrative and Diplomatic Service for 20 years in various positions, including inter alia, Assistant State Secretary in the States of Pahang and Malacca and the first Director of Culture and then the Deputy Secretary General of the Ministry of Culture, Youth and Sports and the first Deputy Chairman and Director General of Tourist Development Corporation Malaysia. He was also seconded to the University of Malaya as Chairman of the Division of Public Administration in the Faculty of Economics and Administration where apart from lecturing on Government and Administration also started the course for Diploma in Public Administration. His last posting whilst in the Government Service was as Deputy Secretary General, Ministry of Defence. He also sits on the Board of some of the companies within the Genting Group, Pemas International Holdings Berhad and a number of other private limited companies.

Dato' Baharuddin holds 613,000 ordinary shares and has a share option to subscribe for 825,000 ordinary shares in the Company.

Tan Sri Lim Kok Thay (Malaysian, aged 52), appointed on 29 September 1977, is the Joint Chief Executive and Director. He holds a Bachelor of Science Degree in Civil Engineering from the University of London. He is also the Chairman, President and Chief Executive of Genting Berhad and Resorts World Bhd; the Chairman of Genting International PLC and a director of Pacific Lottery Corporation. He is the Chairman, President and Chief Executive Officer of Star Cruises Limited. In addition, he sits on the boards of other Malaysian and foreign companies. He joined the Genting Group in 1976 and has since served in various positions within the Group. He also sits on the Board of trustees of several charitable organisations in Malaysia.

Tan Sri Lim Kok Thay holds 144,000 ordinary shares and has a share option to subscribe for 825,000 ordinary shares in the Company.

Lt. Gen. (B) Dato' Haji Abdul Jamil bin Haji Ahmad (Malaysian, aged 75), appointed on 12 June 1980, is an Independent Non-Executive Director. Dato' Jamil received his early training at the Royal Military Academy, Sandhurst, and did further training courses at Staff College Queenscliff, Joint Services Staff College Latimer and the Royal College of Defence Studies, London. He served in the Malaysian Armed Forces for 33 years and retired from military service in January 1984 as Army Corps Commander.

Dato' Jamil retired as the Deputy Chairman of Kontena Nasional Berhad ("KN") on 2 February 2004 but remains as a member of the Board. He also held the position as Chief Executive of KN from 1984 to 1989. He is also a Board member of the Institute of Strategic and International Studies, Malaysia; Chemsain Konsultant Sdn Bhd and director of certain subsidiaries of KN.

Dato' Jamil holds 10,000 ordinary shares in the Company.

Dato' Siew Nim Chee (Malaysian, aged 78), appointed on 12 June 1980, is an Independent Non-Executive Director. Dato' Siew is also a director of Resorts World Bhd. He holds a Bachelor of Arts Degree and a Bachelor of Arts (Honours) Degree in Economics from the University of Malaya. Dato' Siew went on to obtain a Master of Science Degree in Industrial Labour Relations from Cornell University in 1953. He was an adviser and consultant to Genting Berhad from 1977 to 1985 and continues to be active in the corporate sector. He also sits on the Boards of Ancom Berhad, Johan Holdings Berhad, UAC Berhad, Malaysia Smelting Corporation Berhad and Malaysian Oxygen Berhad.

Dato' Siew holds 10,000 ordinary shares in the Company.

Encik Mohd Din Jusoh (Malaysian, aged 60), appointed on 12 June 1980, is an Independent Non-Executive Director. He is a member of the Institute of Chartered Secretaries and Administrators (UK) and had attended a number of senior management courses abroad. He is also the Chairman and/or director of a number of private companies as well as a public company, Asiatic Golf Course (Sg. Petani) Bhd.

Lt. Gen. (B) Dato' Abdul Ghani bin Abdullah (Malaysian, aged 63), appointed on 14 February 1996, is a Non-Independent Non-Executive Director. Dato' Abdul Ghani has had a distinguished career with the Royal Malay Regiment for 36 years. He was Field Army Commander for

the Malaysian Armed Forces before his retirement as a three star general. Prior to that, Dato' Abdul Ghani served in Kuching, Sarawak as Commander of the First Division for East Malaysia and earlier between 1990 and 1993 commanded the Armed Forces' Strategic Division with the rank of Major General. His long army career also saw Dato' Abdul Ghani doing planning and logistics at the Ministry of Defence and attending training programs at the US Army Intelligence School, Defence Services Staff College in India, the Joint Services Staff College in Canberra and the National Defence College in Pakistan. Dato' Abdul Ghani holds a Masters of Science degree in Defence and Strategic Studies. He is also a director of AFFIN-ACF Holdings Berhad.

Mr Quah Chek Tin (Malaysian, aged 52), appointed on 19 October 2001, is a Non-Independent Non-Executive Director. He is also the Executive Director of Genting Berhad and the Executive Director and Chief Operating Officer of Resorts World Bhd. He holds a Bachelor of Science (Honours) Degree in Economics from the London School of Economics and is a Fellow of the Institute of Chartered Accountants in England and Wales. He is an Alternate Director to Tan Sri Lim Kok Thay on the Board of Genting International PLC. He also holds directorships in other companies within the Genting Group which include three public companies namely, Genting Golf Course Bhd, Genting Highlands Berhad and Awana Vacation Resorts Development Berhad.

Attendance at Board Meetings

The details of Directors' attendances at Board Meetings are set out on page 22 of the Corporate Governance statement in this Annual Report.

chairman's statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Company and its subsidiaries ("Group") for the year ended 31 December 2003.

PERFORMANCE REVIEW

The Group delivered yet another set of sterling results in 2003 achieving an impressive 62% jump in consolidated pre-tax profit, a creditable feat indeed given the uncertainties amidst the SARS outbreak and the Iraq War during the year. With an all-time high revenue of RM490.8 million anchored by the exceptional plantation performance, its consolidated pre-tax profit hit RM211.4 million translating into a massive increase of RM81.0 million over that of the preceding year.

The Plantation Division was the key driver behind this notable earnings growth scaling new heights with an unprecedented profit contribution of RM183.6 million. Although the good showing was in line with the buoyant commodity prices, the Division's continued improvement on the operational front should not go unnoticed. Its crop yield and oil extraction rates, maintaining their incremental trends, charted 10-year record highs of 22.5 tonnes per hectare and 20.7% respectively.

Whilst the plantation business was relatively insulated from the adversities of the SARS outbreak and the Iraq War, the housing sector, however, was not spared as domestic spending turned cautious. The take up rate was marginal then and it was not until the abating of such

penyata pengerusi

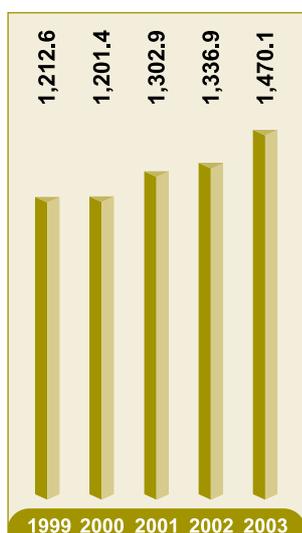
Saya, bagi pihak Lembaga Pengarah dengan sukacitanya membentangkan Laporan Tahunan serta Penyata Kewangan Syarikat dan anak-anak syarikat ("Kumpulan") untuk tahun berakhir 31 Disember 2003.

TINJAUAN PRESTASI

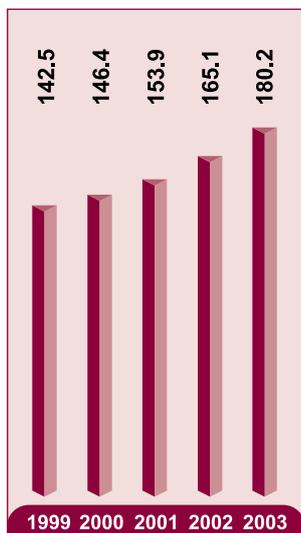
Kumpulan sekali lagi telah menghasilkan pencapaian yang baik dalam tahun 2003, dengan kenaikan yang mengagumkan iaitu sebanyak 62% dalam keuntungan yang disatukan sebelum cukai, satu pencapaian yang harus dibanggakan meskipun keadaan sekitar yang tidak menentu dengan wabak SARS yang melanda serta Perang Iraq di tahun tersebut. Pencapaian luar biasa dengan pendapatan sebanyak RM490.8 juta terutamanya diperolehi dari Bahagian Perladangan menghasilkan keuntungan yang disatukan sebelum cukai mencecah RM211.4 juta, satu kenaikan yang hebat iaitu sebanyak RM81.0 juta dari tahun sebelumnya.

Bahagian Perladangan yang menjadi teraju utama di sebalik pertumbuhan pendapatan yang penting, telah memberi sumbangan yang amat bermakna dengan perolehan keuntungan sebanyak RM183.6 juta, suatu tahap yang belum pernah dicapai sebelum ini. Walaupun keuntungan yang besar ini selaras dengan harga komoditi yang meningkat, ianya adalah juga hasil usaha yang berkekalan oleh Bahagian Perladangan. Kadar hasil tanaman dan pemerahan minyak terus meningkat, mencatatkan 22.5 tan sehektar dan 20.7% masing-masing dan ini merupakan rekod yang tertinggi dalam jangkamasa 10 tahun yang lalu.

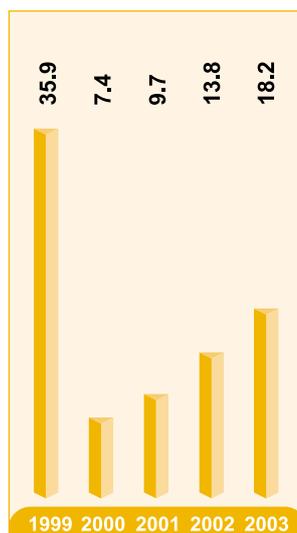
Total Assets Employed
(RM million)



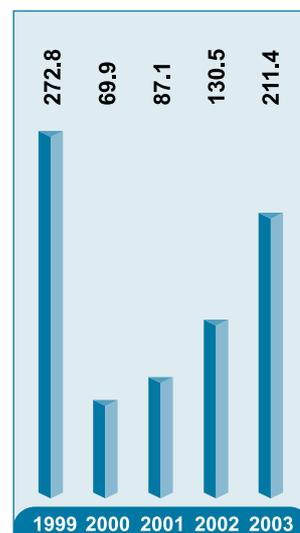
Net Tangible Assets Per Share
(Sen)



Earnings Per Share
(Sen)



Profit Before Taxation
(RM million)



FINANCIAL HIGHLIGHTS

Year Ended 31 December	2003 RM'000	2002 RM'000	Change %
Operating revenue	490,818	296,099	+66
Profit before taxation	211,441	130,455	+62
Profit after taxation	149,453	103,004	+45
Profit attributable to shareholders	135,250	102,008	+33
Shareholders' equity	1,336,649	1,223,727	+9
Total assets employed	1,470,127	1,336,929	+10
Earnings per share (sen)	18.2	13.8	+32
Net dividend per share (sen)	3.2	3.0	+7
Dividend cover (times)	5.6	4.6	+22
Net tangible assets per share (sen)	180.2	165.1	+9
Return (after tax and minority interests) on average shareholders' equity (%)	10.6	8.6	+23

destabilising events and the introduction of stimulus measures by the Government in the second quarter of the year that the market sentiment improved. The Property Division seized the opening to roll out several products which were met with encouraging response. Nevertheless, the pent-up demand was inadequate to turn the tide, and inevitably its contribution suffered minor setbacks but remained satisfactory in the wake of the intense competition and excess inventory faced by the industry.

CORPORATE DEVELOPMENT

The Group has further enlarged its plantation interest during the course of the year with the acquisitions of about 1,457 hectares of vacant and planted estates in Sabah. Our plan to vigorously expand into new estates has been very successful with an increase of more than 56% from 40,594 hectares to 63,229 hectares in a short span of three years. The Group has ploughed back a total of RM258.1 million for these acquisitions.

Apart from the above, the Group recently entered into several conditional agreements to acquire some 6,753 hectares of oil palm estates and a 60 tonnes per hour palm oil mill in Sabah for a total consideration of RM205.0 million. Given the 86% matured profile of the estates to be acquired, our harvesting area is expected to expand by 15%. The proposed acquisitions are expected to be completed in the second quarter of 2004.

The Group will continue its pursuit of growth strategies to achieve our vision as a leading plantation company.

Walaupun perniagaan perladangan terlindung dari bencana wabak SARS dan Perang Iraq, namun sektor perumahan tidak terlepas dari mengalami kesan buruk kerana sikap pengguna dalam negeri yang berhati-hati dalam perbelanjaan mereka. Kadar jualan ketika itu adalah sederhana sehingga kejadian-kejadian yang tidak stabil menjadi reda dan langkah pemulihan ekonomi yang diperkenalkan oleh Kerajaan di suku tahun kedua untuk memulih sentimen di pasaran. Bahagian Hartanah mengambil kesempatan ini dengan memperkenalkan beberapa produk di mana ianya mendapat sambutan yang menggalakkan. Walau bagaimanapun, permintaan yang terpendam ini tidak mencukupi untuk memulihkan sektor hartanah dengan sepenuhnya dan kerana itu, sumbangannya mengalami kemerosotan. Meskipun berdepan dengan saingan yang hebat serta lebih inventori, pencapaian kita dalam bidang ini masih memuaskan.

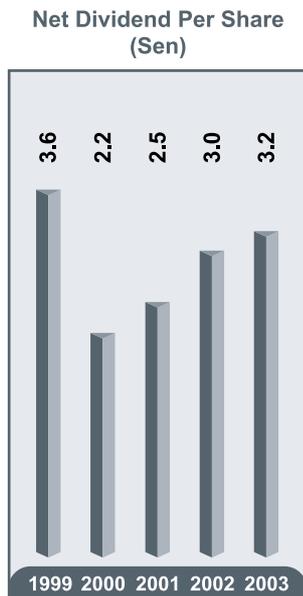
PEMBANGUNAN KORPORAT

Kumpulan telah meningkatkan kepentingan perladangannya bagi tahun dalam kajian dengan memperolehi sebanyak 1,457 hektar tanah kosong serta yang tertanam di Sabah. Rancangan kami yang bersungguh-sungguh bagi memperluaskan estet baru telahpun berjaya dengan penambahan lebih 56% iaitu dari 40,594 hektar kepada 63,229 hektar dalam jangka masa yang singkat iaitu tiga tahun. Kumpulan telah melaburkan RM258.1 juta pemerolehan-pemerolehan ini.

Di samping itu, baru-baru ini Kumpulan telah memeterai beberapa perjanjian bagi memperolehi 6,753 hektar estet kelapa sawit serta kilang kelapa sawit dengan kapasiti pengilangan 60 tan sejam di Sabah dengan jumlah RM205.0 juta. Dengan mengambilkira profil kematangan

DIVIDENDS

The Board of Directors has recommended a final dividend of 2.75 sen less 28% income tax per ordinary share of 50 sen each for the year ended 31 December 2003. If approved by shareholders at the forthcoming Twenty-Sixth Annual General Meeting, the total dividend for the year inclusive of the interim dividend of 1.75 sen less 28% income tax per ordinary share of 50 sen each paid on 21 October 2003 will amount to a total distribution of RM24.0 million, some RM2.0 million more than 2002's RM22.0 million.



FUTURE PROSPECTS

The cyclical upturn in crude palm oil prices during the year under review was not unexpected but the strong run-up hitting a high of RM1,950 per tonne in October 2003 has taken many by surprise. The price rallies into 2004 and appears to be well supported. The market sentiment is generally upbeat of its sustainability in the near term riding on the tightening of global edible oils supply. Nonetheless, as the impact of lower oilseeds harvest arising from the late drought in the United States last year begins to ease with the anticipated bigger oilseed crops from South America and India in the second half of 2004, palm oil prices are likely to soften. It is, however, expected to stay at comfortable levels for the rest of 2004 in view of the rising edible oil imports from China, the growing concern on genetically modified crops and trans-fatty acid issue, as well as the huge price discount on palm oil.

The current price bullishness has got us a head start in the new financial year and coinciding with the expected volume growth in fresh fruit bunches production of the Group, there is ground for optimism that the prospect for plantation earnings will remain bright. Even so, we need no reminder of the inherent price vagaries of the commodity business. We will not rest on our laurels but

sebanyak 86% bagi estet-estet yang bakal diperolehi ini, dijangkakan keluasan tuaian akan berkembang sebanyak 15%. Cadangan perolehan ini dijangka selesai dalam suku kedua 2004.

Kumpulan akan meneruskan usaha pertumbuhan demi mencapai visi kami sebagai syarikat perladangan yang utama.

DIVIDEN

Ahli Lembaga Pengarah telah mengesyorkan dividen akhir sebanyak 2.75 sen ditolak cukai pendapatan 28% sesaham biasa 50 sen setiap satu bagi tahun berakhir 31 Disember 2003. Jika diluluskan oleh pemegang saham pada Mesyuarat Agung Kedua Puluh Enam yang akan datang, dividen bagi tahun dalam kajian termasuk dividen interim 1.75 sen ditolak cukai pendapatan 28% sesaham biasa 50 sen setiap satu yang telah dibayar pada 21 Oktober 2003 akan berjumlah RM24.0 juta, iaitu RM2.0 juta lebih banyak dari tahun 2002 yang berjumlah RM22.0 juta.

PROSPEK MASA DEPAN

Peningkatan harga minyak sawit mentah dalam tahun kajian adalah dalam jangkaan tetapi harga yang tinggi sehingga mencecah RM1,950 se tan pada Oktober 2003 adalah di luar dugaan. Peningkatan harga berterusan hingga ke tahun 2004 dan memperlihatkan sokongan yang baik. Sentimen pasaran umumnya adalah baik bagi mempertahankan kedudukan ini dalam masa terdekat dalam keadaan pengeluaran minyak di dunia yang terdesak. Sungguhpun demikian, tekanan harga minyak kerana kemerosotan tuaian 'oilseeds' akibat kemarau di Amerika Syarikat kemungkinan akan berkurangan kerana pengeluaran 'oilseeds' yang lebih besar dari Amerika Selatan dan India dalam pertengahan tahun kedua 2004, di mana harga minyak sawit mungkin menurun sedikit. Walau bagaimanapun, adalah dijangka harga ini akan terus berada di tahap yang selesa sepanjang tahun 2004 dengan pertambahan pengimpotan minyak masak oleh China, bertambahnya kecurigaan mengenai pengeluaran bahan minyak dari benih ubahsuai baka ("GMO") dan isu 'trans-fatty acid' serta diskaun antara minyak sawit dan minyak soya adalah terlalu besar.

Harga minyak sawit mentah yang tinggi di permulaan tahun kewangan baru dan bertepatan dengan jangkaan pertambahan pengeluaran buah tandan basah bagi Kumpulan yang menggalakkan, menjadi asas optimis keadaan cerah bagi pendapatan perladangan akan berterusan. Namun begitu, kita harus berhati-hati dengan harga yang tidak menentu ini dan berwaspada atas hakikat harga minyak yang sentiasa turun naik. Maka dengan itu, kita tidak akan bergantung kepada kejayaan masa lampau dan sebaliknya akan terus berusaha menguruskan aset bagi mencapai hasil yang tinggi melalui aturcara pertanian, penuaian serta kemahiran pengilangan pada tahap yang tinggi bagi menghadapi perubahan harga yang tidak menentu itu.

remain vigilant towards managing our assets for the highest yield through emphasis on good agronomic, harvesting and milling practices to create a buffer against any unfavourable price movement in the future.

On the property market front, with the economy recovering well and Gross Domestic Product growth on track to exceed expectation, the property demand looks set to pick up. Whilst those in the prime locations will be taking the lead, the spillover effect will benefit the property projects outside the vicinity of Klang Valley. The Group is ready for new launches at the most opportune time. As the Group's projects are located at secondary sites like Johor, Melaka and Kedah, it will conduct smaller sale launches and focus on medium-range residential properties. Although the Property Division is unlikely to contribute significantly to the bottom line of the Group in the immediate future, it will progressively benefit from the gradual revival of the property market. Its share of contribution towards the Group's profitability shall become increasingly substantial as the market moves into the next up-cycle.

Overall, barring any unforeseen circumstances, we are optimistic that the Group should perform well for both the Plantation and Property Divisions in the forthcoming financial year.

DIRECTORATE

On 31 December 2003, Tan Sri Lim Goh Tong announced his retirement and resigned as a member of the Board of Directors. Tan Sri Lim Goh Tong was instrumental to the Group's foray into plantation business and has since never ceased to give his invaluable guidance and foresight. The Group owe its admirable success to this truly remarkable and visionary gentleman. Together with all the employees in the Group, we salute him and wish him a very happy retirement.

APPRECIATION

On behalf of the Board, I would like to extend our utmost gratitude to our valued customers, associates and the relevant government authorities for their support and assistance. I also wish to express our sincere appreciation to our employees for their positive efforts and to our shareholders for their continued faith and endorsement. Last but not least, my personal thanks to my fellow colleagues on the Board for their astute guidance and wise counsel.

TAN SRI MOHD AMIN BIN OSMAN
Chairman
5 May 2004

Dari sudut pasaran hartanah, dengan keadaan ekonomi yang semakin pulih dan pertumbuhan Keluaran Kasar Dalam Negara sedang menuju ke arah melebihi jangkaan, permintaan bagi hartanah dijangka akan bertambah. Walaupun lokasi pesat menjadi pilihan utama, kesan limpahan akan turut memberi manfaat kepada projek hartanah di luar Lembah Klang. Kumpulan telah bersedia membuat pelancaran baru untuk menyambut keadaan demikian. Oleh kerana projek Kumpulan terletak di Johor, Melaka dan Kedah, Kumpulan akan membuat pelancaran jualan secara sederhana dengan penumpuan kepada perumahan kos sederhana. Walaupun Bahagian Hartanah mungkin tidak memberi sumbangan besar kepada Kumpulan di masa terdekat ini, ianya akan turut memberi faedah hasil dari kebangkitan pasaran hartanah. Dari itu, potensi sumbangannya kepada Kumpulan akan semakin bermakna apabila pasaran hartanah memasuki kitaran meningkat.

Secara keseluruhannya, dengan dikecualikan keadaan yang tidak terduga, kami optimis pencapaian Kumpulan dari Bahagian Perladangan dan Hartanah bagi tahun kewangan mendatang akan terus memuaskan.

LEMBAGA PENGARAH

Pada 31 Disember 2003, Tan Sri Lim Goh Tong telah mengumumkan persaraan beliau serta perletakan jawatan sebagai ahli Lembaga Pengarah. Tan Sri Lim Goh Tong adalah pengasas utama bagi Kumpulan ini dalam bidang perladangan dan beliau tidak pernah jemu memberi panduan serta dorongan yang tidak ternilai. Kumpulan telah memperolehi kejayaan yang tinggi hasil dari tokoh ini yang berkeistimewaan serta berwawasan. Bersama-sama dengan seluruh kakitangan di dalam Kumpulan, kami sekalian amat berterima kasih tidak terhingga kepada beliau dan mengucapkan beliau selamat bersara.

PENGHARGAAN

Bagi pihak Lembaga Pengarah, saya ingin merakamkan setinggi-tinggi penghargaan kepada pelanggan-pelanggan, rakan kongsi serta pihak Kerajaan di atas sokongan serta bantuan yang diberikan. Saya juga ingin melahirkan penghargaan kepada semua kakitangan di dalam usaha mereka yang positif dan kepada para pemegang saham Kumpulan di atas keyakinan serta sokongan mereka yang berterusan. Akhir kata, saya mengucapkan terima kasih kepada rakan sejawat saya di dalam Lembaga Pengarah yang banyak memberi tunjuk ajar dan nasihat yang bijaksana dan berguna.

TAN SRI MOHD AMIN BIN OSMAN
Pengerusi
5 Mei 2004

主席文告

我謹代表董事部欣然提呈本公司及其子公司(本集團)截至 2003 年 12 月 31 日的常年報告及已審核的財政報告。

業績檢討

本集團於 2003 年度所取得的 62% 的綜合稅前盈利增長率，創下了另一頁的輝煌業績。更值得稱許的是，此成就是在本年度爆發的非典疫情及伊拉克戰爭的禍害下達致的。由於種植組的卓越表現所帶來的空前四億九千零八十萬零吉的營業額，其綜合稅前盈利因而成功攀升至二億一千一百四十萬零吉，比前一財政年大幅度增加了八千一百萬零吉。

種植組在此項顯著的盈利增加中扮演了主要角色，它貢獻了歷來最高的一億八千三百六十萬零吉的盈利。雖然此成就是緊隨原產品的價格上漲所致，但種植組不斷改進其營運操作也功不可沒。在果串收成量及棕油搾取率持續增長中，分別創下了每公頃 22.5 噸及 20.7%，為十年來的新高。

相對於農產業，房產業則未能幸免於非典疫情及伊拉克戰爭所引發的負面影響，國內的消費趨向謹慎致使房產業深受牽連。房產購買率一直維持在偏低水平，直至上述的不利因素取得緩和，以及政府在第二季推行幾項經濟振興措施，市場消費才獲得改善。產業組適時把握良機，推出數項新房屋計劃，其反應令人鼓舞。雖然如此，消費力的反彈並不足以扭轉頹勢，在面臨激烈競爭及房產過剩的情況

下，產業組的貢獻難免遭受微挫，但全年業績頗算滿意。

企業發展

隨著本年度在沙巴收購大約 1,475 公頃的農業空地和種植園坵後，本集團又再進一步擴展其種植權益。本集團正積極進行新園坵擴展計劃，在短短的三年期間，成功將園坵面積增加了 56% 以上，即從 40,594 公頃增至 63,229 公頃。本集團已在這些收購上一共投資了二億五千八百一十萬零吉。

除了上述之外，最近本集團也簽署多項有條件的收購合約，總共以二億零五百萬零吉的價格，在沙巴收購 6,753 公頃的油棕園，以及每小時能生產六十噸棕油的初搾油廠。收購中的園坵有 86% 處於成熟期，以此推算，本集團的收成區將擴大 15%。預料此收購計劃將會在 2004 年第二季完成。

本集團將繼續採取擴展策略，俾落實本集團作為一家首要種植公司的宏願。

股息

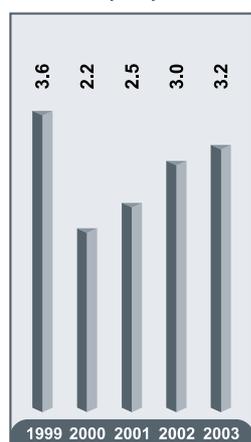
截至 2003 年 12 月 31 日止，本董事部建議派發每一 50 仙普通股享有 2.75 仙，但須扣 28% 所得稅的終期股息。若獲得行將來臨的第 26 屆常年股東大會的批准，本年度的股息總額，包括 2003 年 10 月 21 日付出的每一 50 仙普通股享有 1.75 仙，但須扣 28% 所得稅的中期股息，將為二千四百萬零吉，比 2002 年的二千二百萬零吉多了二百萬零吉。



財政重點

截至 12 月 31 日年度	2003 零吉 '000	2002 零吉 '000	相差 %
營運收入	490,818	296,099	+66
稅前盈利	211,441	130,455	+62
稅後盈利	149,453	103,004	+45
歸股東盈利	135,250	102,008	+33
股東股權	1,336,649	1,223,727	+9
全部動用資產	1,470,127	1,336,929	+10
每股基本收益 (仙)	18.2	13.8	+32
每股淨股息 (仙)	3.2	3.0	+7
股息補足率 (倍數)	5.6	4.6	+22
每股淨有形資產 (仙)	180.2	165.1	+9
平均股東股權 (在扣稅及少數股東利益後)的回酬(%)	10.6	8.6	+23

每股淨股息
(仙)



未來展望

本檢討年度原棕油價格的周期性上漲並不出乎預料，但其價格于 2003 年 10 月間強勁飆升至每噸 1,920 零吉，卻令許多人大感意外。棕油價格的強勁走勢一直持續至 2004 年，由于全球食油供應短缺，市場對其短期價格保持樂觀。雖然如此，由于去年美國旱災造成的油籽歉收逐漸獲得緩和，加上南美及印度於 2004 年下半年有更高的油籽預期產量，棕油價格有可能趨軟。但有鑑于中國入口食油的增加，加上市場對基因改造農作物及反式脂肪酸課題的日益關注，以及棕油價格較為廉宜的種種因素下，預料棕油價格會在 2004 年保持舒適的水平。

目前的價格飆升已使我們在新的財政年取得優勢，再加上本集團的棕櫚果串生產預料將會取得數量上的增長，我們有理由樂觀相信，種植業的收益前景仍然被看好。雖然如此，我們仍需對原產品起落不定的價格保持警惕。有鑑于此，本集團將會更謹慎管理其資產，以期透過妥善的農務、收成及廠務管理獲得更高的成果，為未來任何價格滑跌起緩沖作用。

房產業市場方面，在經濟穩健復蘇以及國內生產總值的增長超乎預料的情形下，房產業的需求將逐漸復甦。雖然房產興旺區將起帶頭作用，其帶來的影響將惠及巴生谷郊外地區的產業計劃。本集團已作好準備隨機推出新房屋計劃。由于本集團的計劃是位于次要地點如柔佛、馬六甲及吉打，我們將進行較小型的展銷，並專注于中價的住宅屋。雖然產業組不可能在近期對本集團的盈利作出重大貢獻，但肯定將逐步從房產業市場的復蘇中受益。它對本集團盈利的貢獻將隨著市場進入另一旺季而日益增加。

整體來說，除了無可預測的情況，我們深信，本集團的種植組和產業組將會在來年作出更佳表現。

董事部

2003 年 12 月 31 日，丹斯里林梧桐宣佈退休並辭去董事職。丹斯里林為本集團進軍種植業的開業先鋒。自那時起，丹斯里林不會停止過提供其寶貴指引和遠見。本集團能取得令人讚賞的成就，應歸功于這一非凡及高瞻遠矚的人物。謹此聯同本集團全體員工，向丹斯里林致敬，並祝他安享退休生活。

致謝

我謹代表董事部對我們寶貴的客戶、商業同仁及有關當局給予的支持和協助，表示深切的感激。我也要對本公司員工的積極工作，以及公司股東持續不斷的信心和支持，致以由衷的謝意。最後，我本人也要感謝董事同仁所給予我的敏銳引導和精明指點。

丹斯里莫哈末阿敏

主席

2004 年 5 月 5 日

A Tribute to Tan Sri

Lim Goh Tong



*We, the Board of Directors, management and staff
would like to extend our appreciation and
sincere thanks to our beloved Founder,*

Tan Sri Lim Goh Tong.

*Your invaluable contributions,
wisdom and dedication to our Company
have provided a strong foundation for
Asiatic Development Berhad.*

*Having pioneered the birth of Asiatic, planted and supported the seed of
growth through strategic land acquisitions over the years, you have steered
Asiatic to become one of the leading plantation companies in Malaysia.*

We salute your foresight and will forever be grateful to you.

*A very big THANK YOU from the bottom of our hearts, Tan Sri, and
we wish you happy retirement, good health and long life.*

review of operations

PLANTATION

Our plantation business continued to flourish under very conducive palm oil prices and ended up with its best ever performance. Its earnings soared to a record high of RM167.4 million and it remained the dominant contributor of the Group accounting for 79% of total pre-tax profit.

Palm oil prices were fairly robust throughout the year. Whilst the steady rise in prices was disrupted briefly during the Iraq War in the first half of 2003, the fundamentals supporting the price rebound remained intact. The concern over supply contraction arising from poor oilseeds harvest and lower stock availability had kept the prices firm. Moreover, the edible oils demand was equally strong, if not stronger, with rising import by China and improved offtake by India following its duty reduction. So when the late drought in the United States prompted a downward revision of

soybean output forecast, it was not unexpected that a price run-up was triggered propelling the price of crude palm oil ("CPO") to a high of RM1,950 per tonne in October 2003. In tandem with the bullish sentiment, the Group's achieved average selling price for CPO increased by 16% from RM1,352 per tonne in 2002 to RM1,568 per tonne.

Similarly, the short supply of lauric oils has also driven the price of palm kernel to breach past the RM1,000 per tonne level in December 2003. Accordingly, the Group's achieved selling price rose to RM748 per tonne against the last corresponding period of RM665 per tonne.

Whilst the favourable price upswing has contributed to the stellar performance of the Division, our perseverance and uncompromising stance in improving yield have also played important roles. Over the years, the Division has placed great emphasis on harvesting standards

and loose fruits collections. It had also stepped up fertiliser inputs even during the lean years. These concerted efforts have begun to show identifiable results. Our fresh fruit bunches ("FFB") yield gained some 8% at 22.5 tonnes per hectare from 20.9 tonnes per hectare previously whilst our average oil extraction rates pressed forward progressing from 20.2% for the last financial year to 20.7%. Both are our highest achieved so far. We will, however, continue to strive for even better.

Reflecting the higher yield together with additional harvesting areas from the newly acquired estates, FFB harvested for the year surged to 864,603 tonnes, a respectable growth of 22% over that of last year. In line with the significant increase in FFB production, the FFB intake inclusive of third party crops by the oil mills hit a record volume of 946,882 tonnes. Correspondingly, the Group with a combined milling

Mechanised fertiliser application





Mechanised infield evacuation of FFB

capacity of 190 tonnes per hour attained better capacity utilisation at 92% against 86% in 2002. Arising therefrom, CPO production registered a 27% jump amounting to 195,322 tonnes whilst PK production likewise improved 20% to 48,497 tonnes.

In line with our efforts to increase yield and quality, our Ayer Item Oil Mill has successfully converted its ISO9002 : 1994 Quality Management System to the new ISO9001 : 2000 Quality Management System in March 2003.

The Division expanded further with the acquisition of Agroview Estate (now renamed Asiatic Agroview Estate), a property adjacent to our Asiatic Bahagia Estate, not only for its high yielding potential but also for its strategic location providing a bridging and strategic connection to the Jeroco Road for our Asiatic Tenegang Group of Estates. This fully planted and matured oil palm estate of 607 hectares is placed under the management of Asiatic

Bahagia Estate. It contributed some 13,928 tonnes of FFB to Asiatic Tanjung Oil Mill. At another front, the Group continued to acquire contiguous parcels of vacant agricultural land at Pulau Jambongan, an island off the coastal town of Kanibongan, northeast of Sabah. It added another 850 hectares during the year to bring the total area in its possession to about 2,968 hectares. The estate will be known as Asiatic Jambongan Estate. In addition, the Group has also completed the taking-over of Kenyalang Borneo Sdn Bhd which owns 5,059 hectares of jungle land in Limbang, Sarawak. With the above acquisitions, the Group's total land bank stood at 63,229 hectares with oil palm planted area of 48,710 hectares.

As reported in the last annual report, the planting activities at Asiatic Permai Estate were interrupted by a suit instituted by certain individuals claiming native customary rights. The said estate is located near Sungai Tongod, District of Kinabatangan,

Sabah. Together with the adjacent Asiatic Indah Estate, they formed a total land area of 8,830 hectares. By the end of 2003, 4,888 hectares have been fully planted with oil palm whilst another 1,203 hectares are scheduled to be planted up by 2004. In view of the pending lawsuit and the frequent disturbances caused by the natives, the planting progress for the remaining areas has slowed down considerably. We are actively pursuing the case and our solicitors maintained their opinion that the suit is unsustainable and misconceived and that it is unlikely for the individuals to succeed.

As planned, the Group commenced oil palm cultivation at Asiatic Jambongan Estate, having awarded the first phase development contract for 1,901 hectares in November 2003. The target date for completion of planting is December 2005.

During the year, some RM7.5 million was expended on replanting and maintenance of immature fields. We have completed replanting of 322



hectares applying environmentally friendly techniques without any burning of biomass. The Group will continue with its replanting policy to ensure long term yield sustainability. Exodus of foreign workers in the second half of 2002 and early 2003 arising from the Government's amnesty and legalisation of these workers had adversely affected almost all plantation companies especially in Sabah and we were not spared. The Division's labour shortage problem took a breather with the timely recruitment of some 330 foreign workers this year. However, due to our aggressive expansion programme, we are still in need of more workers especially in Sabah where labour abscondment and defection rate remain high. Whilst steps are being taken to reduce such incidence, the Division has also implemented various mechanisation process in areas where the topography is suitable and where the palm age profile allows for use of machines. Furthermore, buffalo assisted collection for infield

FFB evacuation in our Sabah estates is being actively pursued wherever necessary or most suitable.

Serian Palm Oil Mill, the Group's joint venture with Sarawak Land Consolidated and Rehabilitation Authority, processed 195,858 tonnes of FFB representing a growth of 22% as compared to 2002. The 40 tonnes per hour mill continued to perform commendably with average oil and kernel extraction rates of 21.8% and 4.2% respectively. Nevertheless, with the increased milling throughput from 30 tonnes per hour to 40 tonnes per hour, the capacity utilisation declined marginally to 91% notwithstanding the enlarged FFB intake.

PROPERTY DEVELOPMENT

The first half of 2003 was tough for the Property Division with the occurrence of a spate of undesirable events which dampened the overall confidence of the property market. The sentiment only began to strengthen after the SARS epidemic

came under control and the cessation of the Iraq War. It was further boosted by the timely Government's proactive initiatives including stamp duty exemption for properties below RM180,000, tax deductibility of interest cost for first time house buyers and the real property gains tax waiver. Although there was a discernible pick up in sales towards the second half of the year, the Division was unable to make up the lost ground caused by the slow start in the beginning of the year. Consequently, it recorded a moderate pre-tax profit of RM3.1 million excluding the exceptional gain of RM69.1 million arising from sale of land. The result, though much lower than that of 2002 at RM10.2 million, was commendable considering the difficult operating conditions.

Overall, the residential sector continued to drive the market whilst the other property sectors remained lacklustre. Moreover, market activity was predominantly in the Klang Valley whereas other areas including



Foon Yew Kulai Campus at ASIATIC Indahpura under construction



Single-storey terrace houses (Tulip),
ASIATIC Indahpura



Four-storey shop offices,
ASIATIC Indahpura



Ongoing construction works at
ASIATIC Indahpura Sports Complex

those where the Group is developing such as Melaka, Kedah and Johor were rather subdued.

Asiatic Indahpura in Kulai, Johor continued to spearhead the profit contribution with sales of RM37.7 million. The sales were mainly from new launches of medium-low cost houses, double-storey terrace houses and shop offices which contributed RM24.2 million with the remaining from sales of inventories. The "Rental with an Option to Purchase" scheme introduced a year ago for the four-storey shop offices to defray their maintenance costs was well received with 45 strata units rented out during the year. Elsewhere, approval was obtained for the construction of the sports complex on part of the industrial lots and building works is expected to

commence in early 2004. Further, in view of the high stock overhang in the industrial segment, part of the remaining industrial land will be converted into residential and commercial development. The revised layout has been submitted for the authorities' approval.

Development activities at Asiatic Permaipura, Kedah and Asiatic Cheng Perdana, Melaka remained quiet as the depressed market conditions there curtailed the viability of any new launches. Thus, sale efforts were focused mainly on clearing the existing inventories. Meanwhile, the Division continues to monitor the two markets closely and will be ready to undertake new launches at the right time. As for Asiatic Cheng Perdana, the Division has already submitted the application

for the revision of development and building plans with a view to launching them in the second quarter of 2004.

Permaipura Golf & Country Club performed reasonably well for the year under review despite intense competition from nearby golf courses. It registered a higher number of golfers' visitation as a result of aggressive marketing plans.

With the industrial sector still grappling with problems of supply glut, the performance of the Sri Gading industrial estate, a joint venture project between the Group and the Johor Corporation Berhad, continued to be affected contributing to a small operating profit of RM1.4 million for the year under review.



Double-storey terrace houses (Ruby 1),
ASIATIC Indahpura



Double- and 3-storey shop offices,
ASIATIC Indahpura





Visit to Rumah Wawasan, Perak



Recipients of 2003 Long Service Awards

In 2003, some 27 hectares of estate land in various locations were compulsorily acquired for the Government's infrastructure and public projects.

HUMAN RESOURCE

Reinforcing and enhancing the critical skills and competencies of our workforce of 5,730 strength remained the main focus of the human resource strategy throughout the year under review. In order to meet this objective, the Group continued to allocate substantial sums for functional skills training and personal enrichment development for its employees at all levels.

The 23rd Management Conference- "Effective Management : Self Assessment, Work Discipline & Execution" was held in August 2003 at Genting Highlands Resort. During the conference, the participants

examined critically effective management issues and identified ways to achieve management excellence. This was followed by the Assistant Managers' Conference in October 2003 in Kota Kinabalu, Sabah to deliberate on "Potential and Constraints in Our Sabah Plantation Operations". Reflecting on the existing operational processes, the participants were encouraged to make recommendations in improving quality and productivity. In respect of personal enrichment such as leadership development and communicative skills, the Group continued to send executives to attend the outward bound schools in Lumut and Kota Kinabalu from time to time.

In fostering greater interaction amongst the employees, the Group organised a trip to Pulau Pangkor. Included as one of the itineraries of the trip was a visit to Rumah

Wawasan, Perak, aimed at instilling greater awareness of the underprivileged children.

The Company offered the third tranche of 6,250,000 share options under the Asiatic Executive Share Option Scheme ("ESOS") to all eligible executives during the year. As at 31 December 2003, a total of 16,898,000 shares options were allocated by the Company and accepted by the executives with 389,000 ordinary shares of the Company having since been issued and allotted under the ESOS. The ESOS was implemented in 2000 by the Company in recognition of the commitment and dedication of its executives.

In addition to the above, a total of 46 deserving employees received their long service awards in appreciation of their loyalty and years of untiring services ranging from 5 to 25 years.

The 23rd Management Conference in progress



environment conservation & sustainable development



*Tree planting along both sides of Sungai Tenegang Besar, Sabah
photo: courtesy of WWF-Malaysia*

Recognising that its business operations may have adverse environmental impacts if left unmonitored, the Group has over the years taken and adopted various measures and techniques aimed towards environmental management and minimising adverse impacts. Asiatic has made consistent efforts to uphold its long-term commitment to environmental conservation and sustainable development by the implementation of eco-friendly practices in conducting its business activities.

Asiatic has always adopted good plantation practices, amongst others, the zero burning method for replanting in lieu of the “clear, fell and burn” method and the recycling of by-products from palm oil mills. The zero burning technique replenishes organic matter to the soil thus improving its fertility and more importantly does not pollute the environment. The processing of FFB to extract crude palm oil and palm kernel produces large quantities of bio-mass and organic waste products, particularly fibers and shells, empty fruit bunches and effluents. Fibers and shells are used as boiler fuel for co-generation of steam and electrical power for oil mills and living quarters while empty fruit bunches, which are rich in nutrients, are recycled for use as mulch and organic fertilisers in our estates. Effluents from palm oil mill operations undergo biological treatment as promulgated by the Department of Environment before it is recycled back to the estates to irrigate the palm trees.

The Group had in 1999 offered 15 hectares of land for a tree planting project to World Wide Fund for Nature-Malaysia (“WWF-Malaysia”) in support of its “Partners for Wetlands” programme. Asiatic, which was noted as the first plantation company to collaborate with WWF-Malaysia in its efforts to conserve the Kinabatangan floodplain, has since planted more than 2,400 trees along the Sungai Tenegang Besar, Sabah as part of the project. Continuing its support, the Group has dedicated a further 40 hectares during the year for WWF-Malaysia’s conservation programme.



*Proboscis monkeys
photo: courtesy of
WWF-Malaysia*



Mulching



Flat beds

corporate governance

It is the policy of the Company to manage the affairs of the Group in accordance with the appropriate standards for good corporate governance. Set out below is a statement on how the Company has applied the principles and complied with the best practices as set out in the Malaysian Code on Corporate Governance ("the Code").

A. DIRECTORS

(i) The Board

The Board has overall responsibility for the proper conduct of the Company's business. The Board meets on a quarterly basis and additionally as required. The Board has a formal schedule of matters specifically reserved for its decision, including overall strategic direction, annual operating plan, capital expenditure plan, acquisitions and disposals, major capital projects and the monitoring of the Group's operating and financial performance.

Formal Board Committees established by the Board in accordance with the Code namely, the Audit Committee, Nomination Committee and Remuneration Committee have assisted the Board in the discharge of its duties.

During the year under review, five meetings of the Board were held and all Directors have complied with the requirements in respect of board meeting attendance as provided in the Articles of Association.

The details of Directors' attendances are set out below:

Name of Directors	Number of Meetings Attended
Tan Sri Mohd Amin bin Osman	5
Dato' Baharuddin bin Musa	5
Tan Sri Lim Kok Thay	4
Tan Sri Lim Goh Tong *	3
Lt. Gen. (B) Dato' Haji Abdul Jamil bin Haji Ahmad	5
Encik Mohd Din Jusoh	5
Dato' Siew Nim Chee	5
Lt. Gen. (B) Dato' Abdul Ghani bin Abdullah	5
Mr Quah Chek Tin	5

* Retired on 31 December 2003

(ii) Board Balance

During the financial year, the Board had nine members, three executive Directors and six non-executive Directors. Following the retirement of Tan Sri Lim Goh Tong on 31 December 2003, the executive Directors on the Board was reduced to two. Three of the six non-executive Directors are independent non-executive Directors. The Directors have wide ranging experience and all have occupied or currently occupy senior positions in the public

and/or private sectors. The independent non-executive Directors provide a strong independent element on the Board with Dato' Siew Nim Chee as the senior independent non-executive Director to whom concerns may be conveyed. The independent non-executive Directors also participate in the Audit, Remuneration and Nomination Committees as members of these Committees.

A brief profile of each of the Directors is presented on pages 7 and 8 of this Annual Report.

(iii) Supply of Information

Notice of meetings, setting out the agenda and accompanied by the relevant Board papers are given to the Directors in sufficient time to enable the Directors to peruse, obtain additional information and/or seek further clarification on the matters to be deliberated.

As a Group practice, any Director who wishes to seek independent professional advice in the furtherance of his duties may do so at the Group's expense. Directors have access to all information and records of the Company and also the advice and services of the Group Company Secretary.

(iv) Appointments to The Board

The Nomination Committee comprising entirely of independent non-executive Directors is responsible for identifying and recommending to the Board suitable nominees for appointment to the Board and Board Committees.

On appointment, Directors are provided with information about the Group and are encouraged to visit the sites of the Group's operating units and meet with key senior executives.

All the Directors have attended the Mandatory Accreditation Programme conducted by the then Research Institute of Investment Analysis. The Directors are also encouraged to attend courses whether in-house or external to help them in the discharge of their duties.

(v) Re-election

The Articles of Association of the Company provide that at least one-third of the Directors are subject to retirement by rotation at each Annual General Meeting and that all Directors shall retire once in every three years. A retiring Director is eligible for re-election. The Articles of Association also provide that a Director who is appointed by the Board in the course of the year shall be subject to re-election at the next Annual General Meeting to be held following his appointment.

Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

B. DIRECTORS' REMUNERATION

The Remuneration Committee comprising three independent non-executive Directors and one of the Joint Chief Executives is responsible for making recommendations to the Board on the remuneration packages of executive Directors and members of Board Committees. In making recommendations to the Board, information provided by independent consultants and appropriate survey data are taken into consideration. The Board as a whole, determines the level of fees of non-executive Directors and executive Directors. Directors' fees are approved at the Annual General Meeting by the shareholders. Directors do not participate in decisions regarding their own remuneration packages.

The Remuneration Committee met twice during the financial year ended 31 December 2003.

Details of the Directors' remuneration are set out on pages 49 and 50 of the Audited Financial Statements in this Annual Report. In the interest of security, additional information have not been provided other than the details stipulated in the Listing Requirements of Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad).

C. SHAREHOLDERS

The Group acknowledges the importance of timely and equal dissemination of material information to the shareholders, investors and public at large. The Company's Annual General Meeting remains the principal forum for dialogue with shareholders. Shareholders are encouraged to participate in the proceedings and to ask questions about the resolutions being proposed and the operations of the Group.

The Group maintains a website at www.asiatic.com.my which provides information relating to annual reports, press releases, quarterly results, announcements and corporate developments.

The Group also participates in investor forums held locally and abroad and also organises briefings and meetings with analysts and fund managers to give them a better understanding of the businesses of the Group.

D. ACCOUNTABILITY AND AUDIT

(i) Financial Reporting

The Board aims to ensure that the quarterly reports, annual financial statements as well as the annual review of operations in the annual report are presented in a manner which provides a balanced and understandable assessment of the Company's performance and prospect.

The Directors are also required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with approved accounting standards and give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

A statement by the Board of its responsibilities for preparing the financial statements is set out on page 72 of this Annual Report.

(ii) Internal Control

The Board is responsible for the Group's system of internal control and risk management and for reviewing its adequacy and integrity. While acknowledging their responsibility for the system of internal control, the Directors are aware that such a system is designed to manage rather than eliminate risks and therefore cannot provide an absolute assurance against material misstatement or loss.

To assist the Board in maintaining a sound system of internal control for the purposes of safeguarding shareholders' investment and the Group's assets, the Group has in place, an adequately resourced internal audit department. The activities of this department which reports regularly to the Audit Committee provides the Board with much of the assurance it requires regarding the adequacy and integrity of the system of internal control. As proper risk management is a significant component of a sound system of internal control, the Group has also put in place a risk management process to help the Board in identifying, evaluating and managing risks.

(iii) Relationship with Auditors

The Company through the Audit Committee, has an appropriate and transparent relationship with the external auditors. In the course of audit of the Group's operations, the external auditors have highlighted to the Audit Committee and the Board, matters that require the Board's attention. All Audit Committee meetings are attended by the external auditors for purposes of presenting their audit plan and report and for presenting their comments on the audited financial statements.

E. OTHER INFORMATION

Material Contracts

Material Contracts of the Company and its subsidiaries involving Directors and substantial shareholders either subsisting at the end of the financial year or entered into since the end of the previous financial year are disclosed in Note 34 to the financial statements under "Significant Related Party Disclosures" on page 70 of this Annual Report.

audit committee report

MEMBERSHIP

The present members of the Audit Committee ("Committee") comprise:

Dato' Siew Nim Chee	Chairman/Independent Non-Executive Director
Lt. Gen. (B) Dato' Haji Abdul Jamil bin Haji Ahmad	Member/Independent Non-Executive Director
Encik Mohd Din Jusoh	Member/Independent Non-Executive Director
Dato' Baharuddin bin Musa	Member/Non-Independent Executive Director
Mr Quah Chek Tin	Member/Non-Independent Non-Executive Director

The Committee was established on 26 July 1994 to serve as a Committee of the Board. The Terms of Reference of the Committee are set out below.

ATTENDANCE AT MEETINGS DURING THE FINANCIAL YEAR 2003

During the year the Committee held a total of five (5) meetings. Details of attendance of the Committee members are as follows:

Name of Member	Number of Meetings Attended
Dato' Siew Nim Chee	5
Lt. Gen. (B) Dato' Haji Abdul Jamil bin Haji Ahmad	4
Encik Mohd Din Jusoh	5
Dato' Baharuddin bin Musa	4
Mr Quah Chek Tin	3

The total number of meetings is inclusive of the special meeting held between members of the Committee who are independent non-executive Directors of the Company and representatives of the external auditors, PricewaterhouseCoopers without the presence of any Executive Director.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR 2003

The Committee carried out its duties in accordance with its Terms of Reference.

The main activities carried out by the Committee were as follows:

- considered and approved the internal audit plan for the Company and the Group and authorised resources to address risk areas that have been identified;
- reviewed the internal audit reports for the Company and the Group;
- reviewed the external audit plan for the Company and the Group with the external auditors;
- reviewed the external audit reports for the Company and the Group with the external auditors;

- reviewed the quarterly and annual reports of the Company and the Group, focusing particularly on:
 - changes in or implementation of major accounting policy changes;
 - significant and unusual events; and
 - compliance with accounting standards and other legal requirements;
- reviewed related party transactions of the Company and the Group;
- reviewed the proposed audit fees for the external auditors in respect of their audit of the Group and of the Company for the financial year ended 31 December 2003;
- considered the reappointment of the external auditors for recommendation to the shareholders for their approval;
- reviewed the Financial Statements of the Group and of the Company for the financial year ended 31 December 2002; and
- reviewed the reports submitted by the Risk Assessment Committee.

INTERNAL AUDIT FUNCTION AND RISK MANAGEMENT PROCESS

The Group has an adequately resourced internal audit department to assist the Board in maintaining a sound system of internal control. The internal audit department reports to the Committee and is independent of the activities they audit. The primary role of the department is to undertake regular and systematic review of the systems of internal control so as to provide sufficient assurance that the Group has sound systems of internal control and that established policies and procedures are adhered to and continue to be effective and satisfactory.

As proper risk management is a significant component of a sound system of internal control, the Group has also put in place a risk management process to help the Board in identifying, evaluating and managing risks.

TERMS OF REFERENCE

The Committee is governed by the following terms of reference:

1. Composition

- The Committee shall be appointed by the Board from amongst the Directors excluding Alternate Directors; shall consist of not less than three members, a majority of whom are independent non-executive Directors; and at least one member of the audit committee:
 - must be a member of the Malaysian Institute of Accountants; or
 - if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

- (bb) 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.

The Chairman shall be an independent non-executive Director elected by the members of the Committee.

- (ii) In the event of any vacancy in the Committee resulting in the non-compliance of paragraph (i) above, the Board must fill the vacancy within 3 months.
- (iii) The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

2. Authority

The Committee is granted the authority to investigate any activity of the Company and its subsidiaries within its terms of reference, and all employees are directed to co-operate as requested by members of the Committee. The Committee is empowered to obtain independent professional or other advice and retain persons having special competence as necessary to assist the Committee in fulfilling its responsibility.

3. Responsibility

The Committee is to serve as a focal point for communication between non-Committee Directors, the external auditors, internal auditors and the Management on matters in connection with financial accounting, reporting and controls. The Committee is to assist the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and all subsidiaries and the sufficiency of auditing relative thereto. It is to be the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of the management and the adequacy of disclosures to shareholders.

If the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad) ["Bursa Malaysia"]'s Listing Requirements, the Committee shall promptly report such matter to Bursa Malaysia.

4. Functions

The functions of the Committee are as follows:

- i) review with the external auditors, their audit plan;
- ii) review with the external auditors, their evaluation of the system of internal accounting controls;
- iii) review with the external auditors, their audit report;
- iv) review the assistance given by the Company's officers to the external auditors;

- v) review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- vi) review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- vii) review the quarterly results and year end financial statements, prior to the approval by the Board, focusing particularly on:
 - (a) changes in or implementation of major accounting policy changes;
 - (b) significant and unusual events; and
 - (c) compliance with accounting standards and other legal requirements;
- viii) review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- ix) consider the nomination, appointment and re-appointment of external auditors; their audit fees; and any questions on resignation and dismissal.

5. Meetings

- i) The Committee is to meet at least four times a year and as many times as the Committee deems necessary.
- ii) In order to form a quorum for any meeting of the Committee, the majority of members present must be independent.
- iii) The meetings and proceedings of the Committee are governed by the provisions of the Articles of Association of the Company regulating the meetings and proceedings of the Board so far as the same are applicable.
- iv) The Chief Financial Officer and the head of internal audit shall normally attend meetings of the Committee. The presence of a representative of the external auditors will be requested, if required.
- v) Upon request by the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matters the external auditors believe should be brought to the attention of the Directors or Shareholders of the Company.
- vi) At least once a year, the Committee shall meet with the external auditors without the presence of any executive Director.

6. Secretary and Minutes

The Secretary of the Committee shall be the Company Secretary. Minutes of each meeting are to be prepared and sent to the Committee members, and the Company's Directors who are not members of the Committee.

statement on internal control

The Board's Responsibilities

In relation to internal control, pursuant to the requirements under the Malaysian Code on Corporate Governance for companies listed on the Bursa Malaysia Securities Berhad (formerly known as Malaysia Securities Exchange Berhad), the Board of Directors ("the Board") hereby confirms that a risk management process has been established for the Asiatic Group of Companies ("the Group") to:

- Identify principal risks and ensure implementation of appropriate control measures to manage the risks.
- Review the adequacy and integrity of the internal control system and management information systems and systems for compliance with applicable laws, regulations, rules, directives and guidelines.

It should be noted that an internal control system is designed to manage risks rather than eliminate them and can provide only reasonable but not absolute assurance against any material misstatement or loss.

The Board confirms that the risk management process is an ongoing process to identify, evaluate, and manage significant risks to effectively mitigate the risks that may impede the achievement of the Group's business and corporate objectives. The Board reviews the process on a regular basis to ensure proper management of risks and measures are taken to mitigate any weaknesses in the control environment.

The Risk Management Process

The Group has implemented the Control Self-Assessment ("CSA") to formalise the risk management process. With the CSA, departments/business areas of the Group are required to identify and evaluate controls within key functions/activities of their business processes. The risks to the Group's strategic objective are assessed at the holding company level.

The Group Risk Manager ("GRM") of the holding company, Genting Berhad in conjunction with the Risk Assessment Committee ("the Committee") facilitated the implementation of the CSA. The Board has delegated the detailed review of the system of internal control to this Committee whose members comprise the Chief Financial Officer ("CFO"), Heads of Divisions and Departments ("HODs") of the Company and the GRM.

The Committee meets on a regular basis to review the risk assessment documents of the Group and where applicable propose changes to the risk management and controls procedures/policies. The review also covers the status of action plans or measures taken or to be taken to address any weaknesses identified in the existing internal controls. The Committee presents to the Executive Committee on a quarterly basis, a report of the risk assessments on the Group's significant risks and the status of control measures being implemented or to be implemented to deal with the risks. The report will be reviewed by Audit Committee and presented to the Board. The Board on its part meets to review and deliberate on the risks and control issues being reported before approving the report.

The Internal Control Processes

The other key aspects of the internal control process are:

- The Board and the Audit Committee meet at least every quarter to discuss matters raised by Management on business and operational matters including potential risks and control issues.
- The Board has delegated the responsibilities to relevant committees established by the Board to implement and monitor the Board's policies on controls.
- Delegation of authority including authorization limits at various levels of Management and those requiring the Board's approval are documented and designed to ensure accountability and responsibility.
- Internal procedures and policies are clearly documented in manuals and reviewed and revised periodically to meet changing business, operational and statutory reporting needs.
- Performance and cash flow reports are provided to Management and the Executive Committee to review and monitor the financial performance and cash flow position.
- Business/operating units present their annual budget, which includes the financial and operating targets, capital expenditure proposals and performance indicators for approval by the Budget Committee and the Board.
- A half yearly review of the annual budget is undertaken to identify and where appropriate, to address significant variances from the said budget.

For the year under review, some weaknesses in internal control were identified but were deemed not significant to be mentioned in this statement as none had materially impacted the business or operations of the Group. Nevertheless, measures have been or are being taken to address these weaknesses.

The Group in issuing this statement had taken into consideration the state of internal control of Serian Palm Oil Mill Sdn Bhd, an associate company it manages, while that of Sri Gading Land Sdn Bhd and Asiatic Ceramics Sdn Bhd, two other associate companies deemed to be insignificant to the Group have been excluded.

The Internal Audit Function

The Internal Audit Department ("Internal Audit") is responsible for undertaking regular and systematic review of the internal controls to provide the Audit Committee and the Board with sufficient assurance that the systems of internal control are effective in addressing the risks identified.

On a quarterly basis, Internal Audit submits audit reports for review and approval by the Audit Committee. Included in the reports are recommended corrective measures on risks identified, if any, for implementation by Management.